

Audited Financial Information and  
Other Supplementary Material

Town of Old Orchard Beach, Maine

June 30, 2012



*Proven Expertise and Integrity*

TOWN OF OLD ORCHARD BEACH, MAINE

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JUNE 30, 2012

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#### FEDERAL COMPLIANCE

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## INDEPENDENT AUDITORS' REPORT

February 23, 2013

Town Council  
Town of Old Orchard Beach  
Old Orchard Beach, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Orchard Beach, Maine, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Old Orchard Beach, Maine as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2013, on our consideration of the Town of Old Orchard Beach, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

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financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Old Orchard Beach's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and tables are presented for purposed of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**(UNAUDITED)**

The following management's discussion and analysis of Town of Old Orchard Beach, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Old Orchard Beach's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Old Orchard Beach are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public works, sanitation, recreation culture and agencies, education, health and welfare, other.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Old Orchard Beach include the Ballpark fund.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Old Orchard Beach, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Old Orchard Beach can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds:* Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Old Orchard Beach presents two columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Nonmajor Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

*Proprietary Funds:* The Town of Old Orchard Beach maintains one proprietary fund, the Ballpark fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows – Proprietary Funds.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

## Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental funds are \$15.2 million compared to \$13.4 million in the prior year, an increase of \$1.8 million. For the business-type activities total net assets are \$285,474 as compared to \$304,312 in the prior year, a decrease of \$18,838.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$5.4 million at the end of this year for governmental activities and \$(21,237) for the business-type activities.

**Table 1**  
**Town of Old Orchard Beach, Maine**  
**Net Assets**  
**June 30,**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>				
Current and Other Assets	\$ 9,829,752	\$ 9,812,300	\$ (21,237)	\$ (21,237)
Capital Assets	17,638,087	17,272,361	306,711	325,549
Total Assets	<u>\$ 27,467,839</u>	<u>\$ 27,084,661</u>	<u>\$ 285,474</u>	<u>\$ 304,312</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 2,114,449	\$ 1,282,294	\$ -	\$ -
Long-Term Debt Outstanding	10,186,759	12,446,553	-	-
Total Liabilities	<u>\$ 12,301,208</u>	<u>\$ 13,728,847</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 7,519,123	\$ 8,052,820	\$ 306,711	\$ 325,549
Restricted	2,267,366	3,022,951	-	-
Unrestricted (deficit)	5,380,142	2,280,044	(21,237)	(21,237)
Total Net Assets	<u>\$ 15,166,631</u>	<u>\$ 13,355,815</u>	<u>\$ 285,474</u>	<u>\$ 304,312</u>

**Table 2**  
**Town of Old Orchard Beach, Maine**  
**Change in Net Assets**  
**For the Years Ended June 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 1,735,444	\$ 1,804,415	\$ -	\$ -
Operating grants and contributions	20,750	102,996	-	-
Capital grants and contributions	71,453	120,819	-	-
<i>General Revenues:</i>				
Taxes	21,529,588	21,362,582	-	-
Grants and contributions not restricted to specific programs	766,914	732,857	-	-
Investment income	7,097	20,662	-	-
Miscellaneous	494,765	261,670	-	-
Total Revenues	<u>24,626,011</u>	<u>24,406,001</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
General government	2,524,352	2,025,670	-	-
Public works	1,993,810	1,986,440	-	-
Sanitation	2,126,831	1,972,926	-	-
Public safety	5,070,251	4,752,353	-	-
Recreation, culture and agencies	996,348	776,253	-	-
Health and welfare	103,328	106,693	-	-
Education	8,451,151	9,399,388	-	-
County tax	801,847	777,785	-	-
Tax abatements/ overlay	18,980	81,483	-	-
Capital outlay	386,049	561,512	-	-
Interest on long-term debt	342,248	543,841	-	-
Enterprise funds	-	-	18,838	17,134
Total Expenses	<u>22,815,195</u>	<u>22,984,344</u>	<u>18,838</u>	<u>17,134</u>
Change in Net Assets	1,810,816	1,421,657	(18,838)	(17,134)
Net Assets - July 1	<u>13,355,815</u>	<u>11,934,158</u>	<u>304,312</u>	<u>321,446</u>
Net Assets - June 30	<u>\$ 15,166,631</u>	<u>\$ 13,355,815</u>	<u>\$ 285,474</u>	<u>\$ 304,312</u>

## Revenues and Expenses

Revenues for the Town's governmental activities increased by \$220,010, while total expenses decreased by \$169,149. The biggest decrease in expenses was in education while the biggest increase in revenues was in miscellaneous revenue.

Expenses for the Town's proprietary funds were the same, as the only items of expense were depreciation.

### Financial Analysis of the Town's Fund Statements

*Governmental funds:* The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

**Table 3**  
**Town of Old Orchard Beach, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<b>2012</b>	<b>2011</b>
Major Funds:		
General Fund:		
Nonspendable	\$ 20,272	\$ 45,443
Assigned	-	22,994
Unassigned	4,867,816	4,358,693
Total Major Funds	\$ 4,888,088	\$ 4,427,130
Nonmajor Funds:		
Capital project funds:		
Restricted	\$ 2,251,529	\$ 2,983,343
Assigned	805	805
Unassigned	(560,820)	(484,670)
Special revenue funds:		
Restricted	15,837	39,608
Committed	849,867	-
Assigned	-	522,796
Unassigned	-	(19,348)
Total Nonmajor Funds	\$ 2,557,218	\$ 3,042,534

The general fund total fund balance increased by \$460,958 from the prior fiscal year. The non-major fund balances decreased by \$485,316 from the prior fiscal year.

*Proprietary funds:* The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ballpark fund had an operating loss of \$18,838.

### **Budgetary Highlights**

There were significant differences between the original and final budget for the general fund. These differences were budget adjustments done by the Town for special town meetings or adjustments between departments as well as use of unassigned fund balances.

The general fund actual revenues exceeded the budget by \$484,240. This was a result of all revenues being receipted over budget with the exception of general tax revenue and interest earned.

The general fund actual expenditures were under the budget by \$1,411,802. The following expenditures were under budget which accounts for most of the balance:

Capital outlay	\$1,241,064
Sanitation	144,467

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2012, the net book value of capital assets recorded by the Town increased by \$346,890. The increase was caused by capital additions of \$1,587,309 primarily resulting from the construction projects less current year depreciation of \$1,240,419. Refer to Note 4 of Notes to Financial Statements for additional information.

**Table 4**  
**Town of Old Orchard Beach, Maine**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 942,115	\$ 960,953
Buildings and improvements	4,987,687	5,191,538
Machinery and equipment	1,488,725	1,279,024
Vehicles	1,374,001	1,732,283
Infrastructure	8,420,456	8,434,110
Construction in progress	731,814	-
<b>Total</b>	<u><u>\$ 17,944,798</u></u>	<u><u>\$ 17,597,908</u></u>

### **Debt**

At June 30, 2012, the Town had \$9.8 million in bonds outstanding versus \$11.6 million last year, a decrease of 15.21%. Other obligations include capital leases payable, accrued landfill costs, accrued vacation and sick time and accrued other post-employment benefits. Refer to Note 5 of Notes to Financial Statements for more detailed information.

### **Economic Factors and Next Year's Budgets and Rates**

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 questions about this report or need additional financial information, contact the Town Finance Department at 1 Portland Avenue, Old Orchard Beach, Maine 04064.

## TOWN OF OLD ORCHARD BEACH, MAINE

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,524,238	\$ -	\$ 4,524,238
Investments	3,293,491	-	3,293,491
Receivables (net of allowance for uncollectibles):			
Taxes	1,030,089	-	1,030,089
Accounts	202,975	-	202,975
Tax liens	737,450	-	737,450
Prepaid items	420	-	420
Inventory	19,852	-	19,852
Internal balances	21,237	(21,237)	-
Total current assets	<u>9,829,752</u>	<u>(21,237)</u>	<u>9,808,515</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	1,367,218	-	1,367,218
Buildings and vehicles net of accumulated depreciation	16,270,869	306,711	16,577,580
Total noncurrent assets	<u>17,638,087</u>	<u>306,711</u>	<u>17,944,798</u>
<b>TOTAL ASSETS</b>	<u>\$ 27,467,839</u>	<u>\$ 285,474</u>	<u>\$ 27,753,313</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 341,402	\$ -	\$ 341,402
Due to other governments	1,721	-	1,721
Accrued expenses	210,635	-	210,635
Prepaid taxes	30,550	-	30,550
Other liabilities	283,543	-	283,543
Current portion of long-term obligations	1,246,598	-	1,246,598
Total current liabilities	<u>2,114,449</u>	<u>-</u>	<u>2,114,449</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	8,688,200	-	8,688,200
Capital leases	184,166	-	184,166
Accrued landfill costs	96,000	-	96,000
Accrued compensated absences	991,166	-	991,166
Other postemployment benefits liability	227,227	-	227,227
Total noncurrent liabilities	<u>10,186,759</u>	<u>-</u>	<u>10,186,759</u>
<b>TOTAL LIABILITIES</b>	<u>12,301,208</u>	<u>-</u>	<u>12,301,208</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,519,123	306,711	7,825,834
Restricted	2,267,366	-	2,267,366
Unrestricted (deficit)	5,380,142	(21,237)	5,358,905
<b>TOTAL NET ASSETS</b>	<u>15,166,631</u>	<u>285,474</u>	<u>15,452,105</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 27,467,839</u>	<u>\$ 285,474</u>	<u>\$ 27,753,313</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Totals
Governmental activities:							
General government	\$ 2,524,352	\$ 410,993	\$ -	\$ -	\$ (2,113,359)	\$ -	\$ (2,113,359)
Public works	1,993,810	-	20,750	71,453	(1,901,607)	-	(1,901,607)
Sanitation	2,126,831	187,398	-	-	(1,939,433)	-	(1,939,433)
Public safety	5,070,251	444,055	-	-	(4,626,196)	-	(4,626,196)
Recreation, culture and agencies	996,348	692,998	-	-	(303,350)	-	(303,350)
Health and welfare	103,328	-	-	-	(103,328)	-	(103,328)
Education	8,451,151	-	-	-	(8,451,151)	-	(8,451,151)
County tax	801,847	-	-	-	(801,847)	-	(801,847)
Tax abatements/ overlay	18,980	-	-	-	(18,980)	-	(18,980)
Capital outlay	386,049	-	-	-	(386,049)	-	(386,049)
Interest on long-term debt	342,248	-	-	-	(342,248)	-	(342,248)
Total governmental activities	<u>22,815,195</u>	<u>1,735,444</u>	<u>20,750</u>	<u>71,453</u>	<u>(20,987,548)</u>	<u>-</u>	<u>(20,987,548)</u>
Business-type activities:							
Water department	18,838	-	-	-	-	(18,838)	(18,838)
Total business-type activities	<u>18,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,838)</u>	<u>(18,838)</u>
Total government	<u>\$ 22,834,033</u>	<u>\$ 1,735,444</u>	<u>\$ 20,750</u>	<u>\$ 71,453</u>	<u>(20,987,548)</u>	<u>(18,838)</u>	<u>(21,006,386)</u>

STATEMENT B (CONTINUED)  
TOWN OF OLD ORCHARD BEACH, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities	Business- type Activities	Total
Changes in net assets:			
Net (expense) revenue	(20,987,548)	(18,838)	(21,006,386)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	20,265,335	-	20,265,335
Excise taxes	1,264,253	-	1,264,253
Grants and contributions not restricted to specific programs	766,914	-	766,914
Investment income	7,097	-	7,097
Miscellaneous	494,765	-	494,765
Total general revenues	<u>22,798,364</u>	<u>-</u>	<u>22,798,364</u>
Change in net assets	1,810,816	(18,838)	1,791,978
NET ASSETS - JULY 1, 2011	<u>13,355,815</u>	<u>304,312</u>	<u>13,660,127</u>
NET ASSETS - JUNE 30, 2012	<u><u>\$ 15,166,631</u></u>	<u><u>\$ 285,474</u></u>	<u><u>\$ 15,452,105</u></u>

See accompanying independent auditor's report and notes to financial statements.

## STATEMENT C

TOWN OF OLD ORCHARD BEACH, MAINE  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,524,238	\$ -	\$ 4,524,238
Investments	3,293,491	-	3,293,491
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,030,089	-	1,030,089
Tax liens	737,450	-	737,450
Accounts receivable	50,765	152,210	202,975
Prepaid items	420	-	420
Inventory	19,852	-	19,852
Due from other funds	582,057	2,983,141	3,565,198
<b>TOTAL ASSETS</b>	<b><u>\$ 10,238,362</u></b>	<b><u>\$ 3,135,351</u></b>	<b><u>\$ 13,373,713</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 325,810	\$ 15,592	\$ 341,402
Accrued payroll and related liabilities	210,635	-	210,635
Due to other governments	-	1,721	1,721
Other liabilities	283,543	-	283,543
Due to other funds	2,983,141	560,820	3,543,961
Prepaid taxes	30,550	-	30,550
Deferred tax revenues	1,516,595	-	1,516,595
<b>TOTAL LIABILITIES</b>	<b><u>5,350,274</u></b>	<b><u>578,133</u></b>	<b><u>5,928,407</u></b>
<b>Fund Balances:</b>			
Nonspendable	20,272	-	20,272
Restricted	-	2,267,366	2,267,366
Committed	-	849,867	849,867
Assigned	-	805	805
Unassigned	4,867,816	(560,820)	4,306,996
<b>TOTAL FUND BALANCES</b>	<b><u>4,888,088</u></b>	<b><u>2,557,218</u></b>	<b><u>7,445,306</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 10,238,362</u></b>	<b><u>\$ 3,135,351</u></b>	<b><u>\$ 13,373,713</u></b>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 7,445,306
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	17,638,087
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	1,516,595
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(9,840,000)
Capital leases	(272,964)
Accrued landfill expenses	(102,000)
Accrued compensated absences	(991,166)
Other post employment benefits	<u>(227,227)</u>
Net assets of governmental activities	<u><u>\$ 15,166,631</u></u>

See accompanying independent auditor's report and 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, 2012

	General Fund	Nonmajor Funds	Totals Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 21,411,370	\$ -	\$ 21,411,370
Licenses and permits	959,908	-	959,908
Intergovernmental	846,777	12,340	859,117
Other charges for services	-	775,536	775,536
Investment income	7,097	-	7,097
Unclassified	471,893	22,872	494,765
<b>TOTAL REVENUES</b>	<b>23,697,045</b>	<b>810,748</b>	<b>24,507,793</b>
<b>EXPENDITURES</b>			
Current:			
General government	2,080,171	26,341	2,106,512
Public works	1,531,962	-	1,531,962
Sanitation	1,704,040	-	1,704,040
Public safety	4,781,266	5,059	4,786,325
Recreation, culture and agencies	750,599	245,749	996,348
Health and welfare	103,328	-	103,328
Education	8,451,151	-	8,451,151
County tax	801,847	-	801,847
Tax abatements/ overlay	18,980	-	18,980
Debt service:			
Principle	2,759,715	-	2,759,715
Interest	453,055	-	453,055
Capital outlay	968,066	805,822	1,773,888
<b>TOTAL EXPENDITURES</b>	<b>24,404,180</b>	<b>1,082,971</b>	<b>25,487,151</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(707,135)</b>	<b>(272,223)</b>	<b>(979,358)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt	955,000	-	955,000
Operating transfers in	248,000	66,407	314,407
Operating transfers (out)	(34,907)	(279,500)	(314,407)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,168,093</b>	<b>(213,093)</b>	<b>955,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>460,958</b>	<b>(485,316)</b>	<b>(24,358)</b>
<b>FUND BALANCES - JULY 1</b>	<b>4,427,130</b>	<b>3,042,534</b>	<b>7,469,664</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 4,888,088</b>	<b>\$ 2,557,218</b>	<b>\$ 7,445,306</b>

See accompanying independent auditor's report and 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, 2012

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (24,358)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,587,309
Depreciation expense	<u>(1,221,581)</u>
	<u>365,728</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>118,218</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>(1,207,547)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
	<u>2,812,792</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued landfill costs	6,000
Accrued interest	110,807
Accrued compensated absences	<u>(370,824)</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 1,810,816</u></u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE  
BALANCE SHEET – PROPRIETARY FUNDS  
JUNE 30, 2012

	Enterprise Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ -
Receivables (net of allowance for uncollectibles)	-
Total current assets	-
Noncurrent assets:	
Capital assets:	
Land and other non-depreciated assets	-
Land improvements	992,050
Machinery and equipment	1,200
Less: accumulated depreciation	(686,539)
Net capital assets	306,711
Total noncurrent assets	306,711
<b>TOTAL ASSETS</b>	<b>\$ 306,711</b>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Accounts payable	\$ -
Due to other funds	21,237
Total current liabilities	21,237
<b>TOTAL LIABILITIES</b>	<b>21,237</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	306,711
Unrestricted (deficit)	(21,237)
<b>TOTAL NET ASSETS</b>	<b>285,474</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 306,711</b>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Fund
OPERATING REVENUES	
Charges for services	\$ -
Other	-
TOTAL OPERATING REVENUES	<u>-</u>
OPERATING EXPENSES	
Depreciation	18,838
Other	-
TOTAL OPERATING EXPENSES	<u>18,838</u>
OPERATING INCOME (LOSS)	<u>(18,838)</u>
NON-OPERATING INCOME (EXPENSE)	
Investment income	-
Interest expense	-
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>-</u>
CHANGE IN NET ASSETS	(18,838)
NET ASSETS - JULY 1	<u>304,312</u>
NET ASSETS - JUNE 30	<u>\$ 285,474</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ -
Other receipts	-
Payments to employees	-
Payments to suppliers	-
Net cash provide (used) by operating activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments on bond payable	-
Payments for purchases of fixed assets	-
Principal payments on bond payable	-
Proceeds from new bond	-
Net cash provided (used) by financing activities	<u>-</u>
NET INCREASE (DECREASE) IN CASH	<u>-</u>
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss) and other financing	\$ (18,838)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	18,838
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	-
(Increase) in amortization	-
(Decrease) increase in deferred revenue	-
(Decrease) increase in accounts payable	-
(Decrease) increase in accrued interest	-
(Decrease) increase in other liabilities	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ -</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Town of Old Orchard Beach was incorporated under the laws of the State of Maine. The Town operates under council-manager form of government and provides the following services: general government services, town services and public safety, public works, health and welfare, community services, planning and development, insurance and employee benefits, waste management, education, and other.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

***Government – Wide and Fund Financial Statements***

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Ballpark fund is categorized as a business-type activity. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Town Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Town Council.
4. The Town does not adopt budgets for Special Revenue Funds.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Old Orchard Beach has no formal investment policy but instead follows the State of Maine Statutes. They are in the process of adopting a more detailed investment policy.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures when used. In the general fund, inventory consists of vehicle fuel and trash bags.

**Interfund Receivables and Payables**

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$ 0 in the Ballpark Fund as of June 30, 2012. The General fund accounts receivables have been deferred and hence do not have an allowance account.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable, landfill closure costs, compensated absences and other post-employment benefits costs.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2012, the Town's liability for compensated absences is \$991,166.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings and/or the Town Council are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

**Assigned** – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Town Council and/or management.

**Unassigned** – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is in the process of adopting a set of financial policies to guide the financial operation of the Town. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the current year was levied July 28, 2011 on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due in two installments on September 9, 2011 and March 9, 2012. Interest on unpaid taxes commenced on September 10, 2011 and March 10, 2012, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

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 \$102,217 for the year ended June 30, 2012.

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 tax liens and associated costs remain unpaid.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

**Operating/Non-operating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town utilizes encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - CASH AND INVESTMENTS

**Deposits:**

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2012, the Town's cash balance of \$4,524,238 was comprised of deposits amounting to \$4,862,551. Of this amount, none was exposed to custodial credit risk and was either insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Town's name.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 3,042,322
Investment sweep account	1,670,000
Money market accounts	150,229
	<u>\$ 4,862,551</u>

**Investments:**

Custodial credit risk for investments is 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. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2012, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>Over 5 Years</u>
Certificates of deposit	\$ 3,293,491	\$ -	\$ 3,293,491	\$ -	\$ -
	<u>\$ 3,293,491</u>	<u>\$ -</u>	<u>\$ 3,293,491</u>	<u>\$ -</u>	<u>\$ -</u>

The Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the Town's investments of \$3,293,491 were not exposed to custodial credit risk and were fully insured by federal depository insurance.

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a policy related to interest rate risk.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 582,057	\$ 2,983,141
Special revenue fund	717,705	-
Capital project fund	2,265,436	560,820
Ballpark fund	-	21,237
	<u>\$ 3,565,198</u>	<u>\$ 3,565,198</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2012:

	Balance 7/1/2011	Additions	Disposals/ Adjustments	Balance 6/30/2012
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 635,404	\$ -	\$ -	\$ 635,404
Construction in progress	-	731,814	-	731,814
	<u>635,404</u>	<u>731,814</u>	<u>-</u>	<u>1,367,218</u>
Depreciated assets:				
Buildings	8,114,059	-	-	8,114,059
Machinery & equipment	3,574,141	375,771	-	3,949,912
Vehicles	5,057,577	-	-	5,057,577
Infrastructure	21,043,541	479,724	-	21,523,265
	37,789,318	855,495	-	38,644,813
Less: accumulated depreciation	(21,152,363)	(1,221,581)	-	(22,373,944)
	<u>16,636,955</u>	<u>(366,086)</u>	<u>-</u>	<u>16,270,869</u>
Net capital assets	<u>\$ 17,272,359</u>	<u>\$ 365,728</u>	<u>\$ -</u>	<u>\$ 17,638,087</u>

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance 7/1/2011	Additions	Disposals/ Adjustments	Balance 6/30/2012
<u>Business-type activities:</u>				
Non-depreciated assets:				
Land	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciated assets:				
Land improvements	992,050	-	-	992,050
Machinery & equipment	1,200	-	-	1,200
	<u>993,250</u>	<u>-</u>	<u>-</u>	<u>993,250</u>
Less: accumulated depreciation	(667,701)	(18,838)	-	(686,539)
	<u>325,549</u>	<u>(18,838)</u>	<u>-</u>	<u>306,711</u>
Net capital assets	<u>\$ 325,549</u>	<u>\$ (18,838)</u>	<u>\$ -</u>	<u>\$ 306,711</u>
 <u>Current year depreciation:</u>				
Town Hall				\$ 47,016
Public safety				283,926
Public works				461,848
Transfer station				3,807
Comfort station				3,514
Treatment plant				421,470
				<u>1,221,581</u>
Ballpark				<u>18,838</u>
Total depreciation expenses				<u>\$ 1,240,419</u>

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2012:

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12	Due Within One Year
Governmental activities:					
Bonds payable	\$ 11,605,000	\$ 955,000	\$ (2,720,000)	\$ 9,840,000	\$ 1,151,800
Capital leases	113,211	252,545	(92,792)	272,964	88,798
Accrued landfill closure	108,000	-	(6,000)	102,000	6,000
Accrued compensated absences	620,342	370,824	-	991,166	-
Other post-employment benefits	227,227	-	-	227,227	-
Total governmental activities	<u>\$ 12,673,780</u>	<u>\$ 1,578,369</u>	<u>\$ (2,818,792)</u>	<u>\$ 11,433,357</u>	<u>\$ 1,246,598</u>

Payments under landfill closure costs have been made by the general fund. Accrued compensated absences typically have been liquidated in the general and other governmental funds.

The following is a summary of outstanding governmental funds bonds payable:

Bonds Payable:	<u>Governmental Activities</u>
\$7,520,000, 2003 General Obligation Bond financed with Maine Municipal Bond Bank, due in varying annual principal installments. Interest varies from 3.00% to 3.75%. Maturity in November, 2014.	\$ 2,005,000
\$4,100,000, 2009 General Obligation Bond financed with Maine Municipal Bond Bank, due in varying annual principal installments. Interest varies from 2.165% to 5.575%. Maturity in November, 2028.	3,485,000
\$1,200,000, 2009 Sewer Revolving Loan Fund financed with Maine Municipal Bond Bank, due in annual principal installments of \$60,000. Interest is stated at 1.320% per annum. Maturity in November, 2028.	1,020,000

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

\$1,625,000, 2010 General Obligation Bond financed with Maine Municipal Bond Bank, due in annual principal installments of \$125,000. Interest varies from 4.470% to 5.750%. Maturity in November, 2030.	1,625,000
\$875,000, 2010 General Obligation Bond Fund financed with Maine Municipal Bond Bank, due in annual principal installments of \$125,000. Interest is stated at 2.060% to 5.560%. Maturity in November, 2017.	750,000
\$955,000, 2011 General Obligation Bond Fund financed with Maine Municipal Bond Bank, due in varying annual principal installments. Interest is stated at 0.501% to 3.400%. Maturity in November, 2018.	955,000
Total Bonds Payable	<u><u>\$ 9,840,000</u></u>

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

	Governmental Activities		
	Principal	Interest	Total Debt Service
2013	\$ 1,151,800	\$ 348,849	\$ 1,500,649
2014	618,040	316,882	934,922
2015	627,280	295,533	922,813
2016	636,330	271,698	908,028
2017	643,590	248,478	892,068
2018-2022	3,127,960	918,575	4,046,535
2023-2027	2,135,000	375,188	2,510,188
2028-2032	900,000	54,823	954,823
	<u><u>\$ 9,840,000</u></u>	<u><u>\$ 2,830,026</u></u>	<u><u>\$ 12,670,026</u></u>

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding governmental capital leases payable:

Capital Leases Payable:

The Town leases copiers under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2012. Annual payments are \$10,522.	\$ 10,163
The Town leases a Camel Vac-Truck under a non-cancelable lease agreement. The term of the lease is for a seven year period expiring in September of 2013. Annual payments are \$34,399.	63,800
The Town leases public works equipment under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in February of 2016. Annual payments are \$28,674.	106,461
The Town leases a John Deere excavator under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in September of 2015. Annual payments are \$24,872.	92,539
<b>Total Capital Lease Payable</b>	<u><u>\$ 272,964</u></u>

The following is a summary of outstanding capital lease requirements for the following fiscal years ending June 30:

2013	\$ 98,467
2014	87,945
2015	53,545
2016	53,545
2017	-
2018-2021	-
Total minimum lease payments	<u>293,502</u>
Less: Amount representing interest	<u>(20,538)</u>
Present value of future minimum lease payments	<u><u>\$ 272,964</u></u>

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 – LONG TERM DEBT (CONTINUED)

All bonds payable and capital leases payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 6 – OVERLAPPING DEBT

The Town is responsible for its proportionate share of debt for the County and School District it belongs to. As of June 30, 2012, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
RSU #23	\$ 3,572,802	28.91%	\$ 1,032,897
County of York	9,900,000	4.99%	494,010
			<u>\$ 1,526,907</u>

NOTE 7 – NONSPENDABLE FUND BALANCES

The Town has the following nonspendable fund balances at June 30, 2012:

Prepaid items	\$ 420
Inventory	<u>19,852</u>
	<u>\$ 20,272</u>

NOTE 8 – RESTRICTED FUND BALANCES

The Town has the following restricted fund balances at June 30, 2012:

Nonmajor special revenue funds	\$ 15,837
Nonmajor capital projects funds	<u>2,251,529</u>
	<u>\$ 2,267,366</u>

NOTE 9 – COMMITTED FUND BALANCES

The Town has the following committed fund balances at June 30, 2012:

Nonmajor capital project funds	<u>\$ 849,867</u>
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TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 10 – ASSIGNED FUND BALANCES

The Town has the following assigned fund balances at June 30, 2012:

Nonmajor capital projects funds	<u>\$ 805</u>
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NOTE 11 – DEFICIT FUND BALANCES

At June 30, 2012, the Town had the following deficit fund balances / net assets:

Non-major funds:

Capital projects funds:

Ocean / Seaview Sewer	\$ 519,505
West Grand Pump Station	<u>41,315</u>
	<u>\$ 560,820</u>

NOTE 12 – 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, participates in a public entity risk pool, or is effectively self-insured. Currently the Town participates in a public-entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the pools described above, 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, 2012.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 13 – DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333 or by calling (800) 451-9800.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLD's Consolidated Board of Trustees. The Town's police department employees hired before October 12, 1992 are part of the PLD's special plan "1C" and are required to contribute 6.5% of their annual salary, police department employees hired on or after October 12, 1992 are part of the PLD's special plan "3C" and are required to contribute 8.0% of their annual salary, fire department employees are part of the PLD's special plan "2C" and are required to contribute 6.5% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute 6.5% of their annual salary. The Town is required to contribute 10.2% of special plan "1C" members' covered payroll, 8.3% of special plan "3C" members' covered payroll, 6.3% of special plan "2C" members' covered payroll and 4.4% of the plan "AC" members' covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost. The Town's contributions for all plans for the years ended June 30, 2012, 2011 and 2010 were: \$137,271, \$165,041 and \$129,616, respectively.

As of June 30, 2011, the Town had an unpooled unfunded actuarial liability credit of \$392,930, computed using the actuarial method used for funding purposes. (The amount of the unfunded actuarial accrued liability credit as of June 30, 2012 is not currently available.) This credit is being used to reduce future contributions and is being amortized over a closed period of 7 years from July 1, 2011.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

During the year ended June 30, 2012, the Town withdrew its IUAL of \$389,060, the value at the time of withdrawal. It has been recorded as unclassified revenue in the general fund.

NOTE 14 – DEFERRED COMPENSATION PLAN

The Town offers all its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits 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.

NOTE 15 - EXPENDITURES OVER APPROPRIATIONS

The following warrant article lines were exceeded by actual expenditures:

Public safety	\$	65,667
Recreation, culture and agencies		32,819
Principle		324
Interest		18,348
Total	\$	<u>117,158</u>

NOTE 16 – LANDFILL CLOSURE AND POSTCARE 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 post-closure care costs on all three landfills. The estimated remaining post-closure care costs at June 30, 2012 are \$102,000, which would include two mowings of each site during the year and well monitoring. The 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 post-closure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

TOWN OF OLD ORCHARD BEACH, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 17 – CONTINGENCIES

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

### Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual General Fund

TOWN OF OLD ORCHARD BEACH, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,427,130	\$ 4,427,130	\$ 4,427,130	\$ -
Resources (Inflows):				
Taxes	21,633,195	21,591,287	21,411,370	(179,917)
Licenses and permits	741,600	741,600	959,908	218,308
Intergovernmental	833,000	834,918	846,777	11,859
Unclassified	20,000	20,000	471,893	451,893
Interest earned	25,000	25,000	7,097	(17,903)
Proceeds from debt	-	955,000	955,000	-
Operating transfers in	248,000	248,000	248,000	-
Amounts Available for Appropriation	<u>27,927,925</u>	<u>28,842,935</u>	<u>29,327,175</u>	<u>484,240</u>
Charges to Appropriations (Outflows):				
General government	2,082,575	2,093,575	2,080,171	13,404
Public works	1,572,532	1,577,773	1,531,962	45,811
Sanitation	1,847,300	1,848,507	1,704,040	144,467
Public safety	4,713,007	4,715,599	4,781,266	(65,667)
Recreation, culture and agencies	706,830	717,780	750,599	(32,819)
Health and welfare	104,305	104,305	103,328	977
Education	8,451,151	8,451,151	8,451,151	-
County tax	801,847	801,847	801,847	-
Tax abatements/ overlay	102,217	102,217	18,980	83,237
Debt service:				
Principle	1,804,391	2,759,391	2,759,715	(324)
Interest	434,707	434,707	453,055	(18,348)
Capital outlay	1,372,150	2,209,130	968,066	1,241,064
Operating transfers out	-	34,907	34,907	-
Total Charges to Appropriations	<u>23,993,012</u>	<u>25,850,889</u>	<u>24,439,087</u>	<u>1,411,802</u>
Budgetary Fund Balance, June 30	<u>\$ 3,934,913</u>	<u>\$ 2,992,046</u>	<u>\$ 4,888,088</u>	<u>\$ 1,896,042</u>
Utilization of assigned fund balance	\$ -	\$ -	\$ -	\$ -
Utilization of unassigned fund balance	492,217	1,435,084	-	(1,435,084)
	<u>\$ 492,217</u>	<u>\$ 1,435,084</u>	<u>\$ -</u>	<u>\$ (1,435,084)</u>

See accompanying independent auditor's report and notes to financial statements.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Revenues - Budget and Actual – General Fund
- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet – Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## TOWN OF OLD ORCHARD BEACH, MAINE

SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>					
General tax revenues:					
Property taxes	\$ 19,987,195	\$ (41,908)	\$ 19,945,287	\$ 19,855,105	\$ (90,182)
Excise taxes	1,300,000	-	1,300,000	1,260,054	(39,946)
Franchise taxes	220,000	-	220,000	153,653	(66,347)
Interest and penalties	100,000	-	100,000	111,218	11,218
Payments in lieu of	26,000	-	26,000	27,141	1,141
Other	-	-	-	4,199	4,199
Intergovernmental revenues:					
Municipal revenue sharing	599,000	-	599,000	615,957	16,957
Homestead exemption	126,000	1,907	127,907	102,155	(25,752)
DOT block grant	75,000	-	75,000	71,453	(3,547)
BETE reimbursement	-	11	11	-	(11)
Health / welfare intergovernmental	23,000	-	23,000	27,264	4,264
Other DOT	-	-	-	20,750	20,750
Other intergovernmental	10,000	-	10,000	9,198	(802)
Licenses, permits and fees:					
Parking meters and fines	245,000	-	245,000	310,776	65,776
Parking fees	100,000	-	100,000	122,806	22,806
Business licenses	120,000	-	120,000	154,042	34,042
Building, plumbing, electrical permits	71,000	-	71,000	184,301	113,301
Town agent fees	30,000	-	30,000	28,677	(1,323)
Sewer impact fees	31,500	-	31,500	31,500	-
Tipping fee	50,000	-	50,000	64,664	14,664
Trash bag sales	50,000	-	50,000	19,169	(30,831)
Other licenses, permits and fees	44,100	-	44,100	43,973	(127)
Investment income:					
Investment income	25,000	-	25,000	7,097	(17,903)
Unclassified:					
Refunds / reimbursements	-	-	-	413,464	413,464
Other revenue	20,000	-	20,000	58,429	38,429
Proceeds from debt	-	955,000	955,000	955,000	-
Transfers from other funds					
Special revenue funds	248,000	-	248,000	248,000	-
Use of fund balance	390,000	884,965	1,274,965	-	(1,274,965)
<b>Total revenues</b>	<u>\$ 23,890,795</u>	<u>\$ 1,799,975</u>	<u>\$ 25,690,770</u>	<u>\$ 24,900,045</u>	<u>\$ (790,725)</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>General government</b>					
Town council	\$ 42,665	\$ -	\$ 42,665	\$ 46,281	\$ (3,616)
Administration	263,351	-	263,351	309,976	(46,625)
Legal services	100,000	-	100,000	131,298	(31,298)
Tax collector	80,920	-	80,920	84,912	(3,992)
Finance director/treasurer	163,308	-	163,308	213,398	(50,090)
Assessor	160,209	-	160,209	154,624	5,585
Town clerk	162,630	6,000	168,630	161,449	7,181
Elections	14,750	-	14,750	18,493	(3,743)
Planning	100,287	-	100,287	113,908	(13,621)
Code enforcement	194,650	-	194,650	182,239	12,411
Building maintenance	114,490	-	114,490	113,520	970
Planning, zoning, registration boards	7,645	-	7,645	5,448	2,197
Contingency	106,000	-	106,000	-	106,000
Insurances	385,600	-	385,600	383,711	1,889
Information technology	176,070	5,000	181,070	149,745	31,325
Other	10,000	-	10,000	11,169	(1,169)
	<u>2,082,575</u>	<u>11,000</u>	<u>2,093,575</u>	<u>2,080,171</u>	<u>13,404</u>
<b>Public works</b>					
General	1,572,532	5,241	1,577,773	1,531,962	45,811
	<u>1,572,532</u>	<u>5,241</u>	<u>1,577,773</u>	<u>1,531,962</u>	<u>45,811</u>
<b>Sanitation</b>					
Treatment plant	1,102,300	1,207	1,103,507	981,794	121,713
Solid waste	745,000	-	745,000	722,246	22,754
	<u>1,847,300</u>	<u>1,207</u>	<u>1,848,507</u>	<u>1,704,040</u>	<u>144,467</u>

TOWN OF OLD ORCHARD BEACH, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>Public safety</b>					
Police department	\$ 2,158,316	\$ 342	\$ 2,158,658	\$ 2,259,168	\$ (100,510)
New police building	80,000	-	80,000	55,514	24,486
Parking enforcement	78,000	2,150	80,150	71,006	9,144
Communication center	315,000	-	315,000	311,612	3,388
Emergency management	1,215	-	1,215	-	1,215
Animal control	18,115	-	18,115	22,471	(4,356)
Public safety complex	72,660	-	72,660	52,537	20,123
Lifeguards	132,800	100	132,900	132,224	676
Fire / rescue department	1,501,901	-	1,501,901	1,556,948	(55,047)
Hydrants	137,000	-	137,000	126,724	10,276
Street and traffic lights	218,000	-	218,000	193,062	24,938
	<u>4,713,007</u>	<u>2,592</u>	<u>4,715,599</u>	<u>4,781,266</u>	<u>(65,667)</u>
<b>Recreation, culture and agencies</b>					
Recreation	278,640	-	278,640	327,045	(48,405)
Conservation commission	2,900	950	3,850	3,498	352
Provider agencies	28,825	10,000	38,825	42,925	(4,100)
Memorial library	225,880	-	225,880	210,780	15,100
Historical society	17,235	-	17,235	15,246	1,989
Transit committee subsidy	115,000	-	115,000	115,000	-
Parks maintenance expense	38,350	-	38,350	31,155	7,195
Downtown / beach cleanup	-	-	-	4,056	(4,056)
Memorial park lot expense	-	-	-	894	(894)
	<u>706,830</u>	<u>10,950</u>	<u>717,780</u>	<u>750,599</u>	<u>(32,819)</u>
<b>Health and welfare</b>					
General assistance	104,305	-	104,305	103,328	977
	<u>104,305</u>	<u>-</u>	<u>104,305</u>	<u>103,328</u>	<u>977</u>

TOWN OF OLD ORCHARD BEACH, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>Education</b>	8,451,151	-	8,451,151	8,451,151	-
<b>County tax</b>	801,847	-	801,847	801,847	-
<b>Tax abatements / overlay</b>	102,217	-	102,217	18,980	83,237
<b>Debt service</b>					
Principal	1,804,391	955,000	2,759,391	2,759,715	(324)
Interest	434,707	-	434,707	453,055	(18,348)
	2,239,098	955,000	3,194,098	3,212,770	(18,672)
<b>Capital outlay</b>					
General government	267,500	146,255	413,755	233,515	180,240
Public safety	89,800	13,005	102,805	104,197	(1,392)
Public works	749,850	421,720	1,171,570	524,925	646,645
Sanitation	250,000	256,000	506,000	105,429	400,571
Agencies / recreation	15,000	-	15,000	-	15,000
	1,372,150	836,980	2,209,130	968,066	1,241,064
<b>Operating transfers out</b>					
Special revenue	-	34,907	34,907	34,907	-
Capital projects	-	-	-	-	-
	-	34,907	34,907	34,907	-
<b>Total</b>	<u>\$ 23,993,012</u>	<u>\$ 1,857,877</u>	<u>\$ 25,850,889</u>	<u>\$ 24,439,087</u>	<u>\$ 1,411,802</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Accounts receivable	152,210	-	152,210
Due from other funds	717,705	2,265,436	2,983,141
Total assets	<u>\$ 869,915</u>	<u>\$ 2,265,436</u>	<u>\$ 3,135,351</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 4,211	\$ 11,381	\$ 15,592
Due to other governments	-	1,721	1,721
Due to other funds	-	560,820	560,820
Total liabilities	<u>4,211</u>	<u>573,922</u>	<u>578,133</u>
<b>FUND BALANCES</b>			
Restricted	15,837	2,251,529	2,267,366
Committed	849,867	-	849,867
Assigned	-	805	805
Unassigned	-	(560,820)	(560,820)
Total fund balances	<u>865,704</u>	<u>1,691,514</u>	<u>2,557,218</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 869,915</u>	<u>\$ 2,265,436</u>	<u>\$ 3,135,351</u>

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenue	\$ 12,340	\$ -	\$ 12,340
Charges for services	775,536	-	775,536
Other income	22,872	-	22,872
<b>TOTAL REVENUES</b>	<b>810,748</b>	<b>-</b>	<b>810,748</b>
<b>EXPENDITURES</b>			
Administration	26,341	-	26,341
Public safety	2,917	2,142	5,059
Recreation, culture and agencies	245,749	-	245,749
Capital outlay	-	805,822	805,822
<b>TOTAL EXPENDITURES</b>	<b>275,007</b>	<b>807,964</b>	<b>1,082,971</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>535,741</b>	<b>(807,964)</b>	<b>(272,223)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	66,407	-	66,407
Operating Transfers (Out)	(279,500)	-	(279,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(213,093)</b>	<b>-</b>	<b>(213,093)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>322,648</b>	<b>(807,964)</b>	<b>(485,316)</b>
<b>FUND BALANCES, JULY 1</b>	<b>543,056</b>	<b>2,499,478</b>	<b>3,042,534</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 865,704</b>	<b>\$ 1,691,514</b>	<b>\$ 2,557,218</b>

See accompanying independent auditor's report and notes to financial statements.

## Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2012

	<u>Rescue Fees</u>	<u>Recreation Programs</u>	<u>Special Dog</u>	<u>Police Grants</u>	<u>Sewer Special Revenue</u>	<u>Smithwheel Impact Fees</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	152,210	-	-	-	-	-
Due from other funds	<u>258,610</u>	<u>66,921</u>	<u>7,866</u>	<u>9,143</u>	<u>326,578</u>	<u>527</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 410,820</u></b>	<b><u>\$ 66,921</u></b>	<b><u>\$ 7,866</u></b>	<b><u>\$ 9,143</u></b>	<b><u>\$ 326,578</u></b>	<b><u>\$ 527</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 70	\$ 223	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>70</u></b>	<b><u>223</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>						
Restricted	-	-	-	9,143	-	527
Committed	410,820	66,851	7,643	-	326,578	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<b><u>410,820</u></b>	<b><u>66,851</u></b>	<b><u>7,643</u></b>	<b><u>9,143</u></b>	<b><u>326,578</u></b>	<b><u>527</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 410,820</u></b>	<b><u>\$ 66,921</u></b>	<b><u>\$ 7,866</u></b>	<b><u>\$ 9,143</u></b>	<b><u>\$ 326,578</u></b>	<b><u>\$ 527</u></b>

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2012

	Conservation Tree Grant	Memorial Park Improvements	CDBG Business Façade Grant	Ballpark Restoration	Memorial Day Parade
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other funds	6,023	1,359	184	32,664	6,866
<b>TOTAL ASSETS</b>	<u>\$ 6,023</u>	<u>\$ 1,359</u>	<u>\$ 184</u>	<u>\$ 32,664</u>	<u>\$ 6,866</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 40	\$ -	\$ -	\$ 3,804	\$ -
Due to other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>40</u>	<u>-</u>	<u>-</u>	<u>3,804</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	5,983	-	184	-	-
Committed	-	1,359	-	28,860	6,866
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>5,983</u>	<u>1,359</u>	<u>184</u>	<u>28,860</u>	<u>6,866</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,023</u>	<u>\$ 1,359</u>	<u>\$ 184</u>	<u>\$ 32,664</u>	<u>\$ 6,866</u>

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2012

	<u>Community Services</u>	<u>Totals</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Investments	-	-
Receivables (net of allowance for uncollectibles)	-	152,210
Due from other funds	964	717,705
<b>TOTAL ASSETS</b>	<u>\$ 964</u>	<u>\$ 869,915</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 74	\$ 4,211
Due to other funds	-	-
<b>TOTAL LIABILITIES</b>	<u>74</u>	<u>4,211</u>
 <b>FUND BALANCES</b>		
Restricted	-	15,837
Committed	890	849,867
Unassigned	-	-
<b>TOTAL FUND BALANCES</b>	<u>890</u>	<u>865,704</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u>\$ 964</u>	 <u>\$ 869,915</u>

See accompanying independent auditor’s report and notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Rescue Fees	Recreation Programs	Special Dog	Police Grants	Sewer Special Revenue	Smithwheel Impact Fees
REVENUES						
Intergovernmental revenue	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ -
Charges for services	444,055	188,360	3,888	-	72,065	-
Other income	11,058	3,141	-	3,393	-	-
Total revenue	<u>455,113</u>	<u>199,501</u>	<u>3,888</u>	<u>3,393</u>	<u>72,065</u>	<u>-</u>
EXPENDITURES						
Current:						
Administration	-	-	-	-	-	25,611
Public safety	2,917	-	-	-	-	-
Public works	-	-	-	-	-	-
Recreation, culture and agencies	-	158,865	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>2,917</u>	<u>158,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,611</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>452,196</u>	<u>40,636</u>	<u>3,888</u>	<u>3,393</u>	<u>72,065</u>	<u>(25,611)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	41,407	-	-	-	-
Operating Transfers (Out)	<u>(245,000)</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>(31,500)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(245,000)</u>	<u>41,407</u>	<u>(3,000)</u>	<u>-</u>	<u>(31,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	207,196	82,043	888	3,393	40,565	(25,611)
FUND BALANCES, JULY 1	<u>203,624</u>	<u>(15,192)</u>	<u>6,755</u>	<u>5,750</u>	<u>286,013</u>	<u>26,138</u>
FUND BALANCES, JUNE 30	<u>\$ 410,820</u>	<u>\$ 66,851</u>	<u>\$ 7,643</u>	<u>\$ 9,143</u>	<u>\$ 326,578</u>	<u>\$ 527</u>

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Conservation Tree Grant	Memorial Park Improvements	CDBG Business Façade Grant	Ballpark Restoration	Memorial Day Parade
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ 4,340	\$ -	\$ -
Charges for services	2,700	-	-	63,293	-
Other income	-	147	-	3,133	2,000
Total revenue	<u>2,700</u>	<u>147</u>	<u>4,340</u>	<u>66,426</u>	<u>2,000</u>
EXPENDITURES					
Current:					
Administration	-	730	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Recreation, culture and agencies	-	-	-	84,191	2,142
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>730</u>	<u>-</u>	<u>84,191</u>	<u>2,142</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,700</u>	<u>(583)</u>	<u>4,340</u>	<u>(17,765)</u>	<u>(142)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	25,000	-
Operating Transfers (Out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,700	(583)	4,340	7,235	(142)
FUND BALANCES, JULY 1	<u>3,283</u>	<u>1,942</u>	<u>(4,156)</u>	<u>21,625</u>	<u>7,008</u>
FUND BALANCES, JUNE 30	<u>\$ 5,983</u>	<u>\$ 1,359</u>	<u>\$ 184</u>	<u>\$ 28,860</u>	<u>\$ 6,866</u>

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Community Garden	Totals
REVENUES		
Intergovernmental revenue	\$ -	\$ 12,340
Charges for services	1,175	775,536
Other income	-	22,872
Total revenue	<u>1,175</u>	<u>810,748</u>
EXPENDITURES		
Current:		
Administration	-	26,341
Public safety	-	2,917
Recreation, culture and agencies	551	245,749
Capital outlay	-	-
Total expenditures	<u>551</u>	<u>275,007</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>624</u>	<u>535,741</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	-	66,407
Operating Transfers (Out)	-	(279,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(213,093)</u>
NET CHANGE IN FUND BALANCES	624	322,648
FUND BALANCES, JULY 1	<u>266</u>	<u>543,056</u>
FUND BALANCES, JUNE 30	<u>\$ 890</u>	<u>\$ 865,704</u>

See accompanying independent auditor's report and notes to financial statements.

## Capital Project Funds

Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust fund.

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2012

	<u>Landfill Closure</u>	<u>New Police Station</u>	<u>West Grand Stormwater</u>	<u>Summit Street Sewer</u>	<u>Ross Road Culvert</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from other funds	2,526	270,871	1,245,338	571,828	81,526
<b>TOTAL ASSETS</b>	<u><u>\$ 2,526</u></u>	<u><u>\$ 270,871</u></u>	<u><u>\$ 1,245,338</u></u>	<u><u>\$ 571,828</u></u>	<u><u>\$ 81,526</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 11,381	\$ -	\$ -
Due to other governments	1,721	-	-	-	-
Due to other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>1,721</u>	<u>-</u>	<u>11,381</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	-	270,871	1,233,957	571,828	81,526
Assigned	805	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>805</u>	<u>270,871</u>	<u>1,233,957</u>	<u>571,828</u>	<u>81,526</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,526</u></u>	<u><u>\$ 270,871</u></u>	<u><u>\$ 1,245,338</u></u>	<u><u>\$ 571,828</u></u>	<u><u>\$ 81,526</u></u>

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2012

	Ocean / Seaview Sewer	Halfway Roundabout	West Grand Pump Station	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from other funds	-	93,347	-	2,265,436
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 93,347</u>	<u>\$ -</u>	<u>\$ 2,265,436</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 11,381
Due to other governments	-	-	-	1,721
Due to other funds	519,505	-	41,315	560,820
<b>TOTAL LIABILITIES</b>	<u>519,505</u>	<u>-</u>	<u>41,315</u>	<u>573,922</u>
<b>FUND BALANCES</b>				
Restricted	-	93,347	-	2,251,529
Assigned	-	-	-	805
Unassigned	(519,505)	-	(41,315)	(560,820)
<b>TOTAL FUND BALANCES</b>	<u>(519,505)</u>	<u>93,347</u>	<u>(41,315)</u>	<u>1,691,514</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 93,347</u>	<u>\$ -</u>	<u>\$ 2,265,436</u>

See accompanying independent auditor's report and notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Landfill Closure	New Police Station	West Grand Stormwater	Summit Street Sewer	Ross Road Culvert
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Other income	-	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Current:					
Administration	-	-	-	-	-
Public safety	-	2,142	-	-	-
Capital outlay	-	-	549,730	179,942	-
Total expenditures	<u>-</u>	<u>2,142</u>	<u>549,730</u>	<u>179,942</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(2,142)</u>	<u>(549,730)</u>	<u>(179,942)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(2,142)	(549,730)	(179,942)	-
FUND BALANCE, JULY 1	<u>805</u>	<u>273,013</u>	<u>1,783,687</u>	<u>751,770</u>	<u>81,526</u>
FUND BALANCE, JUNE 30	<u>\$ 805</u>	<u>\$ 270,871</u>	<u>\$ 1,233,957</u>	<u>\$ 571,828</u>	<u>\$ 81,526</u>

TOWN OF OLD ORCHARD BEACH, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Ocean / Seaview Sewer	Halfway Roundabout	West Grand Pump Station	Totals
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Other income	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Administration	-	-	-	-
Public safety	-	-	-	2,142
Capital outlay	34,835	-	41,315	805,822
Total expenditures	<u>34,835</u>	<u>-</u>	<u>41,315</u>	<u>807,964</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,835)</u>	<u>-</u>	<u>(41,315)</u>	<u>(807,964)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(34,835)	-	(41,315)	(807,964)
FUND BALANCE, JULY 1	<u>(484,670)</u>	<u>93,347</u>	<u>-</u>	<u>2,499,478</u>
FUND BALANCE, JUNE 30	<u>\$ (519,505)</u>	<u>\$ 93,347</u>	<u>\$ (41,315)</u>	<u>\$ 1,691,514</u>

See accompanying independent auditor's report and notes to financial statements.

## General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

TOWN OF OLD ORCHARD BEACH, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2012

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Town Hall	\$ 183,611	\$ 828,312	\$ 392,531	\$ -	\$ 1,404,454
Public safety	65,869	2,602,484	3,220,604	-	5,888,957
Public works	62,217	1,249,883	2,950,267	14,545,781	18,808,148
Transfer station	152,275	152,274	-	-	304,549
Comfort station	26,708	140,569	-	-	167,277
Animal control	-	826	-	-	826
Train platform	-	306,853	-	-	306,853
Tidal gates	-	54,394	-	-	54,394
Ballpark	-	992,050	1,200	-	993,250
Treatment plant	876,538	2,778,464	2,444,087	6,977,484	13,076,573
Total General Capital Assets	1,367,218	9,106,109	9,008,689	21,523,265	41,005,281
Less: Accumulated Depreciation	-	(3,811,714)	(6,145,965)	(13,102,804)	(23,060,483)
Net General Capital Assets	\$ 1,367,218	\$ 5,294,395	\$ 2,862,724	\$ 8,420,461	\$ 17,944,798

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2012

	General Capital Assets 7/1/11	Additions	Deletions	General Capital Assets 6/30/12
Town Hall	\$ 1,404,454	\$ -	\$ -	\$ 1,404,454
Public safety	5,830,394	58,563	-	5,888,957
Public works	18,085,224	722,924	-	18,808,148
Transfer station	304,549	-	-	304,549
Comfort station	167,277	-	-	167,277
Animal control	826	-	-	826
Train platform	306,853	-	-	306,853
Tidal gates	54,394	-	-	54,394
Ballpark	993,250	-	-	993,250
Treatment plant	12,270,751	805,822	-	13,076,573
Total General Capital Assets	39,417,972	1,587,309	-	41,005,281
Less: Accumulated Depreciation	(21,820,064)	(1,240,419)	-	(23,060,483)
Net General Capital Assets	<u>\$ 17,597,908</u>	<u>\$ 346,890</u>	<u>\$ -</u>	<u>\$ 17,944,798</u>

See accompanying independent auditor's report and notes to financial statements.

TABLE 1

## TOWN OF OLD ORCHARD BEACH, MAINE

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND – GAAP BASIS  
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property taxes	\$ 14,676,830	\$ 15,043,333	\$ 15,535,851	\$ 16,265,640	\$ 17,208,689	\$ 17,749,257	\$ 18,682,705	\$ 19,102,512	\$ 19,799,945	\$ 19,855,105
Other taxes	1,535,620	1,658,127	1,787,674	1,649,581	1,684,326	1,691,863	1,687,245	1,600,567	1,612,199	1,556,265
Licences and permits	657,588	787,862	1,120,948	1,164,742	1,132,286	940,062	963,141	1,165,597	920,275	959,908
Intergovernmental revenues	3,104,603	2,744,653	2,378,948	2,470,827	2,174,858	2,210,043	1,486,209	843,641	835,118	846,777
Investment income	89,177	97,957	134,125	224,977	343,844	352,740	150,912	104,417	20,662	7,097
Other revenues	37,752	183,408	232,794	92,151	195,742	134,061	354,015	38,687	50,654	471,893
Total revenues	<u>20,101,570</u>	<u>20,515,340</u>	<u>21,190,340</u>	<u>21,867,918</u>	<u>22,739,745</u>	<u>23,078,026</u>	<u>23,324,227</u>	<u>22,855,421</u>	<u>23,238,853</u>	<u>23,697,045</u>
Expenditures:										
General government	1,523,897	1,842,364	1,855,934	1,797,347	1,761,598	1,913,524	1,851,871	2,021,057	1,964,273	2,080,171
Public works	941,985	1,005,234	1,059,881	1,127,144	1,482,509	1,618,224	1,696,363	1,547,039	1,455,600	1,531,962
Sanitation	1,684,667	1,576,873	1,455,194	1,677,526	1,496,170	1,542,780	1,644,676	1,661,658	1,707,176	1,704,040
Public safety	3,383,987	3,543,140	3,670,572	3,844,767	4,044,087	4,178,862	4,429,964	4,439,462	4,528,474	4,781,266
Recreation, culture and agencies	287,190	332,191	386,875	443,249	471,937	505,462	686,550	642,190	625,376	750,599
Health and welfare	56,515	62,202	80,503	70,732	76,463	74,298	101,475	107,822	106,693	103,328
Education	8,821,298	8,614,579	8,965,400	9,032,509	9,212,617	9,632,841	9,973,975	9,561,944	9,399,388	8,451,151
Debt service (excluding education)	1,621,046	1,561,729	1,238,346	1,616,746	1,543,678	1,521,034	1,726,929	2,127,481	2,154,389	3,212,770
Capital outlay	778,051	1,149,814	1,937,383	2,710,375	2,242,068	1,914,839	1,228,471	1,147,808	1,218,334	968,066
Other	494,758	367,993	527,990	599,307	621,893	646,342	789,444	804,360	803,521	820,827
Total expenditures	<u>19,593,394</u>	<u>20,056,119</u>	<u>21,178,078</u>	<u>22,919,702</u>	<u>22,953,020</u>	<u>23,548,206</u>	<u>24,129,718</u>	<u>24,060,821</u>	<u>23,963,224</u>	<u>24,404,180</u>
Other financing sources	299,374	7,826,334	309,334	434,334	434,334	459,334	434,334	328,000	522,000	1,203,000
Other financing (uses)	<u>(75,638)</u>	<u>(7,342,491)</u>	<u>(56,180)</u>	<u>(59,680)</u>	<u>(65,680)</u>	<u>(74,180)</u>	<u>(88,620)</u>	<u>-</u>	<u>(25,000)</u>	<u>(34,907)</u>
Net change in fund balances	731,912	943,064	265,416	(677,130)	155,379	(85,026)	(459,777)	(877,400)	(227,371)	460,958
Special item - transfer to RSU #23	-	-	-	-	-	-	-	110,720	-	-
Fund balances - beginning	<u>4,404,268</u>	<u>5,136,180</u>	<u>6,222,319</u>	<u>6,487,735</u>	<u>5,810,605</u>	<u>5,965,984</u>	<u>5,880,958</u>	<u>5,421,181</u>	<u>4,654,501</u>	<u>4,427,130</u>
Fund balances - ending	<u>\$ 5,136,180</u>	<u>\$ 6,079,244</u>	<u>\$ 6,487,735</u>	<u>\$ 5,810,605</u>	<u>\$ 5,965,984</u>	<u>\$ 5,880,958</u>	<u>\$ 5,421,181</u>	<u>\$ 4,654,501</u>	<u>\$ 4,427,130</u>	<u>\$ 4,888,088</u>

See accompanying independent auditor's report and notes to financial statements.

TABLE 2

TOWN OF OLD ORCHARD BEACH, MAINE  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Years Ended	Current Year's Tax Levy*	Current Year's Tax Collections	Prior Year's Collection to June 30	Total Collections	Total Current Year Collections as Percent Of Each Year's Levy	Total Collections as Percent of Each Year's Levy	Total Outstanding	Percent of Delinquent Taxes And Liens to Levy
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
2009	18,959,656	18,453,482	338,884	18,792,366	97.33	99.12	1,188,126	6.27
2010	19,151,900	18,452,763	375,569	18,828,332	96.35	98.31	1,511,694	7.89
2011	19,987,575	19,277,170	593,827	19,870,997	96.45	99.42	1,628,272	8.15
2012	19,855,105	19,138,213	577,625	19,715,838	96.39	99.30	1,767,539	8.90

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

ASSESSSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

Years Ended	Assessed Value - Real Estate	Assessed Value - Personal Property	Total Assessed Value	Estimated Actual Valuation	Ratio	State Equalized Valuation	Ratio
2003	\$ 776,373,600	\$ 19,692,966	\$ 796,066,566	\$ 796,066,566	100.0%	\$ 697,300,000	114.16%
2004	779,156,600	20,500,743	799,657,343	799,657,343	100.0	786,450,000	101.68
2005	812,166,500	20,816,750	832,983,250	832,983,250	100.0	969,950,000	85.88
2006	1,206,181,200	21,605,000	1,227,786,200	1,227,786,200	100.0	1,150,850,000	106.69
2007	1,289,869,400	23,392,100	1,313,261,500	1,313,261,500	100.0	1,368,350,000	95.97
2008	1,418,164,600	23,691,240	1,441,855,840	1,441,855,840	100.0	1,565,250,000	92.12
2009	1,439,858,170	25,294,968	1,465,153,138	1,465,153,138	100.0	1,575,350,000	93.00
2010	1,452,628,540	25,890,720	1,478,519,260	1,478,519,260	104.0	1,533,750,000	96.40
2011	1,465,055,000	26,354,500	1,491,409,500	1,491,409,500	101.9	1,531,150,000	97.40
2012	1,462,394,400	25,894,370	1,488,288,770	1,488,288,770	100.0	1,508,700,000	98.65

The Town did a revaluation that became effective in 2006.

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

PROPERTY TAX RATED – ALL OVERLAPPING GOVERNMENTS  
 (PER \$1,000 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS

Years Ended	Town	County	School	Water Quality Control	Total
2003	7.65	0.65	9.33	2.47	20.10
2004	6.67	0.59	9.64	3.20	20.10
2005	7.57	0.59	9.71	2.23	20.10
2006 **	5.10	0.44	6.26	1.70	13.50
2007	5.20	0.44	6.09	1.59	13.32
2008	4.73	0.43	5.94	1.46	12.56
2009	4.85	0.40	6.40	1.29	12.94
2010	4.45	0.51	6.76	1.22	12.94
2011	5.10	0.52	6.24	1.54	13.40
2012	5.70	0.53	5.63	1.54	13.40

\* 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 NET GENERAL BONDED DEBT TO ASSESSED VALUE AND  
GENERAL BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS

Years Ended	Estimated Population	Assessed Value (in thousands)	Gross Bonded Debt *	Ratio of Bonded Debt to Assessed Value	Gross Bonded Debt Per Capita	Estimated Average Population **	Gross Bonded Debt Per Estimated Average Population
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
2009	8,800	1,465,153	12,290,000	0.84	1,397	25,467	483
2010	8,800	1,478,519	13,200,000	0.89	1,500	25,467	518
2011	8,624	1,491,410	11,605,000	0.78	1,346	25,291	459
2012	8,624	1,488,289	9,840,000	0.66	1,141	25,291	389

\* Includes all long term general obligation debt excluding accrued vacation and sick leave. Certain school debt is reimbursed by the State of Maine.

\*\* Includes estimated population for twelve months plus 100,000 seasonal population for two months.

See accompanying independent auditor's report and notes to financial statements.

## TOWN OF OLD ORCHARD BEACH, MAINE

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED  
DEBT TO TOTAL GENERAL FUND EXPENDITURES  
LAST TEN FISCAL YEARS

Years Ended	Municipal			Total General Expenditures and Transfers	Ratio
	Principal	Interest	Total		
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	23,512,985	6.47
2009	1,299,946	426,983	1,726,929	24,106,607	7.16
2010	1,636,683	490,798	2,127,481	24,066,937	8.84
2011	1,653,861	500,529	2,154,390	23,986,218	8.98
2012*	2,759,715	453,055	3,212,770	24,439,087	13.15

\* Includes early payoff of 1998 bond issuance.

## TOWN OF OLD ORCHARD BEACH, MAINE

TEN LARGEST TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2012

Taxpayer	Nature of Business	Taxes	% of Net Tax Levy
Palace Playland Association	Amusements	\$ 95,604	0.48%
Lafayette Old Orchard LLC	Resort	89,787	0.45
Wild Acres LLC	Resort	83,707	0.42
Seagate Limited Partnership	Mobil Home Part	81,629	0.41
Central Maine Power	Utility	76,791	0.39
MHC Pinehurst LLC	Resort	72,322	0.36
Powderhorn Family Camping Resort	Resort	67,634	0.34
Birch Ridge Limited	Apartments	65,651	0.33
Alouette Atlantic Resorts LLC	Resort	60,323	0.30
Portland Ave Associates	Hotel	58,449	0.29

See accompanying independent auditor's report and notes to financial statements.



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

February 23, 2013

Town Council  
Town of Old Orchard Beach  
Old Orchard Beach, Maine

We have audited the financial statements of the governmental activities, the 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, 2012, which collectively comprise the Town of Old Orchard Beach, Maine's basic financial statements and have issued our report thereon dated February 23, 2013. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control Over Financial Reporting

Management of the Town of Old Orchard Beach, Maine is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Old Orchard Beach's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, and not for the purpose of expressing an opinion on the effectiveness of Town of Old Orchard Beach's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2012 – 1, 2012 – 2, 2012 – 3 and 2012 – 4).

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www.rhrsmith.com

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Old Orchard Beach's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Old Orchard Beach, Maine in a separate letter dated May 6, 2013.

The Town of Old Orchard Beach, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Old Orchard Beach, Maine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Certified Public Accountants

TOWN OF OLD ORCHARD BEACH, MAINE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012

The following findings are related to the financial statements of the Town of Old Orchard Beach, Maine in accordance with GAGAS.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**CONTROL DEFICIENCIES – MATERIAL WEAKNESSES**

**2012-1**

At the time of audit fieldwork, bank reconciliations for the Town were incomplete and had not been signed, dated or reviewed. In addition, there were cash adjustments approximating \$88,000 that had not been posted. These adjustments were subsequently addressed by audit completion. We consider the reconciliation process and subsequent review to be a material control in preventing errors and reducing risk and crucial to the processing of accurate financial information for the Town. We recommend that the Town's management implement procedures to ensure reconciliations are prepared, dated, reviewed and signed by the preparer as well as the independent reviewer. We also recommend that all bank accounts are reconciled within 21 days of month's end.

**Management Response:**

Management agrees with the material weakness as stated in 2012 - 1, however the ability to address the material weakness that occurred through FY 12 will continue into FY 13 based on the date of hire of the new Finance Director which was December 2012. The Finance Director will work to establish guidelines for timely monthly bank account reconciliations as recommended going forward.

**2012-2**

During our audit for the above mentioned year the Town had unspent bond proceeds that had been procured for multiple capital projects. A certain capital project funded by the bond had been overspent by a considerable amount, leaving insufficient funds for remaining projects. We recommend that the Town address this overdraft issue as well as enhance its future fiscal and contract policy management to include proper monitoring and tracking of all capital and other projects. Any future projects should be monitored to an extent that any significant change in cost should be addressed before costly overruns happen. In addition, we believe the Town's finance department should continue to be actively involved throughout the process to protect not only protect the Town's investment but also to address any potential compliance issues.

TOWN OF OLD ORCHARD BEACH, MAINE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012

**CONTROL DEFICIENCIES – MATERIAL WEAKNESSES (CONTINUED)**

**Management Response:**

Management agrees with the material weakness as stated in 2012 – 2, however the ability to address the material weakness that occurred well before FY 2012 may have continued into FY 13 based on the date of hire of the new Finance Director which was December 2012. The Finance Director will work to ensure any future capital projects are monitored and a monthly reconciliation is completed to ensure compliance to procurement and contract policies to ensure budget overruns do not happen.

**2012-3**

While performing the audit for the above mentioned year, we noted that many of the Town's grants are accounted for in the general fund among departmental operations. Segregating grant activity in many instances was difficult. In addition, review of grant activity by management was lacking. Continuation of these practices may result in certain grant administration issues going undetected, reducing grant performance and the potential for questioned costs. We recommend that the Town's Administration establish and implement sound grant management procedures. Some improvements to consider are: authorization of all grants through the Council; reconciliation of grant activity to financial records on a periodic basis; no posting revenues against expenditures; training for grant administrators; reviews by Town management of grant activity including a financial summary of all Town grants and presentation of grant activity to the Town Council at least twice a year.

**Management Response:**

Management agrees with the material weakness as stated in 2012 – 3, however the ability to address the material weakness that occurred in FY 12 will continue into FY 13 based on the date of hire of the new Finance Director which was December 2012. The Finance Director will work to segregate grant activity in the general ledger and establish grant management procedures that includes reporting procedures, to ensure sound grant practices.

TOWN OF OLD ORCHARD BEACH, MAINE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012

**CONTROL DEFICIENCIES – MATERIAL WEAKNESSES (CONTINUED)**

**2012-4**

**Tax Commitment/Assessment**

We noted during our audit that there were errors in calculating the fiscal year 2012 tax commitment. Homestead exemption revenue was included twice resulting in a \$126,000 under commitment of taxes. We also noted the final billing generated had not been verified to the certificate of assessment resulting in an undetected billing variance in fiscal year 2012 amounting to \$2,217. We recommend that procedures be implemented to ensure that the commitment includes accurate financial data and that prior to finalizing the property tax billing a review by both finance and assessing departments be performed.

**Management Response:**

Management agrees with the material weakness as stated in 2012 – 4, however the ability to address the material weakness that occurred in FY 12 will continue into FY 13 based on the date of hire of the new Finance Director which was December 2012. Procedures will be developed and a coordinated review of the tax commitment and the property tax billing by both the finance and assessing departments will be completed prior to finalizing to ensure the accuracy of the related financial data. All policies developed will be provided to the Town Council for their approval.