

TOWN OF OLD ORCHARD BEACH, MAINE

Annual Financial Report

For the year ended June 30, 2010

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



TOWN OF OLD ORCHARD BEACH, MAINE
Annual Financial Report
For the year ended June 30, 2010

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Town Council
Town of Old Orchard Beach, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Orchard Beach, Maine as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Old Orchard Beach, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Orchard Beach, Maine, as of June 30, 2010, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2010, on our consideration of the Town of Old Orchard Beach, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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, Maine's financial statements as a whole. The exhibits and schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Tables 1 through 7 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.



October 22, 2010
South Portland, Maine

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Our discussion and analysis of the Town of Old Orchard Beach's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Town's financial statements and accompanying footnotes, which begin on page 15.

FINANCIAL HIGHLIGHTS

- Despite the nationwide financial downturn that has adversely affected the State of Maine and many municipalities in our area, the Town's financial results were strong and the outlook continues to be positive beyond the end of the fiscal year;
- General Fund Revenues and Transfers In were less than estimates by \$64,286;
- General Fund Expenditures and Transfers Out were less than budgeted by \$1,032,996;
- Changes to other items conforming to accounting principles generally accepted in the United States of America were positive;
- General Fund Surplus (Reduction) was (\$878,390) (budgetary basis).

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

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

The Town as Trustee

Reporting the Town's Fiduciary Responsibilities

The Town was the trustee for several scholarship funds. All of the Town's fiduciary activities are reported in Statements 10 and 11 on pages 24 and 25. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town was responsible for ensuring that the assets reported in these funds are used for their intended purposes. These scholarships were transferred to the newly formed RSU #23.

THE TOWN AS A WHOLE

The Town is providing condensed financial information for fiscal year 2010 with comparative information for fiscal year 2009. The analysis below focuses on the net assets of the Town's Governmental and Business-type Activities.

| | Primary Government | |
|----------------------------------|---------------------------|-------------------|
| | 2010 Total | 2009 Total |
| Current & other assets | \$ 13,385,640 | 14,186,677 |
| Capital assets | 14,808,058 | 15,378,386 |
| Total assets | <u>28,193,698</u> | <u>29,565,063</u> |
| Long-term debt | 14,184,488 | 13,483,002 |
| Other liabilities | 1,753,606 | 1,868,748 |
| Total liabilities | <u>15,938,094</u> | <u>15,351,750</u> |
| Net assets: | | |
| Invested in capital assets | 7,646,351 | 8,063,116 |
| Unrestricted | 4,609,256 | 6,150,197 |
| Total net assets | <u>\$ 12,255,604</u> | <u>14,213,313</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 1,858,208 | 2,158,067 |
| Operating grants & contributions | 99,811 | 2,986,333 |
| Capital grants & contributions | 102,059 | 240,047 |
| General Revenues: | | |
| Property taxes | 19,341,270 | 18,833,149 |
| Payments in lieu of taxes | 26,155 | 33,632 |
| Excise taxes | 1,270,284 | 1,314,624 |
| Interest and costs on taxes | 100,720 | 144,641 |
| Franchise fees | 203,408 | 194,348 |
| Homestead exemption | 157,471 | 157,841 |
| State revenue sharing | 575,841 | 727,452 |
| Other State & Federal aid | 10,518 | 8,290 |
| Investment earnings | 104,417 | 150,912 |
| Loss on disposal of assets | (8,421) | - |
| Miscellaneous revenues | 38,687 | 97,860 |
| Total revenues | <u>\$ 23,880,428</u> | <u>27,047,196</u> |

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

| | | |
|--|----|-------------------|
| Program expenditures: | | |
| General government | \$ | 2,190,616 |
| Public Safety | | 4,698,660 |
| Public Works | | 2,108,662 |
| Sanitation | | 1,885,014 |
| Recreation, culture & agencies | | 799,999 |
| Health & welfare | | 107,822 |
| Education | | 9,555,828 |
| County tax | | 753,529 |
| Unclassified | | 486,401 |
| Interest on debt | | 534,981 |
| Capital outlays | | 891,949 |
| Ballpark | | 20,805 |
| Total expenditures | | <u>24,034,266</u> |
| Change in net assets, positive or (negative) | \$ | <u>(153,838)</u> |

GOVERNMENTAL ACTIVITIES

The cost of all Governmental Activities this year was \$24,034,266. Of that amount, those who directly benefited from the programs paid \$1,858,208 and subsidies for specific programs were received from other governments and organizations totaling \$99,811 in operating expenses and \$102,059 in capital expenses. General purpose grants, aid and earnings on investments brought in a further \$878,513. Taxpayers were asked to contribute \$20,941,837 through property and excise taxes, interest and costs on delinquent taxes, and franchise fees. The Town had total revenues of \$23,880,428 available to fund its Governmental Activities programs.

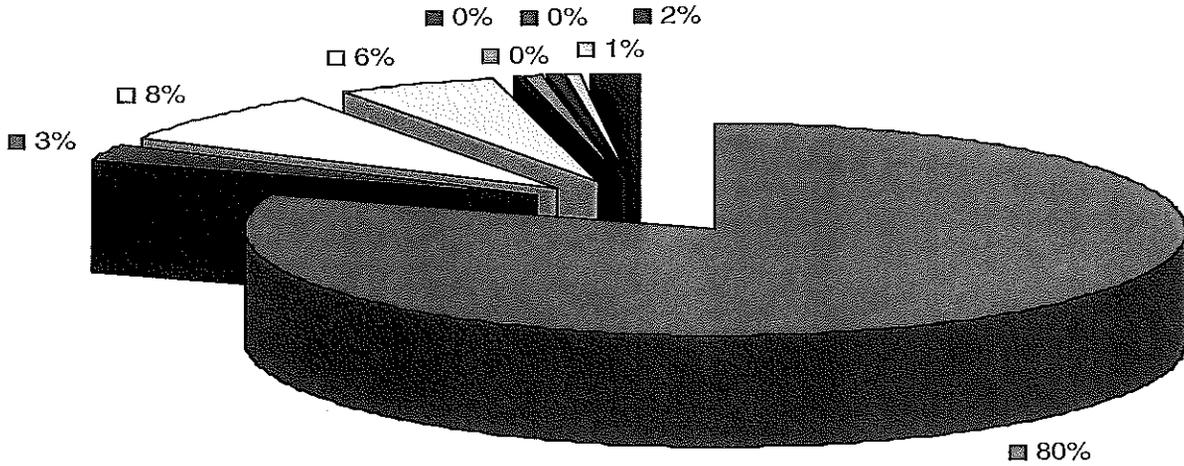
The Town's Governmental Activities programs are listed below with this year's net cost (total cost less revenues generated by the programs). Last year's net costs are shown for comparison purposes.

| Governmental Activities: | <u>2010 Net (Expenses)</u> | <u>2009 Net (Expenses)</u> |
|--------------------------------|----------------------------|----------------------------|
| General government | \$ (1,770,903) | (1,484,538) |
| Public safety | (4,006,158) | (4,320,436) |
| Public works | (2,037,332) | (2,190,736) |
| Sanitation | (1,482,599) | (1,632,743) |
| Recreation, culture & agencies | (455,468) | (602,657) |
| Health & welfare | (79,341) | (72,440) |
| Education | (9,555,828) | (9,085,738) |
| County tax | (753,529) | (736,279) |
| Unclassified | (486,401) | (365,725) |
| Interest on debt | (534,981) | (452,597) |
| Capital outlays | (790,843) | (476,912) |
| Total governmental activities | <u>\$ (21,953,383)</u> | <u>(21,420,801)</u> |

Total resources available during the year to finance governmental operations were \$38,093,741, consisting of Net Assets at July 1, 2009 of \$14,213,313, program revenues of \$2,060,078 and general revenues of \$21,820,350. The total cost of Governmental Activities and Business-type Activities during the year was \$24,043,327. Net Assets were decreased before the special item by \$153,838 to \$14,059,475 and after the \$1,803,871 transfer of assets, liabilities and equity to Regional School Unit #23 to \$12,255,604.

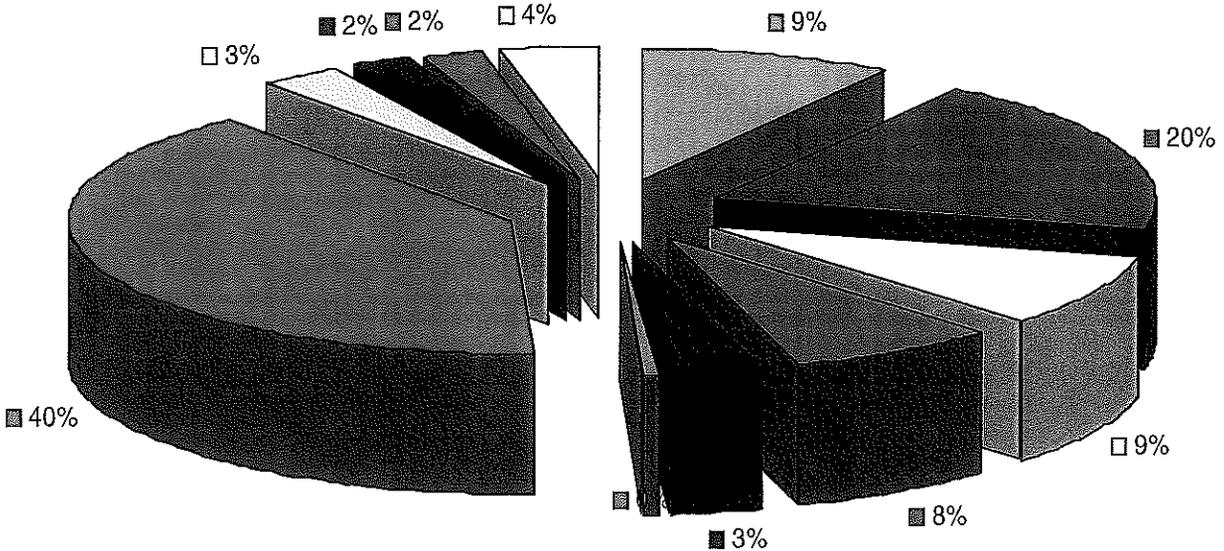
**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

2010 Governmental Activities Revenue



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

2010 Governmental Program Expenditures



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

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

BUSINESS-TYPE ACTIVITIES

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

The expenses for the Facility were annual depreciation of capital assets of \$17,134 and \$3,671 miscellaneous expenditures for a total of \$20,805. Compare this figure to \$19,634 for the same purposes in the prior fiscal year.

Net Assets for the Proprietary (Business-type) Activity decreased \$20,805, from \$342,251 to \$321,446.

THE TOWN'S FUNDS

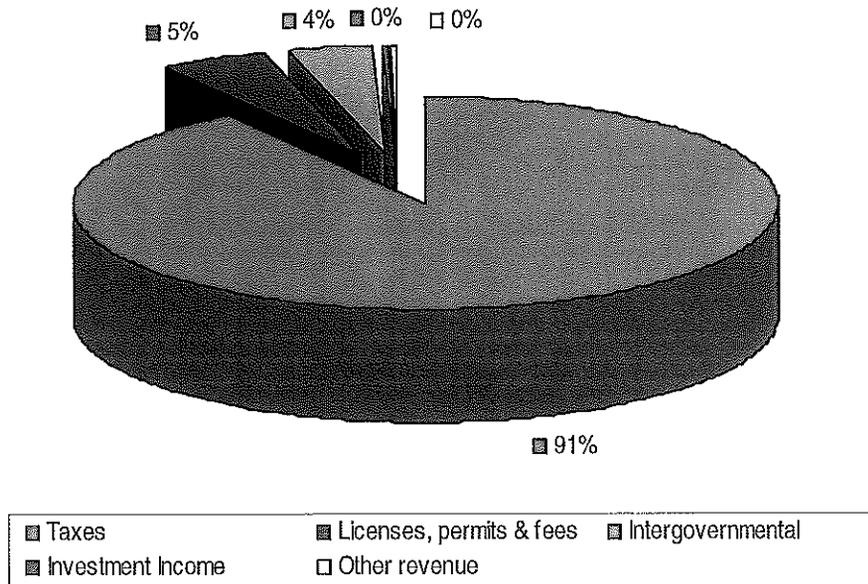
The following is an analysis of balances in the Town's major individual funds. Comparative information is provided for fiscal year 2009.

GENERAL FUND

Comparison of revenues of the General Fund for 2010 and 2009, respectively.

| Revenues by source | 2010 | 2009 |
|--------------------------|----------------------|-------------------|
| Taxes | \$ 20,703,079 | 20,369,950 |
| Licenses, permits & fees | 1,165,597 | 963,141 |
| Intergovernmental | 843,641 | 2,532,807 |
| Investment income | 104,417 | 150,912 |
| Other revenue | 38,687 | 354,015 |
| Total revenues | <u>\$ 22,855,421</u> | <u>24,370,825</u> |

2010 Revenues by Source

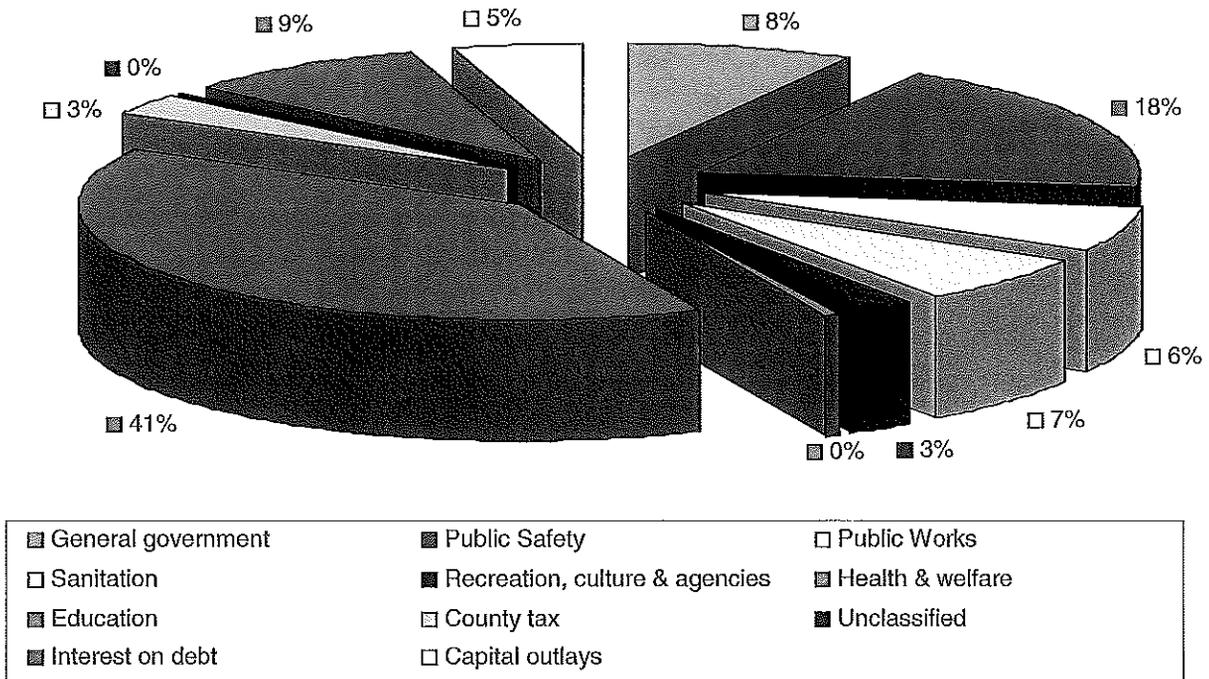


**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Comparison of expenditures of the General Fund for 2010 and 2009, respectively.

| Expenditures by function: | 2010 | 2009 |
|--------------------------------|----------------------|-------------------|
| General government | \$ 2,023,867 | 1,851,871 |
| Public safety | 4,439,823 | 4,429,964 |
| Public works | 1,547,039 | 1,696,363 |
| Sanitation | 1,661,658 | 1,644,676 |
| Recreation, culture & agencies | 642,190 | 686,550 |
| Health & welfare | 107,822 | 101,475 |
| Education | 9,556,818 | 11,020,573 |
| County tax | 753,529 | 736,279 |
| Unclassified | 50,831 | 53,165 |
| Debt service | 2,127,481 | 1,726,929 |
| Capital outlays | 1,150,753 | 1,228,471 |
| Total expenditures | <u>\$ 24,061,811</u> | <u>25,176,316</u> |

2010 Expenditures by Program



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

SCHOOL SPECIAL REVENUES FUND

Comparison of revenues of the School Special Revenue Fund for 2010 and 2009, respectively.

| Revenues by source: | <u>2010</u> | <u>2009</u> |
|----------------------|-------------|------------------|
| Intergovernmental | \$ - | 1,346,325 |
| Charges for services | - | 105,318 |
| Other revenues | - | <u>74,329</u> |
| Total revenues | \$ - | <u>1,525,972</u> |

Note: All School related accounts were transferred to Regional School Unit #23 as of July 1, 2009.

Comparison of expenditures of the School Special Revenue Fund for 2010 and 2009, respectively.

| Expenditures by function: | <u>2010</u> | <u>2009</u> |
|---------------------------|-------------|------------------|
| Education | \$ - | 1,180,772 |
| Unclassified | - | <u>338,283</u> |
| Total expenditures | \$ - | <u>1,519,055</u> |

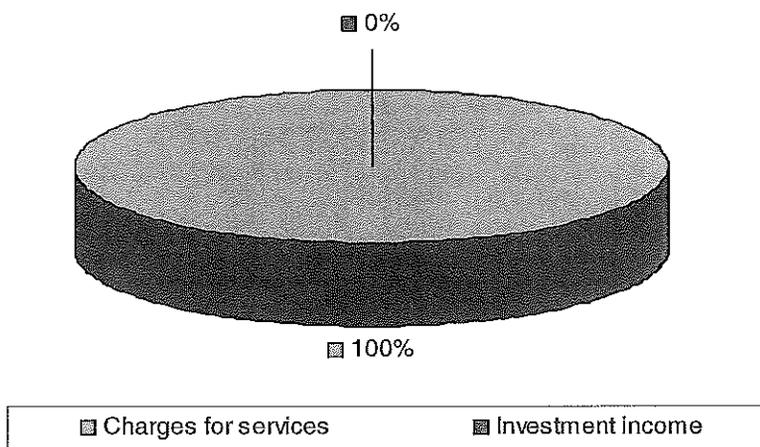
**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

RESCUE CALL FEES FUND

Comparison of revenues of the Rescue Call Fees Fund for 2010 and 2009, respectively.

| Revenues by source: | 2010 | 2009 |
|----------------------|------------|---------|
| Other revenues | \$ - | - |
| Charges for services | 370,744 | 388,033 |
| Total revenues | \$ 370,744 | 388,033 |

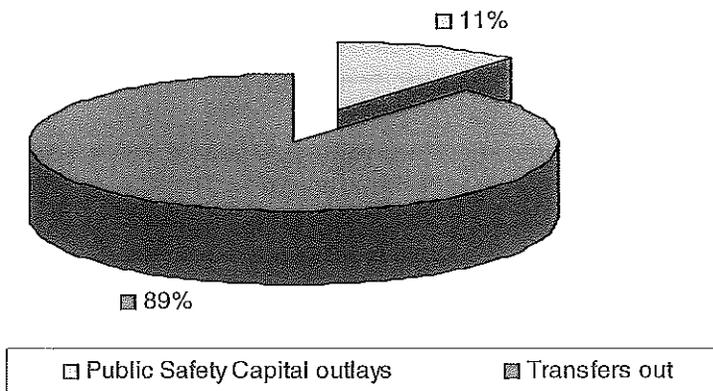
2010 Revenues by Source



Comparison of expenditures of the Rescue Call Fees Fund for 2010 and 2009, respectively.

| Expenditures by function: | 2010 | 2009 |
|----------------------------------|------------|---------|
| Public safety | \$ 41,680 | - |
| Transfers out | 325,000 | 250,000 |
| Total expenditures and transfers | \$ 366,680 | 250,000 |

2010 Expenditures by Function



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

BALLPARK FUND

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

DEBT ADMINISTRATION

Debt, considered a liability of Governmental Activities, increased during fiscal year 2010 by \$910,000. Per capita debt increased from \$1,397 to \$1,500 as a result of the issuance of \$2,500,000 in General Obligation Bonds to build a new Police Station.

The Governmental Activity debt summary for fiscal year 2010 is as follows.

| | | |
|-------------------------------|----|------------------|
| Debt payable at June 30, 2009 | \$ | 12,290,000 |
| Add: debt issuance | | 2,500,000 |
| Less: debt retired | | <u>1,590,000</u> |
| Debt payable at June 30, 2010 | \$ | 13,200,000 |

The debt payable does not include the long-term portion of compensated absences of \$708,430 or the long-term accrual for landfill monitoring of \$114,000.

CAPITAL ASSETS

The capital assets of the Town are those assets that are used in the performance of the Town's functions, including infrastructure assets (roads, sidewalks, sewers, etc.). At June 30, 2010, net capital assets of the Governmental Activities totaled \$14,465,375 and net capital assets of the Business-type Activities totaled \$342,683. Annual depreciation on capital assets is recognized in the Government-wide financial statements as an expense of the appropriate program in the Statement of Activities.

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

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

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

BUDGETS AND BUDGETARY ACCOUNTING

Comparing the fiscal year 2010 original (adopted) General Fund budget to the final (amended) budget on Statement 6 shows that there was no change in the adopted budget for the fiscal year.

The Town does not use "carry forward" or "encumbrance" budgeting to account for prior year items not spent by year-end. Instead, the Town Council is asked to appropriate these particular amounts as items in Designated Fund Balance for ease in tracking and recording. Therefore, additions to adopted budget amounts are rare and occur generally for extraordinary items needing attention during the year.

Comparing the fiscal year 2010 actual results to the final budget shows that there was a negative variance for revenues and expenditures. Management's policy has been to estimate revenues conservatively but realistically, based on historical amounts and trends and on future economic forecasts. This approach has resulted in small amounts of extra revenue each year in the recent past. This year due to a reduction in interest rates and state revenues we had a negative variance in revenues.

Five areas of expenditure went beyond their amended budget amounts. General government exceeded their budget primarily to the resignation and replacement of the Town Manager. Public works exceeded their budget primarily due to contractual costs going over the anticipated amount due to added responsibilities, Public safety was over their budget primarily due to employees on long term absences that had to be replaced at overtime costs, General assistance due to the increased number of requests for financial help, due to the downturn in the economy, and debt service due to lease payment not budgeted properly. It is Management's practice not to make budget amendments simply to cover unavoidable shortfalls in Department allocations, but rather to let these negative variances show into the future in order to highlight items that deserve closer scrutiny during the budget process. The basic philosophy of managing budgeted expenditures is to require the Department Head to monitor spending levels, to inform Management of anticipated problems and to hold down discretionary spending as much as possible while maintaining public services at an acceptable level. Management reports anticipated problems to the Town Council as they are identified.

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

THE CLIMATE, THE PAST AND THE FUTURE

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

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

While all of the states and many of the major municipalities in the nation have been experiencing economic conditions that have severely affected their revenue streams, the Town has seen that same strain. Several years of good financial management, conservative budgeting and watchful spending have brought increasing fund balances. In November 2006, Standard & Poor's upgraded its rating of the Town's outstanding bonded debt from A- to A, stating "The rating upgrade reflects strong reserves supported by well-thought-out fiscal policies, evidence of continued economic growth and a moderate debt burden with limited capital needs." This event is a significant achievement for Management.

Fund Balance

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

| <u>Year</u> | <u>Undesignated F.B.</u> | <u>Excess Amt.</u> |
|-------------|--------------------------|--------------------|
| 2002 | \$ 2,621,161 | 320,489 |
| 2003 | 2,891,132 | 545,716 |
| 2004 | 4,355,690 | 1,826,671 |
| 2005 | 4,954,874 | 2,277,667 |
| 2006 | 4,988,706 | 2,259,878 |
| 2007 | 4,949,578 | 2,097,414 |
| 2008 | 4,964,498 | 2,057,162 |
| 2009 | 5,379,907 | 2,368,530 |
| 2010 | 4,611,394 | 1,600,017 |

Next Year Budget

The Town Council approved a budget for fiscal year 2011 of \$24,541,206 a 2.2% decrease over 2010's budget. Total property tax revenue to be raised was \$19,928,106, a 5.1% increase from the previous year. The tax rate increased to 13.40 mils. This allowed the Town to reduce the use of the available excess Fund Balance to \$500,000 as compared to \$1,847,000 for FY 10.

Further Historical Comparisons

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Net Assets
June 30, 2010

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,900,618 | - | 4,900,618 |
| Cash held in escrow by the Maine Municipal Bond Bank | 1,200,000 | - | 1,200,000 |
| Investments | 5,365,948 | - | 5,365,948 |
| Receivables: | | | |
| Taxes receivable | 978,805 | - | 978,805 |
| Tax liens | 532,889 | - | 532,889 |
| Accounts receivable | 367,087 | - | 367,087 |
| Prepaid items | 3,302 | - | 3,302 |
| Inventory | 36,991 | - | 36,991 |
| Internal balances | 21,237 | (21,237) | - |
| Nondepreciable capital assets | 2,239,951 | - | 2,239,951 |
| Capital assets, net | 12,225,424 | 342,683 | 12,568,107 |
| Total assets | 27,872,252 | 321,446 | 28,193,698 |
| LIABILITIES | | | |
| Accounts payable and payroll withholdings | 460,072 | - | 460,072 |
| Accrued expenses | 341,197 | - | 341,197 |
| Refundable deposits | 126,497 | - | 126,497 |
| Due to Regional School Unit #23 | 595,388 | - | 595,388 |
| Other postemployment benefits liability | 230,452 | - | 230,452 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,649,848 | - | 1,649,848 |
| Due in more than one year | 12,534,640 | - | 12,534,640 |
| Total liabilities | 15,938,094 | - | 15,938,094 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 7,303,668 | 342,683 | 7,646,351 |
| Unrestricted | 4,630,490 | (21,237) | 4,609,253 |
| Total net assets | \$ 11,934,158 | 321,446 | 12,255,604 |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Activities
For the Year Ended June 30, 2010

| Functions/programs | Net (expense) revenue and changes in net assets | | | | |
|--|---|------------------------------------|----------------------------------|-------------------------|--------------------------|
| | Program Revenues | | | in net assets | |
| | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 2,190,616 | 419,713 | - | (1,770,903) | - |
| Public safety | 4,698,660 | 692,502 | - | (4,006,158) | - |
| Public works | 2,108,662 | 71,330 | - | (2,037,332) | - |
| Sanitation | 1,885,014 | 402,415 | - | (1,482,599) | - |
| Recreation, culture and agencies | 799,999 | 343,578 | 953 | (455,468) | - |
| Health and welfare | 107,822 | - | 28,481 | (79,341) | - |
| Education | 9,555,828 | - | - | (9,555,828) | - |
| County tax | 753,529 | - | - | (753,529) | - |
| Unclassified | 486,401 | - | - | (486,401) | - |
| Interest on debt | 534,981 | - | - | (534,981) | - |
| Capital outlays | 891,949 | - | 101,106 | (790,843) | - |
| Total governmental activities | 24,013,461 | 1,858,208 | 99,811 | (21,953,383) | - |
| Business-type activities: | | | | | |
| Ballpark | 20,805 | - | - | - | (20,805) |
| Total business-type activities | 20,805 | - | - | - | (20,805) |
| Total primary government | \$ 24,034,266 | 1,858,208 | 99,811 | (21,953,383) | (20,805) |
| General revenues: | | | | | |
| Property taxes, levied for general purposes | | | \$ | 19,341,270 | - |
| Payment in lieu of taxes | | | | 26,155 | - |
| Excise taxes | | | | 1,270,284 | - |
| Interest and costs on taxes | | | | 100,720 | - |
| Franchise fees | | | | 203,468 | - |
| Grants and contributions not restricted to specific programs: | | | | | |
| Homestead exemption | | | | 157,471 | - |
| Other State and Federal aid | | | | 10,518 | - |
| State Revenue Sharing | | | | 575,841 | - |
| Unrestricted investment earnings | | | | 104,417 | - |
| Loss on disposal of assets | | | | (8,421) | - |
| Miscellaneous revenues | | | | 38,687 | - |
| Total general revenues | | | | 21,820,350 | - |
| Change in net assets before special item | | | | (133,033) | (20,805) |
| Special item: | | | | | |
| Transfer of assets, liabilities and equity to Regional School Unit #23 | | | | (1,803,871) | - |
| Change in net assets | | | | (1,936,904) | (20,805) |
| Net assets - beginning | | | | 13,871,062 | 342,251 |
| Net assets - ending | \$ 11,934,158 | | \$ | 11,934,158 | 321,446 |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Balance Sheet
Governmental Funds
June 30, 2010

| | General | School Special Revenues | Rescue Call Fees | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 4,900,618 | - | - | - | 4,900,618 |
| Investments | 5,365,948 | - | - | - | 5,365,948 |
| Receivables: | | | | | |
| Taxes receivable | 978,805 | - | - | - | 978,805 |
| Tax liens | 532,889 | - | - | - | 532,889 |
| Accounts receivable | 242,460 | - | 124,627 | - | 367,087 |
| Prepaid items | 3,302 | - | - | - | 3,302 |
| Inventory | 36,991 | - | - | - | 36,991 |
| Interfund loans receivable | - | - | 157,239 | 5,455,248 | 5,612,487 |
| Total assets | \$ 12,061,013 | - | 281,866 | 5,455,248 | 17,798,127 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and payroll withholdings | 228,934 | - | 38,285 | 192,853 | 460,072 |
| Accrued wages | 214,842 | - | - | - | 214,842 |
| Interfund loans payable | 5,003,928 | - | - | 587,322 | 5,591,250 |
| Due to RSU #23 | 595,388 | - | - | - | 595,388 |
| Deferred tax revenue | 1,236,923 | - | - | - | 1,236,923 |
| Refundable deposits | 126,497 | - | - | - | 126,497 |
| Total liabilities | 7,406,512 | - | 38,285 | 780,175 | 8,224,972 |
| Fund balances: | | | | | |
| Reserved | 43,107 | - | - | - | 43,107 |
| Unreserved: | | | | | |
| Undesignated, reported in: | | | | | |
| General Fund | 4,611,394 | - | - | - | 4,611,394 |
| Special Revenue Funds | - | - | 243,581 | 187,085 | 430,666 |
| Capital Project Funds | - | - | - | 4,487,988 | 4,487,988 |
| Total fund balances | 4,654,501 | - | 243,581 | 4,675,073 | 9,573,155 |
| Total liabilities and fund balances | \$ 12,061,013 | - | 281,866 | 5,455,248 | |

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|---|--------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 14,465,375 |
| Cash held in escrow by the Maine Municipal Bond Bank | 1,200,000 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 1,236,923 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. | |
| General obligation bonds | 13,200,000 |
| Capital leases | 162,058 |
| Landfill closure | 114,000 |
| Other postemployment benefits liability | 230,452 |
| Accrued vacation and sick leave | 708,430 |
| Accrued interest | 126,355 |
| | (14,541,295) |

Net assets of governmental activities

\$ 11,934,158

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

| | General | School Special Revenues | Rescue Call Fees | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 20,703,079 | - | - | - | 20,703,079 |
| Licenses, permits and fees | 1,165,597 | - | - | 69,764 | 1,235,361 |
| Intergovernmental | 843,641 | - | - | 101,106 | 944,747 |
| Charges for services | - | - | 370,744 | - | 370,744 |
| Program income | - | - | - | 160,183 | 160,183 |
| Investment income | 104,417 | - | - | - | 104,417 |
| Other revenues | 38,687 | - | - | 92,873 | 131,560 |
| Total revenues | 22,855,421 | - | 370,744 | 423,926 | 23,650,091 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 2,023,867 | - | - | - | 2,023,867 |
| Public safety | 4,439,823 | - | 41,680 | - | 4,481,503 |
| Public works | 1,547,039 | - | - | - | 1,547,039 |
| Sanitation | 1,661,658 | - | - | - | 1,661,658 |
| Recreation, culture and agencies | 642,190 | - | - | 166,968 | 809,158 |
| Health and welfare | 107,822 | - | - | - | 107,822 |
| Education | 9,555,828 | - | - | - | 9,555,828 |
| Intergovernmental - County tax | 753,529 | - | - | - | 753,529 |
| Unclassified | 50,831 | - | - | 368,193 | 419,024 |
| Debt service | 2,127,481 | - | - | - | 2,127,481 |
| Capital outlays | 1,150,753 | - | - | 2,133,219 | 3,283,972 |
| Total expenditures | 24,060,821 | - | 41,680 | 2,668,380 | 26,770,881 |
| Excess (deficiency) of revenues over (under) expenditures | (1,205,400) | - | 329,064 | (2,244,454) | (3,120,790) |
| Other financing sources (uses): | | | | | |
| Transfers - in | 328,000 | - | - | - | 328,000 |
| Transfers - out | - | - | (325,000) | (3,000) | (328,000) |
| Proceeds from general obligation bonds | - | - | - | 2,500,000 | 2,500,000 |
| Total other financing sources (uses) | 328,000 | - | (325,000) | 2,497,000 | 2,500,000 |
| Net change in fund balances before special item | (877,400) | - | 4,064 | 252,546 | (620,790) |
| Special item: | | | | | |
| Transfer of funds to (from) Regional School Unit #23 | 110,720 | (304,551) | - | - | (193,831) |
| Net change in fund balance | (766,680) | (304,551) | 4,064 | 252,546 | (814,621) |
| Fund balances, beginning of year | 5,421,181 | 304,551 | 239,517 | 4,422,527 | 10,387,776 |
| Fund balances, end of year | \$ 4,654,501 | - | 243,581 | 4,675,073 | 9,573,155 |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

| | | |
|---|-------------|-----------------------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | (814,621) |
| <p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. More specifically, this is the amount by which capital outlays exceeded depreciation expense in the current period.</p> | | |
| | | 1,280,046 |
| Statement 4 capital outlays | 3,283,972 | |
| Statement 2 capital outlays | 891,949 | |
| Variance | 2,392,023 | |
| Less: loss on disposal of assets | 8,421 | |
| Less: depreciation | 1,103,556 | |
| To reconciliation | 1,280,046 | |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.</p> | | |
| | | 238,758 |
| <p>Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. More specifically, this represents the net amount of principal increases (decreases) in debt service during the year.</p> | | |
| | | (863,309) |
| New debt incurred | 2,500,000 | |
| Lease payments | (46,691) | |
| Retired debt | (1,590,000) | |
| Net debt service | 863,309 | |
| <p>Long-term debt accrues interest between payments that is a liability in the statement of net assets. However, this accrual is not recorded in the governmental funds as a current liability. More specifically, this represents the change in the amount of accrued interest on long-term debt.</p> | | |
| | | 2,500 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in all non-debt long-term liabilities.</p> | | |
| | | (170,238) |
| Change in landfill reserve | 6,000 | |
| Other postemployment benefits | (108,861) | |
| Change in long-term accrued vacation and sick | (67,377) | |
| To reconciliation | (170,238) | |
| <p>This is the effect of the special item on the governmental activities. (See note disclosure for more information)</p> | | |
| Capital assets (\$6,394,656) net of depreciation (\$4,561,416) | | (1,833,240) |
| Accrued compensated absences | | 223,200 |
| Change in net assets of governmental activities (see Statement 2) | | \$ (1,936,904) |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2010

| | Budgeted amounts | | Actual | Variance with final budget positive (negative) |
|--|------------------|-------------|-------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 20,569,007 | 20,569,007 | 20,703,079 | 134,072 |
| Licenses, permits and fees | 1,145,700 | 1,145,700 | 1,165,597 | 19,897 |
| Intergovernmental | 1,035,000 | 1,035,000 | 843,641 | (191,359) |
| Investment income | 150,000 | 150,000 | 104,417 | (45,583) |
| Other revenue | 20,000 | 20,000 | 38,687 | 18,687 |
| Total revenues | 22,919,707 | 22,919,707 | 22,855,421 | (64,286) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,979,171 | 1,979,171 | 2,023,867 | (44,696) |
| Public works | 1,466,533 | 1,466,533 | 1,547,039 | (80,506) |
| Sanitation | 1,679,720 | 1,679,720 | 1,661,658 | 18,062 |
| Public safety | 4,433,433 | 4,433,433 | 4,439,823 | (6,390) |
| Recreation, culture and agencies | 656,690 | 656,690 | 642,190 | 14,500 |
| Health and welfare | 96,400 | 96,400 | 107,822 | (11,422) |
| Education | 9,973,600 | 9,973,600 | 9,556,818 | 416,782 |
| Intergovernmental | 753,529 | 753,529 | 753,529 | - |
| Other expenditures | 338,800 | 338,800 | 50,831 | 287,969 |
| Debt service | 2,091,721 | 2,091,721 | 2,127,481 | (35,760) |
| Capital outlays | 1,625,210 | 1,625,210 | 1,150,753 | 474,457 |
| Total expenditures | 25,094,807 | 25,094,807 | 24,061,811 | 1,032,996 |
| Excess (deficiency) of revenues over (under) expenditures | (2,175,100) | (2,175,100) | (1,206,390) | 968,710 |
| Other financing sources (uses): | | | | |
| Transfers - in | 328,000 | 328,000 | 328,000 | - |
| Transfers - out | - | - | - | - |
| Utilization of prior year fund balance | 1,847,100 | 1,847,100 | - | (1,847,100) |
| Total other financing sources (uses) | 2,175,100 | 2,175,100 | 328,000 | (1,847,100) |
| Net change in fund balance | - | - | (878,390) | (878,390) |
| Reconciliation to GAAP: | | | | |
| Less: Prior year encumbrances | | | (5,126) | |
| Add: Current year encumbrances | | | 6,116 | |
| Special item: | | | | |
| Transfer of funds to (from) Regional School Unit #23 | | | 110,720 | |
| Fund balance, beginning of year | | | 5,421,181 | |
| Fund balance, end of year | \$ | | 4,654,501 | |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Net Assets
June 30, 2010

| Business-type Activities - Enterprise Funds | | |
|--|----|-----------|
| ASSETS | | |
| Noncurrent assets: | | |
| Capital assets | \$ | 993,250 |
| Accumulated depreciation | | (650,567) |
| Total noncurrent assets | | 342,683 |
| Total assets | | 342,683 |
| LIABILITIES | | |
| Accounts payable | | - |
| Interfund loans payable | | 21,237 |
| Total liabilities | | 21,237 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | | 342,683 |
| Unrestricted | | (21,237) |
| Total net assets | \$ | 321,446 |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

| Business-type Activities - Enterprise Funds | | |
|--|-----------|----------------|
| Operating revenues: | | |
| Other revenues | \$ | - |
| Total operating revenues | | - |
| Operating expenses: | | |
| Other | | 3,671 |
| Depreciation | | 17,134 |
| Total operating expenses | | 20,805 |
| Operating loss | | (20,805) |
| Nonoperating revenues (expenses): | | |
| Interest expense | | - |
| Total nonoperating expense | | - |
| Change in net assets | | (20,805) |
| Net assets, beginning of year | | 342,251 |
| Net assets, end of year | \$ | 321,446 |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Cash Flows
For the Year Ended June 30, 2010

| Business-type Activities - Enterprise Funds | |
|---|-------------------|
| Cash flows from operating activities: | |
| Cash payments | \$ (3,671) |
| Net cash provided by (used in) operating activities | (3,671) |
| Cash flows from noncapital financing activities: | |
| Interfund transactions with General Fund | 3,671 |
| Net cash used in noncapital financing activities | 3,671 |
| Cash flows from capital and related financing activities: | |
| Principal paid on capital debt | - |
| Interest paid on capital debt | - |
| Net cash used in capital and related financing activities | - |
| Net decrease in cash | - |
| Cash, beginning of year | - |
| Cash, end of year | \$ - |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | (20,805) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation expense | 17,134 |
| Changes in operating assets and liabilities: | |
| Accounts payable | - |
| Net cash provided by (used in) operating activities | \$ (3,671) |

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

| | | Private-purpose Trust Funds (Scholarships) |
|---------------------------------|----|--|
| ASSETS | | |
| Cash and cash equivalents | \$ | - |
| Investments | | - |
| Total assets | | - |
| LIABILITIES | | |
| Amounts held for student groups | | - |
| Total liabilities | | - |
| NET ASSETS | | |
| Held in trust | \$ | - |

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010

| | Private-purpose Trust Funds (Scholarships) |
|---|--|
| Additions: | |
| Investment income | \$ - |
| Unrealized gains (losses) | - |
| Contributions and other receipts | - |
| Total additions | - |
| Deductions: | |
| Scholarships | - |
| Total deductions | - |
| Special item: | |
| Transfer of funds to Regional School Unit #23 | 494,575 |
| Change in net assets | (494,575) |
| Net assets, beginning of year | 494,575 |
| Net assets, end of year | \$ - |

See accompanying notes to financial statements.

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

THE REPORTING ENTITY AND ITS SERVICES

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

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

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

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

Biddeford-Saco-Old Orchard Beach Transit Committee - The Town is a member of the Biddeford-Saco-Old Orchard Beach Transit Committee, which is a jointly governed organization. The Committee operates a public mass transit passenger bus service within and between the three municipalities under a voluntary interlocal agreement. The Town of Old Orchard Beach's contribution to the committee for the year ended June 30, 2010 was \$76,000. The Transit Committee does not meet the definition of a component unit or a joint venture because there is no ongoing financial interest or responsibility by the participating governments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

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

For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

As of July 1, 2009, the Old Orchard Beach School Department joined Regional School Unit #23 and is no longer a department of the Town of Old Orchard Beach.

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

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund types:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include private-purpose trust funds and agency funds for the student activity programs. These funds were also transferred to RSU #23 on July 1, 2009.

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

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

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

C. Investments

Investments are stated at fair value, unless otherwise indicated.

D. Capital Assets

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

E. Vacation and Sick Leave

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

F. Long-term Obligations

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

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

G. Inventory

Inventory consists of vehicle fuel and trash bags and is recorded at the lower of cost or market on the first-in, first-out basis.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Interfund Transactions

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

I. Fund Balances

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

J. Use of Estimates

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

K. Encumbrances

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

L. Comparative Data/Reclassifications

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the following departments:

| | |
|---------------------|-----------|
| Administration | \$ 46,980 |
| Legal | 78,634 |
| Tax collector | 788 |
| Town Clerk | 186 |
| Elections | 1,217 |
| Planning | 4,961 |
| Public works | 80,506 |
| Solid waste | 69,530 |
| Parking Enforcement | 1,824 |
| Communications | 17,253 |
| Lifeguards | 8,538 |
| Fire/rescue | 95,775 |
| General assistance | 11,422 |
| Debt service | 35,760 |

D. Deficit Fund Balance

The Recreation Fund deficit of \$81,761 is due to the timing of purchases for the Summer Playground Program and will be repaid from program revenues collected next year. The West Grand Pump Station has a deficit of \$242,354 that will be repaid with future bond proceeds. The Ocean/Seaview Sewer has a deficit of \$315,246 that will be repaid with future bond proceeds. These obligations are accounted for as an interfund liability in the Recreation Fund, the Ocean/Seaview Sewer, and the West Grand Pump Station, and an interfund asset in the General Fund.

E. Ballpark Update

On April 15, 2001, the Town entered into a lease with Seacoast Sports, LLC for the Ballpark. The lease was renewed in 2002 and 2003. In 2006, a master plan was developed for the development of the ballpark. A volunteer group known as the Ballpark Committee has begun work on the ballpark. New sod has been laid and repairs and improvements to some of the buildings have been made. They have also done fund raising to help pay for these improvements. Beginning in June 2011, the Lowell All American franchise of the New England Collegiate Baseball League will relocate its league to the Ballpark. Under the agreement, the league will pay the Ballpark a payment of \$10,000 in exchange for 25 scheduled games.

DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Town policy is that deposits can only be made in financial institutions insured by the FDIC and that funds over the \$250,000 insurance limit be collateralized or placed in other financial institutions.

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

DEPOSITS AND INVESTMENTS, CONTINUED

At year end, the carrying amount of the Town's deposits was \$4,900,618 and the bank balance was \$5,041,834, all of which was covered by Federal Depository Insurance or collateral securities.

Deposits have been reported as follows:

| | |
|---------------------------------------|----------------------------|
| <u>Reported in governmental funds</u> | <u>\$ 4,900,618</u> |
| <u>Total deposits</u> | <u>\$ 4,900,618</u> |

B. Investments

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U. S. Treasury and U. S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests such excess funds in a government money market mutual fund accounts and certificates of deposits.

At June 30, 2010, the Town reported investments with the following maturities:

| | <u>Fair</u> <u>value</u> | <u>Less than</u> <u>1 year</u> | <u>1-5 years</u> | <u>6-10 years</u> | <u>More than</u> <u>10 years</u> |
|---------------------------------|-----------------------------|-----------------------------------|------------------|-------------------|-------------------------------------|
| Money funds/sweep options | \$ 2,245,948 | 2,245,948 | - | - | - |
| Certificate of deposits | 3,120,000 | 3,120,000 | - | - | - |
| <u>Total investments</u> | <u>\$ 5,365,948</u> | <u>5,365,948</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Investments have been reported as follows:

| | |
|-------------------------------------|----------------------------|
| <u>Reported in the general fund</u> | <u>\$ 5,365,948</u> |
| <u>Total deposits</u> | <u>\$ 5,365,948</u> |

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town currently does not have an investment policy for custodial credit risk. Of the Town's \$2,245,948 investment in money funds/sweep options, \$1,901,955 was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the Town's \$3,120,000 in certificates of deposits, \$3,120,000 was insured by the FDIC.

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

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

PROPERTY TAX

Property taxes for the current year were committed on July 20, 2009 on the assessed value listed as of April 1, 2009 for all real and personal property located in the Town. All real property taxes were due in two installments, 50% on September 11, 2009 and 50% on March 5, 2010. All personal property taxes were due in full on September 11, 2009. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value. The assessed value was 100% of the estimated market value and 96.4% of the 2010 state valuation of \$1,533,750,000.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$326,504 for the year ended June 30, 2010.

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

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

The following summarizes the 2010 and 2009 levies:

| | <u>2010</u> | <u>2009</u> |
|---|-------------------------|----------------------|
| Valuation: | | |
| Land | \$ 533,580,400 | 528,561,100 |
| Buildings | 976,917,540 | 969,131,970 |
| Personal property | 25,890,720 | 25,294,968 |
| Less - exemptions and tax-exempt property | (57,869,400) | (57,834,900) |
| Total assessed valuation | \$ 1,478,519,260 | 1,465,153,138 |
| Total assessed valuation | \$ 1,478,519,260 | 1,465,153,538 |
| Tax rate (per \$1,000) | 12.94 | 12.94 |
| Commitment | 19,132,039 | 18,959,087 |
| Supplemental taxes assessed | 19,861 | 569 |
| | 19,151,900 | 18,959,656 |
| Less - collections and abatements | 18,452,763 | 18,453,482 |
| Receivable at end of year | \$ 699,137 | 506,174 |
| Consisting of: | | |
| Taxes | \$ 699,137 | 506,174 |
| Liens | - | - |
| Receivable at end of year | \$ 699,137 | 506,174 |
| Collection rate | 96.35% | 97.33% |

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

| | Balance June 30, <u>2009</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2010</u> |
|---|------------------------------------|------------------|------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 89,530 | 1,604,547 | 89,530 | 1,604,547 |
| Land | 1,800,728 | - | 1,165,324 | 635,404 |
| Total capital assets, not being depreciated | 1,890,258 | 1,604,547 | 1,254,854 | 2,239,951 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 9,771,824 | 43,756 | 3,928,506 | 5,887,074 |
| Equipment, furniture and fixtures | 3,820,810 | 499,644 | 1,002,184 | 3,318,270 |
| Vehicles | 5,458,525 | - | 590,971 | 4,867,554 |
| Infrastructure | 17,854,766 | 333,606 | - | 18,188,372 |
| Total capital assets being depreciated | 36,905,925 | 877,006 | 5,521,661 | 32,261,270 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 5,943,187 | 138,447 | 3,304,139 | 2,777,495 |
| Equipment, furniture and fixtures | 2,998,284 | 126,013 | 1,001,207 | 2,123,090 |
| Vehicles | 3,167,279 | 357,152 | 539,978 | 2,984,453 |
| Infrastructure | 11,668,864 | 481,944 | - | 12,150,808 |
| Total accumulated depreciation | 23,777,614 | 1,103,556 | 4,845,324 | 20,035,846 |
| Total capital assets being depreciated, net | 13,128,311 | (226,550) | 676,337 | 12,225,424 |
| Governmental activities capital assets, net | \$ 15,018,569 | 1,377,997 | 1,931,191 | 14,465,375 |
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 993,250 | - | - | 993,250 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 633,433 | 17,134 | - | 650,567 |
| Total capital assets being depreciated, net | 359,817 | (17,134) | - | 342,683 |
| Business-type activities capital assets, net | \$ 359,817 | (17,134) | - | 342,683 |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 57,888 |
| Public safety | 217,157 |
| Public works, including depreciation of general infrastructure assets | 599,155 |
| Sanitation | 229,356 |
| Total depreciation expense – governmental activities | \$ 1,103,556 |
| Business-type activities: | |
| Ballpark Fund | \$ 17,134 |
| Total depreciation expense - business activities | \$ 17,134 |

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

CAPITAL ASSETS, CONTINUED

As of July 1, 2009, The Old Orchard Beach School Department joined Regional School Unit #23. As part of the agreement, the Town transferred all School Department capital assets to the new School Unit. The cost of the assets transferred was \$6,394,656 with accumulated depreciation of \$4,561,416 for a net book value of \$1,833,240.

PENSION PLANS

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

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

Funding Policy - All plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The rate for the year ended June 30, 2010 and 2009 was 2.8% of covered payroll for the regular plan, 4% of covered payroll for the 2C special plan which fire employees, 6.5% of covered payroll for the 1C special plan which covers police officers hired before October 12, 1992 and 6.8% for the 3C special plan which covers police officers hired on or after October 12, 1992. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended June 30, 2010 and 2009 were \$129,616 and \$121,723, respectively.

Deferred Compensation Plan

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

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

LONG-TERM DEBT

The Town is in compliance with all significant limitations and restrictions contained in the various bond indentures. The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2010:

| | Beginning <u>balance</u> | Additions | Reductions | Ending balance | Due within <u>one year</u> |
|--|-----------------------------|------------------|------------------|-------------------|-------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 11,090,000 | 2,500,000 | 1,530,000 | 12,060,000 | 1,535,000 |
| Sewer Revolving Loan | 1,200,000 | - | 60,000 | 1,140,000 | 60,000 |
| Capital leases | 208,749 | - | 46,691 | 162,058 | 48,848 |
| Landfill closure | 120,000 | - | 6,000 | 114,000 | 6,000 |
| Accrued vacation and sick leave | 864,253 | 67,377 | 223,200 | 708,430 | - |
| Governmental activities long-term liabilities | \$ 13,483,002 | 2,567,377 | 1,865,891 | 14,184,488 | 1,649,848 |

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

LONG-TERM DEBT, CONTINUED

Long-term debt payable at June 30, 2010 is comprised of the following:

| | Original amount <u>issued</u> | Interest <u>rate</u> | Final maturity <u>date</u> | Balance end of <u>year</u> |
|--|-------------------------------------|-------------------------|----------------------------------|----------------------------------|
| Governmental activities: | | | | |
| 1998 General obligation refunding bond | \$ 5,975,000 | 4.15 – 5.20% | 2018 | 2,035,000 |
| 2003 General obligation refund bond | 7,520,000 | 2.00 – 4.5% | 2023 | 3,630,000 |
| 2009 General obligation bond | 4,100,000 | 4.965% | 2028 | 3,895,000 |
| 2009 Sewer Revolving Loan Fund (1) | 1,200,000 | 1.9% | 2028 | 1,140,000 |
| 2010 General obligation bond | 2,500,000 | 3.405% | 2030 | 2,500,000 |
| Total governmental activities | | | | \$ 13,200,000 |

(1) The bond is being drawn down as construction work is being completed. As of June 30, 2010, the Town has not drawn any funds. The remaining \$1,200,000 has been recorded as cash held in escrow by the Maine Municipal Bond Bank in the governmental activities.

The annual requirements to amortize all debt outstanding as of June 30, 2010 are as follows. Such amounts exclude overlapping debt requirements. The general fund pays all governmental activities long-term debt service requirements.

| Year ended | Governmental activities | | Total |
|-----------------|----------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| <u>June 30,</u> | | | |
| 2011 | \$ 1,595,000 | 507,201 | 2,102,201 |
| 2012 | 1,765,000 | 453,001 | 2,218,001 |
| 2013 | 1,145,000 | 394,191 | 1,539,191 |
| 2014 | 615,000 | 359,485 | 974,485 |
| 2015 | 625,000 | 337,359 | 962,359 |
| 2016-2020 | 3,195,000 | 1,305,381 | 4,500,381 |
| 2021-2025 | 2,670,000 | 678,321 | 3,348,321 |
| 2026-2030 | 1,465,000 | 196,342 | 1,661,342 |
| 2031-2035 | 125,000 | 3,591 | 128,591 |
| Totals | \$ 13,200,000 | 4,234,872 | 17,434,872 |

OBLIGATIONS UNDER CAPITAL LEASES

The Town has entered into three lease agreements. These leases qualify as capital leases for accounting purposes, and therefore have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of inception. These assets are recorded as capital assets in the government-wide financial statements. The amount of assets capitalized as equipment and vehicles under capital leases for the year ended June 30, 2010 and 2009, was \$300,432 with accumulated depreciation of \$85,643 and \$51,638, respectively, for a net book value of \$214,789 and \$248,794, respectively.

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

LONG-TERM DEBT, CONTINUED

Minimum future lease payments under capital leases are:

| | | | |
|-----------------------------------|--|-----------|----------------|
| <u>Year ended June 30,</u> | | | |
| 2011 | | \$ | 56,472 |
| 2012 | | | 44,757 |
| 2013 | | | 44,758 |
| 2014 | | | 34,235 |
| <u>Thereafter</u> | | | - |
| Total minimum lease payments | | | 180,222 |
| Less amount representing interest | | | 18,164 |
| Present value of future | | | |
| minimum lease payments | | \$ | 162,058 |

STATUTORY DEBT LIMIT

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of State valuation of such municipality. At June 30, 2010, the Town was in compliance with these limitations.

OVERLAPPING DEBT

The Town is subject to an annual assessment of its proportional share of York County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2010, the Town's State valuation of \$1,533,750,000 was 4.88% of the County's State valuation of \$31,457,900,000. The Town's share is 4.88% or \$684,561 of York County's \$14,027,895 long-term debt outstanding as of June 30, 2010.

The Biddeford-Saco Old Orchard Beach Transit Committee had long-term debt of \$181,853 outstanding on June 30, 2010. Under the Interlocal Agreement that governs this entity, the communities of Biddeford, Saco and Old Orchard Beach would become jointly responsible for this debt should the Transit Committee be dissolved. The Town's share is 33.33%, or \$60,618.

RESERVED FUND BALANCES

At June 30, 2010, portions of fund balance were reserved for future periods as follows:

| | | | |
|----------------|--|----------------|---------------|
| | | | |
| Reserved: | | <u>General</u> | |
| Encumbrances | | <u>Fund</u> | |
| Town inventory | | \$ | 6,116 |
| | | | 36,991 |
| Totals | | \$ | 43,107 |

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

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2010:

| | <u>Governmental</u> | <u>Business-type</u> |
|--|----------------------------|-----------------------|
| Capital assets | \$ 34,501,221 | 993,250 |
| Accumulated depreciation | (20,035,846) | (650,567) |
| Bonds payable | (13,200,000) | - |
| Capital leases | (162,058) | - |
| Add back unspent bond proceeds | 6,200,351 | - |
| <u>Total invested in capital assets net of related debt</u> | <u>\$ 7,303,668</u> | <u>342,683</u> |

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual interfund receivables, payables (due from/to other funds) and transfers at June 30, 2010, were as follows:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> | <u>Net Transfers In (Out)</u> |
|-----------------------------|----------------------------------|-------------------------------|-----------------------------------|
| General Fund | \$ - | 5,003,928 | 328,000 |
| Special revenue funds: | | | |
| Rescue call fees fund | 157,239 | - | (325,000) |
| Sewer special revenue fund | 196,563 | - | - |
| Police grants fund | 12,570 | - | - |
| Recreation fund | - | 78,299 | - |
| Canopy grant fund | 3,000 | - | - |
| CDBG grant fund | 184 | - | - |
| Conservation Tree grant | 764 | - | - |
| Special dog fund | 5,438 | - | (3,000) |
| Memorial Park improvements | 5,067 | - | - |
| Memorial Day parade | 6,478 | - | - |
| Ballpark restoration fund | 7,352 | - | - |
| Smithwheel impact fees fund | 36,608 | - | - |
| Total special revenue funds | 431,263 | 78,299 | (328,000) |
| Capital project funds: | | | |
| FY 09 Bond Projects | 2,841,211 | 509,023 | - |
| FY 10 Bond Project | 2,337,487 | - | - |
| Landfill closure fund | 2,526 | - | - |
| Total capital project funds | 5,181,224 | 509,023 | - |
| Enterprise funds: | | | |
| Ballpark facility | - | 21,237 | - |
| <u>Totals</u> | <u>\$ 5,612,487</u> | <u>5,612,487</u> | <u>-</u> |

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

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, CONTINUED

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

Transfers were budgeted transfers to and from the General Fund.

RISK MANAGEMENT

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

Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2010.

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Under existing state law, Maine communities are required to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town presently has two landfills that have been closed under an approved plan and one additional landfill whose closure was completed during fiscal year 1998. The only additional costs that remain are postclosure care costs on all three of the landfills. The estimated remaining postclosure care costs at June 30, 2010 are \$114,000, which would include two mowings of each site during the year and well monitoring. This amount has been accrued in the entity-wide financial statements and is being amortized over 30 years at \$6,000 per year, as it is not expected that any of these costs will be funded with current financial resources. The actual cost of postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

SCHOOL ADMINISTRATIVE REORGANIZATION (SPECIAL ITEM)

As of July 1, 2009, the Old Orchard Beach School Department has merged with the Saco School Department to form Regional School Unit #23 or RSU #23. The Town has transferred all assets and liabilities to Regional School Unit #23. The effects of the special item are as follows:

| | Governmental <u>Activities</u> | Governmental <u>Funds</u> |
|-------------------------------------|-----------------------------------|------------------------------|
| Capital assets | \$ 6,394,656 | - |
| Accumulated depreciation | (4,561,416) | - |
| Accrued compensated absences | (223,200) | - |
| Fund balances: | | |
| School Special Revenue Funds | 304,551 | 304,551 |
| General Fund | (110,720) | (110,720) |
| Total transferred to RSU #23 | \$ 1,803,871 | 193,831 |

As a result of the transferred assets and liabilities, the Town still owes RSU #23 \$595,388 at June 30, 2010.

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

OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) recently issued its Statement 45, which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Old Orchard Beach, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town of Old Orchard Beach is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in June 2009.

Plan Descriptions – The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis.

No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

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

| | |
|------------------------------|--------------|
| Normal cost | \$ 68,822 |
| Amortization of Unfunded | 50,385 |
| <u>Interest</u> | <u>2,384</u> |
| Annual Required Contribution | \$ 121,591 |

Net OPEB Obligation – The Town's net OPEB obligation was calculated as follows:

| | |
|-----------------------------------|-----------------|
| OPEB liability, July 1, 2009 | \$ 121,591 |
| Annual required contribution | 121,591 |
| <u>Less: Actual contributions</u> | <u>(12,730)</u> |
| OPEB liability, June 30, 2010 | \$ 230,452 |

Funding Status and Funding Progress – The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2010 were as follows:

| | |
|--|--------------|
| Annual required contribution | \$ 121,591 |
| Actual contribution | 12,730 |
| Percent contributed | 10.47% |
| Actuarial accrued liability | 906,106 |
| <u>Plan assets</u> | <u>-</u> |
| Unfunded actuarial accrued liability | 906,106 |
| Covered payroll | \$ 4,340,177 |
| Unfunded actuarial accrued liability as a percentage of covered payroll | 20.9% |

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

| | |
|-------------------------------|-----------------------------------|
| Actuarial valuation date | 1/1/09 |
| Actuarial cost method | Projected unit credit cost method |
| Amortization method | Level dollar |
| Remaining amortization period | 30 years |
| Actuarial assumptions: | |
| Investment rate of return | 4.0% |
| Projected salary increases | N/A |
| Healthcare inflation rate | 4.0% - 9.6% |

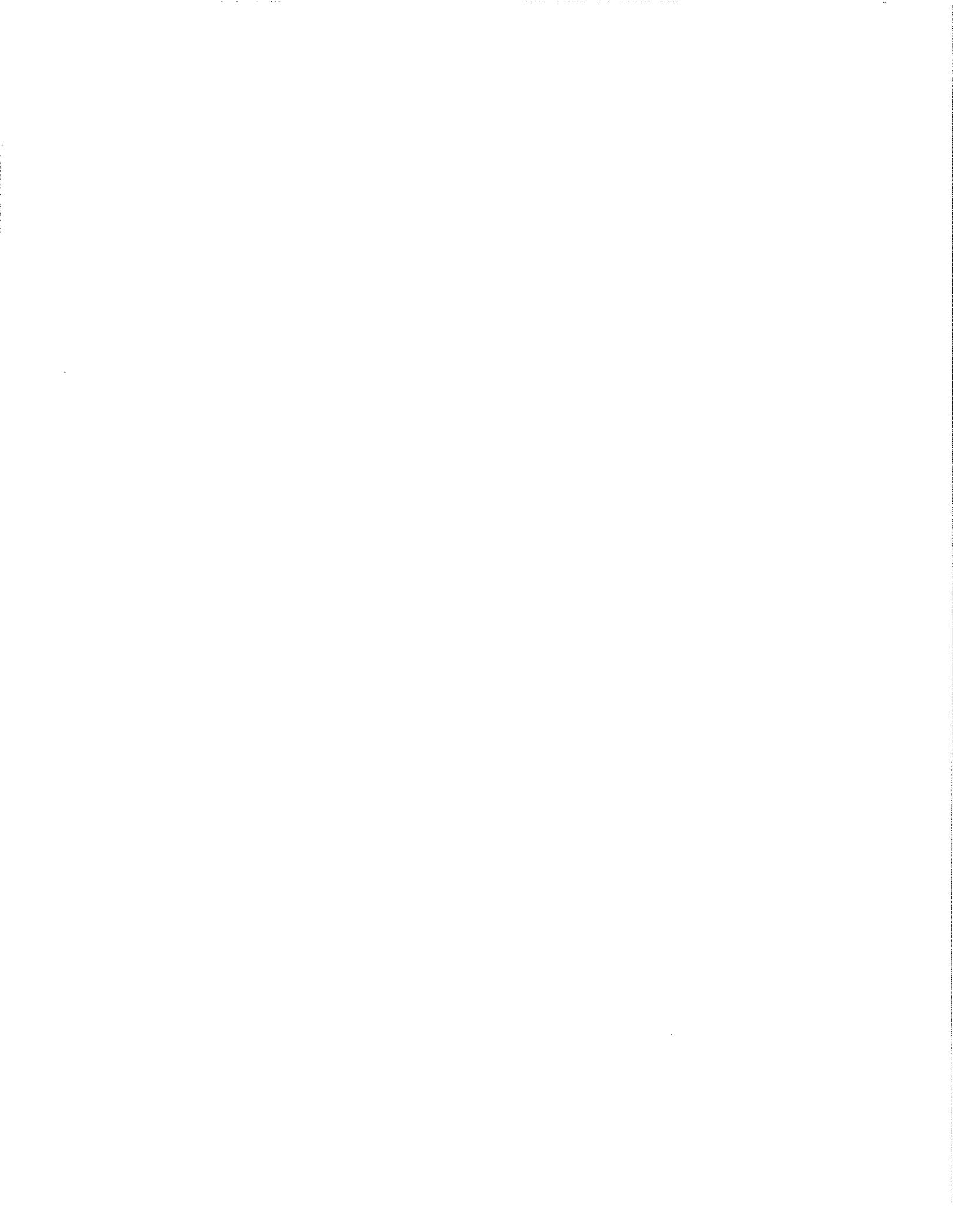
TOWN OF OLD ORCHARD BEACH, MAINE
Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

Retiree Healthcare Plan

| <u>Fiscal Year Ended</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u> |
|--------------------------|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 2009 | 1/1/09 | \$ - | \$906,106 | \$906,106 | 0.00% | \$4,409,525 | 20.5% |
| 2010 | 1/1/09 | \$ - | \$906,106 | \$906,106 | 0.00% | \$4,340,177 | 20.9% |

GENERAL FUND



TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Comparative Balance Sheet
June 30, 2010 and 2009

| | 2010 | 2009 |
|---|----------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 4,900,618 | 4,440,161 |
| Investments | 5,365,948 | 6,764,435 |
| Receivables: | | |
| Taxes receivable | 978,805 | 771,878 |
| Tax liens | 532,889 | 416,248 |
| Accounts receivable | 242,460 | 175,358 |
| Prepaid items | 3,302 | 3,431 |
| Inventory | 36,991 | 36,148 |
| Total assets | \$ 12,061,013 | 12,607,659 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable and payroll withholdings | 228,934 | 564,062 |
| Accrued wages | 214,842 | 828,571 |
| Interfund loans payable | 5,003,928 | 4,702,727 |
| Due to RSU #23 | 595,388 | - |
| Deferred tax revenue | 1,236,923 | 998,165 |
| Refundable deposits | 126,497 | 92,953 |
| Total liabilities | 7,406,512 | 7,186,478 |
| Fund balance: | | |
| Reserved | 43,107 | 41,274 |
| Unreserved: | | |
| Undesignated | 4,611,394 | 5,379,907 |
| Total fund balance | 4,654,501 | 5,421,181 |
| Total liabilities and fund balance | \$ 12,061,013 | 12,607,659 |

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)

| | 2010 | | Variance positive (negative) | 2009 Actual |
|---|-------------------|-------------------|------------------------------------|-------------------|
| | Budget | Actual | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 18,963,007 | 19,341,270 | 378,263 | 18,833,148 |
| Less TIF financing | - | - | - | (206,334) |
| Change in deferred property tax revenue | - | (238,758) | (238,758) | 55,891 |
| Excise taxes | 1,300,000 | 1,270,284 | (29,716) | 1,314,624 |
| Interest and costs on taxes | 100,000 | 100,720 | 720 | 144,641 |
| Cable television franchise taxes | 180,000 | 203,408 | 23,408 | 194,348 |
| Contributions in lieu of taxes | 26,000 | 26,155 | 155 | 33,632 |
| Total taxes | 20,569,007 | 20,703,079 | 134,072 | 20,369,950 |
| Licenses, permits and fees: | | | | |
| Business licenses | 110,000 | 143,281 | 33,281 | 133,468 |
| Building, plumbing and electrical permits | 73,000 | 80,943 | 7,943 | 73,575 |
| Town Clerk fees | 12,400 | 15,708 | 3,308 | 32,169 |
| Town Agent fees | 31,500 | 28,845 | (2,655) | 27,597 |
| Parking fees | 65,000 | 91,757 | 26,757 | 65,482 |
| Parking meters and fines | 315,000 | 317,127 | 2,127 | 308,026 |
| Sewer impact fees | 331,500 | 331,500 | - | 31,500 |
| Sewer user and dumping fees | 4,000 | 5,500 | 1,500 | 2,935 |
| Other permits and fees | 203,300 | 150,936 | (52,364) | 288,389 |
| Total licenses, permits and fees | 1,145,700 | 1,165,597 | 19,897 | 963,141 |
| Intergovernmental: | | | | |
| State Revenue Sharing | 778,500 | 575,841 | (202,659) | 727,452 |
| State education subsidies | - | - | - | 494,815 |
| Homestead exemption | 155,000 | 157,471 | 2,471 | 157,841 |
| M.D.O.T. block grant | 75,000 | 71,330 | (3,670) | 68,776 |
| Human services reimbursement | 17,500 | 28,481 | 10,981 | 29,035 |
| Other state revenue | 9,000 | 10,518 | 1,518 | 8,290 |
| Total intergovernmental | 1,035,000 | 843,641 | (191,359) | 1,486,209 |
| Investment income | 150,000 | 104,417 | (45,583) | 150,912 |
| Other revenues: | | | | |
| School Department | - | - | - | 256,155 |
| Miscellaneous | 20,000 | 38,687 | 18,687 | 97,860 |
| Total other revenues | 20,000 | 38,687 | 18,687 | 354,015 |
| Total revenues | 22,919,707 | 22,855,421 | (64,286) | 23,324,227 |

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

| | 2010 | | Variance positive (negative) | 2009 Actual |
|--|-----------|-----------|------------------------------------|----------------|
| | Budget | Actual | | |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Town Council | \$ 66,598 | 46,024 | 20,574 | 42,257 |
| Administration | 321,302 | 368,282 | (46,980) | 317,774 |
| Legal | 80,000 | 158,634 | (78,634) | 134,160 |
| Tax collector | 95,303 | 96,091 | (788) | 94,156 |
| Finance Director/Treasurer | 181,748 | 169,520 | 12,228 | 123,639 |
| Assessor | 187,704 | 182,278 | 5,426 | 184,152 |
| Town Clerk | 152,488 | 152,674 | (186) | 112,903 |
| Elections | 14,250 | 15,467 | (1,217) | 14,739 |
| Planning | 139,461 | 144,422 | (4,961) | 136,076 |
| Code enforcement | 198,565 | 190,262 | 8,303 | 177,630 |
| Building maintenance | 109,967 | 101,444 | 8,523 | 116,943 |
| Planning, Zoning and Registration Boards | 10,585 | 6,663 | 3,922 | 51,589 |
| Miscellaneous | 10,000 | 4,877 | 5,123 | 4,758 |
| Contingency | 25,000 | 13,567 | 11,433 | 15,991 |
| Insurances | 386,200 | 373,662 | 12,538 | 325,104 |
| Total general government | 1,979,171 | 2,023,867 | (44,696) | 1,851,871 |
| Public works: | | | | |
| General | 1,466,533 | 1,547,039 | (80,506) | 1,696,363 |
| Total public works | 1,466,533 | 1,547,039 | (80,506) | 1,696,363 |
| Sanitation: | | | | |
| Treatment plant | 1,104,220 | 1,019,434 | 84,786 | 1,073,636 |
| Solid waste | 568,000 | 637,530 | (69,530) | 569,185 |
| Comfort station | 7,500 | 4,694 | 2,806 | 1,855 |
| Total sanitation | 1,679,720 | 1,661,658 | 18,062 | 1,644,676 |
| Public safety: | | | | |
| Police department | 2,010,713 | 1,952,280 | 58,433 | 1,885,300 |
| Parking enforcement | 61,248 | 63,072 | (1,824) | 59,184 |
| Communication center | 433,102 | 450,355 | (17,253) | 481,854 |
| Emergency management | 1,215 | 778 | 437 | 285 |
| Animal control | 11,675 | 7,400 | 4,275 | 6,473 |
| Public safety complex | 90,120 | 69,033 | 21,087 | 78,587 |
| Lifeguards | 120,760 | 129,298 | (8,538) | 119,297 |
| Fire/rescue department | 1,347,600 | 1,443,375 | (95,775) | 1,459,036 |
| Hydrants | 129,000 | 125,251 | 3,749 | 125,319 |
| Street lights | 228,000 | 198,981 | 29,019 | 214,629 |
| Total public safety | 4,433,433 | 4,439,823 | (6,390) | 4,429,964 |

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

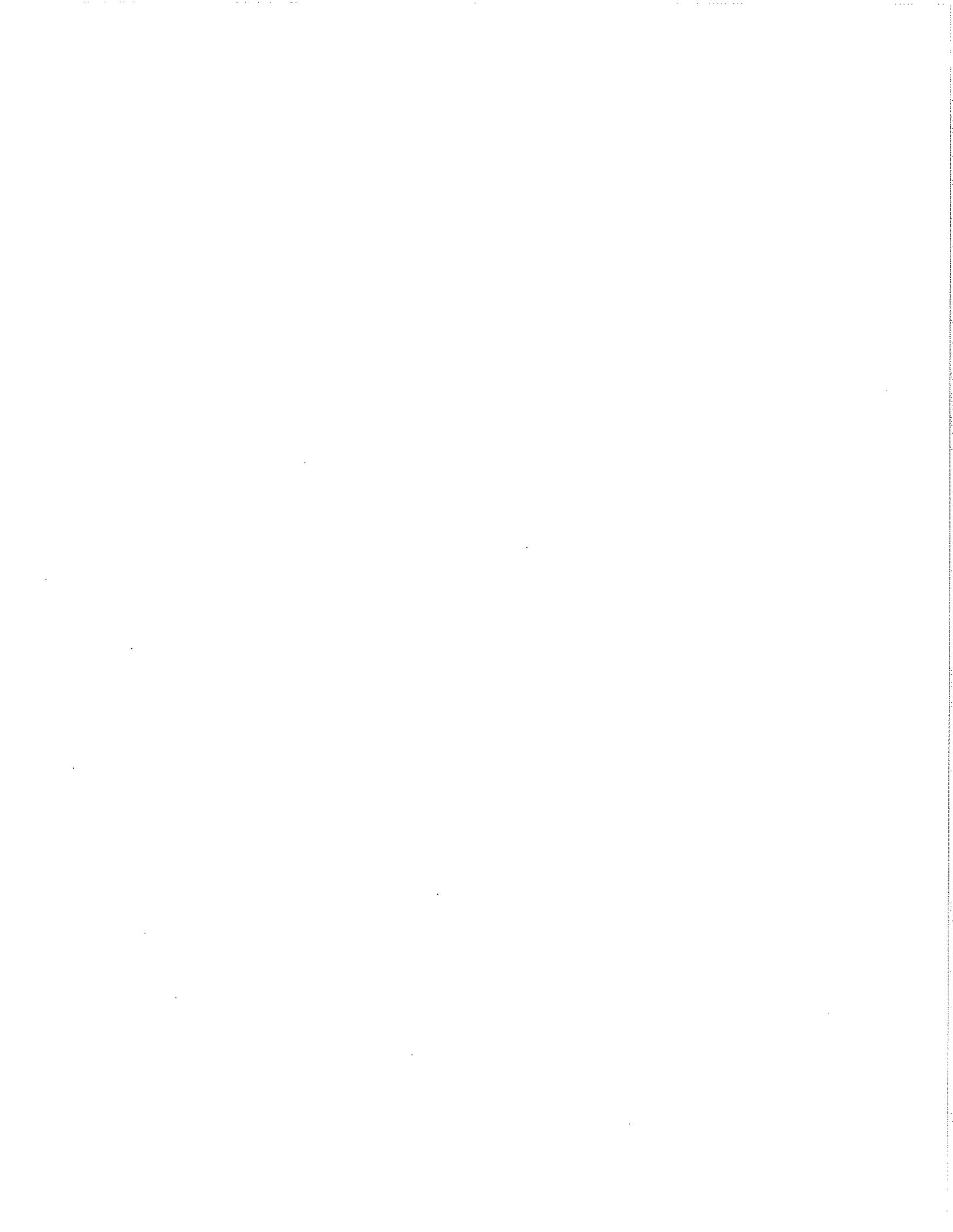
| | 2010 | | Variance positive (negative) | 2009 Actual |
|---|------------|------------|------------------------------------|----------------|
| | Budget | Actual | | |
| Expenditures, continued: | | | | |
| Current, continued: | | | | |
| Recreation, culture and agencies: | | | | |
| Recreation | \$ 250,342 | 243,961 | 6,381 | 238,579 |
| Conservation Commission | 50,000 | 42,821 | 7,179 | 104,665 |
| Donations to provider agencies | 38,575 | 38,495 | 80 | 38,496 |
| Memorial Library | 227,773 | 227,773 | - | 227,773 |
| Historical Society | 14,000 | 13,140 | 860 | 13,037 |
| Transit Committee subsidy | 76,000 | 76,000 | - | 64,000 |
| Total recreation, culture and agencies | 656,690 | 642,190 | 14,500 | 686,550 |
| Health and welfare: | | | | |
| General assistance | 96,400 | 107,822 | (11,422) | 101,475 |
| Total health and welfare | 96,400 | 107,822 | (11,422) | 101,475 |
| Education | 9,973,600 | 9,556,818 | 416,782 | 9,938,754 |
| Intergovernmental - county tax | 753,529 | 753,529 | - | 736,279 |
| Abatements, overlay and write offs | 338,800 | 50,831 | 287,969 | 53,165 |
| Debt service: | | | | |
| Principal | 1,601,091 | 1,636,683 | (35,592) | 1,299,946 |
| Interest | 490,630 | 490,798 | (168) | 426,983 |
| Total debt service | 2,091,721 | 2,127,481 | (35,760) | 1,726,929 |
| Capital outlays: | | | | |
| Comprehensive plan update | 52,600 | - | 52,600 | 2,400 |
| Computer system upgrade | 59,000 | 59,059 | (59) | 28,230 |
| Video production equipment | 5,000 | 4,174 | 826 | - |
| Town Clerk records archive | 22,000 | 15,614 | 6,386 | 6,217 |
| Town Hall improvements | 41,500 | 12,252 | 29,248 | 28,471 |
| Ballpark improvements | 25,000 | 32,453 | (7,453) | 17,547 |
| Facility improvements-Public Safety | 13,500 | - | 13,500 | 11,291 |
| Police cell block improvements | 14,500 | 23,440 | (8,940) | 33,199 |
| Cardiac monitor | 20,000 | 20,000 | - | - |
| Decontamination washer/dryer | 15,000 | 16,108 | (1,108) | - |
| GIS program | 50,000 | 41,842 | 8,158 | 79,984 |
| Road maint./improvements | 375,000 | 295,558 | 79,442 | 205,596 |
| Sidewalk maint./improvements | 85,000 | 20,060 | 64,940 | - |
| EE Cummings Safe Routes to School | - | 96,669 | (96,669) | - |
| Public works building improvement | 50,000 | 46,956 | 3,044 | 11,890 |
| Public works stormwater maintenance | 135,000 | 29,090 | 105,910 | 23,453 |
| Sewer maintenance/improvement | 75,000 | 43,788 | 31,212 | - |
| Treatment plant equipment | 567,110 | 376,190 | 190,920 | 87,724 |
| Recreation building improvements | 5,000 | 5,000 | - | - |
| Skate Park | 15,000 | - | 15,000 | - |
| Expenditures from designated fund balance | - | - | - | 536,197 |
| Expenditures from undesignated fund balance | - | 12,500 | (12,500) | 156,272 |
| Total capital outlays | 1,625,210 | 1,150,753 | 474,457 | 1,228,471 |
| Total expenditures | 25,094,807 | 24,061,811 | 1,032,996 | 24,094,497 |

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

| | 2010 | | Variance positive (negative) | 2009 Actual |
|--|----------------|------------------|------------------------------------|------------------|
| | Budget | Actual | | |
| Excess (deficiency) of revenues over (under) expenditures | \$ (2,175,100) | (1,206,390) | 968,710 | (770,270) |
| Other financing sources (uses): | | | | |
| Transfers - in | 328,000 | 328,000 | - | 434,334 |
| Transfers - out | - | - | - | (88,620) |
| Utilization of prior year fund balance | 1,847,100 | - | (1,847,100) | - |
| Total other financing sources (uses) | 2,175,100 | 328,000 | (1,847,100) | 345,714 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | - | (878,390) | (878,390) | (424,556) |
| Reconciliation to GAAP (Statement 4): | | | | |
| Less: Prior year encumbrances | | (5,126) | | (12,110) |
| Increase in school summer salaries | | - | | (28,237) |
| Add: Current year encumbrances | | 6,116 | | 5,126 |
| Net change in fund balance before special item | | (877,400) | | (459,777) |
| Special item: | | | | |
| Transfer of funds to Regional School Unit #23 | | 110,720 | | - |
| Net change in fund balance | | (766,680) | | (459,777) |
| Fund balance, beginning of year | | 5,421,181 | | 5,880,958 |
| Fund balance, end of year | \$ | 4,654,501 | | 5,421,181 |



ALL OTHER GOVERNMENTAL FUNDS



TOWN OF OLD ORCHARD BEACH, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2010

| | Nonmajor Special Revenue Funds | Nonmajor Capital Project Funds | Total Other Governmental Funds |
|--|---|---|--------------------------------------|
| ASSETS | | | |
| Accounts receivable | \$ - | - | - |
| Interfund loans receivable | 274,024 | 5,181,224 | 5,455,248 |
| Total assets | \$ 274,024 | 5,181,224 | 5,455,248 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and payroll withholdings | 8,640 | 184,213 | 192,853 |
| Interfund loans payable | 78,299 | 509,023 | 587,322 |
| Total liabilities | 86,939 | 693,236 | 780,175 |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | 187,085 | 4,487,988 | 4,675,073 |
| Total fund balances | 187,085 | 4,487,988 | 4,675,073 |
| Total liabilities and fund balances | \$ 274,024 | 5,181,224 | 5,455,248 |

TOWN OF OLD ORCHARD BEACH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the Year Ended June 30, 2010

| | Nonmajor Special Revenue Funds | Nonmajor Capital Project Funds | Total Other Governmental Funds |
|---|---|---|--------------------------------------|
| Revenues: | | | |
| Licenses, permits and fees | 69,764 | - | 69,764 |
| Intergovernmental | 74,246 | 26,860 | 101,106 |
| Program income | 160,183 | - | 160,183 |
| Other revenues | 92,873 | - | 92,873 |
| Total revenues | 397,066 | 26,860 | 423,926 |
| Expenditures: | | | |
| Current: | | | |
| Recreation, culture and agencies | 166,968 | - | 166,968 |
| Unclassified | 368,193 | - | 368,193 |
| Capital outlays | 144,280 | 1,988,939 | 2,133,219 |
| Total expenditures | 679,441 | 1,988,939 | 2,668,380 |
| Excess (deficiency) of revenues over (under) expenditures | (282,375) | (1,962,079) | (2,244,454) |
| Other financing sources (uses): | | | |
| Transfers - in | - | - | - |
| Transfers - out | (3,000) | - | (3,000) |
| Proceeds from general obligation bonds | - | 2,500,000 | 2,500,000 |
| Total other financing sources (uses) | (3,000) | 2,500,000 | 2,497,000 |
| Net change in fund balances | (285,375) | 537,921 | 252,546 |
| Fund balances, beginning of year | 472,460 | 3,950,067 | 4,422,527 |
| Fund balances, end of year | \$ 187,085 | 4,487,988 | 4,675,073 |

NONMAJOR SPECIAL REVENUE FUNDS



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

June 30, 2010

(with comparative totals for June 30, 2009)

| | Recreation Fund | Special Dog Fund | Police Grants Fund | Sewer Special Revenue | Canopy Grant Fund | Memorial Bench Fund | Conservation Tree Grant | Ballpark Restoration Fund | Memorial Day Parade Fund | CDBG Grant Fund | Smithwheel Impact Fees | Totals | |
|--|-----------------|------------------|--------------------|-----------------------|-------------------|---------------------|-------------------------|---------------------------|--------------------------|-----------------|------------------------|---------|---------|
| | | | | | | | | | | | | 2010 | 2009 |
| ASSETS | | | | | | | | | | | | | |
| Interfund loans receivable | \$ - | 5,438 | 12,570 | 196,563 | 3,000 | 5,067 | 764 | 7,352 | 6,478 | 184 | 36,608 | 274,024 | 547,792 |
| Total assets | \$ - | 5,438 | 12,570 | 196,563 | 3,000 | 5,067 | 764 | 7,352 | 6,478 | 184 | 36,608 | 274,024 | 547,792 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | |
| Accounts payable and payroll withholdings | 3,462 | - | - | - | - | 405 | - | 4,773 | - | - | - | 8,640 | 2,202 |
| Interfund loans payable | 78,299 | - | - | - | - | - | - | - | - | - | - | 78,299 | 73,130 |
| Total liabilities | 81,761 | - | - | - | - | 405 | - | 4,773 | - | - | - | 86,939 | 75,332 |
| Fund balances: | | | | | | | | | | | | | |
| Undesignated | (81,761) | 5,438 | 12,570 | 196,563 | 3,000 | 4,662 | 764 | 2,579 | 6,478 | 184 | 36,608 | 187,085 | 472,460 |
| Total fund balances (deficit) | (81,761) | 5,438 | 12,570 | 196,563 | 3,000 | 4,662 | 764 | 2,579 | 6,478 | 184 | 36,608 | 187,085 | 472,460 |
| Total liabilities and fund balances | \$ - | 5,438 | 12,570 | 196,563 | 3,000 | 5,067 | 764 | 7,352 | 6,478 | 184 | 36,608 | 274,024 | 547,792 |

TOWN OF OLD ORCHARD BEACH, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2010
 (with comparative totals for the year ended June 30, 2009)

| | Special Dog Fund | | Police Grants Fund | | Sewer Special Revenue Fund | | Canopy Grant Fund | | Memorial Bench Fund | | Conservation Tree Grant Fund | | Ballpark Restoration Fund | | Memorial Day Parade Fund | | CDBG Grant Fund | | Smithwheel Impact Fees | | Totals | | |
|---|------------------|---------|--------------------|-----------|----------------------------|---------|-------------------|-------|---------------------|-------|------------------------------|-----------|---------------------------|--------|--------------------------|---------|-----------------|--------|------------------------|------|---------|---------|---------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | |
| Revenues: | | | | | | | | | | | | | | | | | | | | | | | |
| Licenses and permits: | | | | | | | | | | | | | | | | | | | | | | | |
| Dog fees | \$ | 4,349 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,349 | 4,209 |
| Ordinance fees and assessments | - | - | - | - | 65,415 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 65,415 | 205,050 |
| Total licenses and permits | - | 4,349 | - | - | 65,415 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 69,764 | 209,259 |
| Intergovernmental: | | | | | | | | | | | | | | | | | | | | | | | |
| Federal grants and commodities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 74,246 | - | - | - | 74,246 | - |
| Total intergovernmental | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 74,246 | - | - | - | 74,246 | - | |
| Other revenues: | | | | | | | | | | | | | | | | | | | | | | | |
| Recreation programs | 160,183 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 160,183 | 154,994 |
| Other | - | - | 282 | - | - | - | 3,195 | - | 3,195 | 8,928 | 953 | 79,515 | - | - | - | - | - | - | - | - | - | 92,873 | 1,751 |
| Total other revenues | 160,183 | - | 282 | - | - | - | 3,195 | - | 3,195 | 8,928 | 953 | 79,515 | - | - | - | - | - | - | - | - | - | 253,056 | 156,745 |
| Total revenues | 160,183 | 4,349 | 282 | 282 | 65,415 | - | 3,195 | - | 3,195 | 8,928 | 953 | 79,515 | 74,246 | - | - | - | 74,246 | - | - | - | 397,066 | 366,004 | |
| Expenditures: | | | | | | | | | | | | | | | | | | | | | | | |
| Recreation | 166,968 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 166,968 | 148,071 |
| Unclassified | - | - | (500) | - | 331,500 | (3,279) | (1,000) | 189 | 23,438 | 2,450 | 15,395 | 58,590 | 32,192 | - | - | - | - | - | - | - | - | 368,193 | 31,831 |
| Capital outlay | - | - | - | - | - | - | - | - | 53,498 | - | - | - | - | - | - | - | - | - | - | - | - | 144,280 | - |
| Total expenditures | 166,968 | - | (500) | - | 331,500 | (3,279) | (1,000) | 189 | 76,936 | 2,450 | 73,985 | 32,192 | 679,441 | - | - | - | - | - | - | - | - | 179,902 | - |
| Excess (deficiency) of revenues over (under) expenditures | (6,785) | 4,349 | 782 | (266,085) | 3,279 | 4,195 | 764 | 2,579 | 6,478 | 261 | (32,192) | (282,375) | 186,102 | - | - | - | - | - | - | - | - | 9,530 | (3,000) |
| Other financing sources (uses): | | | | | | | | | | | | | | | | | | | | | | | |
| Transfers - In | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,530 |
| Transfers - out | - | (3,000) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,000) | (3,000) |
| Total other financing sources (uses) | - | (3,000) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,000) | 6,530 |
| Net change in fund balances | (6,785) | 1,349 | 782 | (266,085) | 3,279 | 4,195 | 764 | 2,579 | 6,478 | 261 | (32,192) | (282,375) | 186,102 | - | - | - | - | - | - | - | - | 9,530 | (3,000) |
| Fund balances (deficit), beginning of year | (74,976) | 4,089 | 11,788 | 462,648 | (279) | 467 | - | - | - | - | - | - | (77) | 68,800 | 472,460 | 279,828 | - | - | - | - | - | - | - |
| Fund balances (deficit), end of year | \$ (81,761) | 5,438 | 12,570 | 196,563 | 3,000 | 4,662 | 764 | 2,579 | 6,478 | 184 | 36,608 | 187,085 | 472,460 | - | - | - | - | - | - | - | - | - | - |

NONMAJOR CAPITAL PROJECT FUNDS

TOWN OF OLD ORCHARD BEACH, MAINE
 Nonmajor Capital Project Funds
 Combining Balance Sheet

June 30, 2010

(with comparative totals for June 30, 2009)

| | Landfill Closure | New Police Station | West Grand Stormwater | Summit St Sewer | Ross Rd Culvert | Ocean/Seaview Sewer | Halfway Roundabout | West Grand Pump Station | Totals |
|--|------------------|--------------------|-----------------------|-----------------|-----------------|---------------------|--------------------|-------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| ASSETS | | | | | | | | | |
| Accounts receivable | - | - | - | - | - | - | - | - | - |
| Interfund loans receivable | 2,526 | 2,337,487 | 1,785,077 | 863,100 | 99,687 | - | 93,347 | - | 5,181,224 |
| Total assets | \$ 2,526 | 2,337,487 | 1,785,077 | 863,100 | 99,687 | - | 93,347 | - | 4,035,865 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable and payroll withholdings | 1,721 | 133,915 | - | - | - | - | - | 48,577 | 184,213 |
| Interfund loans payable | - | - | - | - | - | 315,246 | - | 193,777 | 509,023 |
| Total liabilities | 1,721 | 133,915 | - | - | - | 315,246 | - | 242,354 | 693,236 |
| Fund balances: | | | | | | | | | |
| Undesignated | 805 | 2,203,572 | 1,785,077 | 863,100 | 99,687 | (315,246) | 93,347 | (242,354) | 4,487,988 |
| Total fund balances (deficit) | 805 | 2,203,572 | 1,785,077 | 863,100 | 99,687 | (315,246) | 93,347 | (242,354) | 3,950,067 |
| Total liabilities and fund balances | \$ 2,526 | 2,337,487 | 1,785,077 | 863,100 | 99,687 | - | 93,347 | - | 5,181,224 |
| | | | | | | | | | 4,035,865 |

TOWN OF OLD ORCHARD BEACH, MAINE
 Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2010
 (with comparative totals for the year ended June 30, 2009)

| | Landfill Closure | New Police Station | West Grand Stormwater | Summit St Sewer | Ross Rd Culvert | Ocean/Seaview Sewer | Halfway Roundabout | West Grand Pump Station | | Totals |
|---|------------------|--------------------|-----------------------|-----------------|------------------|---------------------|--------------------|-------------------------|------------------|------------------|
| | | | | | | | | 2010 | 2009 | |
| Revenues: | | | | | | | | | | |
| Property taxes | - | - | - | - | - | - | - | - | - | 206,334 |
| Intergovernmental | - | - | - | - | - | 26,860 | - | - | 26,860 | 240,047 |
| Total revenues | - | - | - | - | - | 26,860 | - | - | 26,860 | 446,381 |
| Expenditures: | | | | | | | | | | |
| Capital improvements: | | | | | | | | | | |
| Engineering costs | - | 5,472 | 26,607 | 31,716 | 25,521 | 102,394 | - | 105,727 | 297,437 | 139,167 |
| Construction costs | - | 290,956 | - | - | 213,682 | 996,008 | - | 84,838 | 1,585,484 | 124,504 |
| Miscellaneous | - | - | - | - | - | - | 106,018 | - | 106,018 | 6,190 |
| Total expenditures | - | 296,428 | 26,607 | 31,716 | 239,203 | 1,098,402 | 106,018 | 190,565 | 1,988,939 | 269,861 |
| Excess (deficiency) of revenues over (under) expenditures | - | (296,428) | (26,607) | (31,716) | (239,203) | (1,071,542) | (106,018) | (190,565) | (1,962,079) | 176,520 |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers - in | - | - | - | - | - | - | - | - | - | - |
| Transfers - out | - | - | - | - | - | - | - | - | - | (206,334) |
| Proceeds from general obligation bonds | - | 2,500,000 | - | - | - | - | - | - | 2,500,000 | 4,100,000 |
| Total other financing sources (uses) | - | 2,500,000 | - | - | - | - | - | - | 2,500,000 | 3,893,666 |
| Net change in fund balances | - | 2,203,572 | (26,607) | (31,716) | (239,203) | (1,071,542) | (106,018) | (190,565) | 537,921 | 4,070,186 |
| Fund balances (deficit), beginning of year | 805 | - | 1,811,684 | 894,816 | 338,890 | 756,296 | 199,365 | (51,789) | 3,950,067 | (120,119) |
| Fund balances (deficit), end of year | 805 | 2,203,572 | 1,785,077 | 863,100 | 99,687 | (315,246) | 93,347 | (242,354) | 4,487,988 | 3,950,067 |

TOWN OF OLD ORCHARD BEACH, MAINE
Capital Project Funds
Cumulative Statement of Revenues and Expenditures
Beginning of project to June 30, 2010

| | Landfill Closure | New Police Station | West Grand Stormwater | Summit St Sewer | Ross Rd Culvert | Ocean/Seaview Sewer | Halfway Roundabout | West Grand Pump Station |
|---|------------------|--------------------|-----------------------|-----------------|-----------------|---------------------|--------------------|-------------------------|
| Revenues: | | | | | | | | |
| Property taxes | \$ - | - | - | - | - | - | - | - |
| Grant proceeds | 186,681 | - | - | - | - | 44,432 | - | - |
| Investment income | 3,624 | - | - | - | - | - | - | - |
| Sewer reimbursements | - | - | - | - | - | - | - | - |
| Other revenues | 150 | - | - | - | - | - | - | - |
| Total revenues | 190,455 | - | - | - | - | 44,432 | - | - |
| Expenditures: | | | | | | | | |
| Capital improvements: | | | | | | | | |
| Engineering costs | 2,282 | 4,875 | 60,923 | 35,580 | 36,339 | 163,378 | - | 134,912 |
| Consultant costs | 18,900 | - | - | 440 | 213,682 | - | - | - |
| Construction costs | 122,513 | 291,553 | - | - | - | 996,008 | - | 84,838 |
| Equipment and associated expenses | 41,631 | - | - | - | - | - | - | 22,513 |
| Town labor and equipment | 61,231 | - | - | - | - | - | - | - |
| Miscellaneous | 4,746 | - | 4,000 | 880 | 292 | 292 | 106,653 | 91 |
| Debt service | - | - | - | - | - | - | - | - |
| Total expenditures | 251,303 | 296,428 | 64,923 | 36,900 | 250,313 | 1,159,678 | 106,653 | 242,354 |
| Deficiency of revenues under expenditures | (60,848) | (296,428) | (64,923) | (36,900) | (250,313) | (4,115,246) | (106,653) | (242,354) |
| Other financing sources: | | | | | | | | |
| Transfers - in | 61,653 | - | - | - | - | - | - | - |
| Proceeds of general obligation bonds | - | 2,500,000 | 1,850,000 | 900,000 | 350,000 | 800,000 | 200,000 | - |
| Total other financing sources | 61,653 | 2,500,000 | 1,850,000 | 900,000 | 350,000 | 800,000 | 200,000 | - |
| Cumulative excess (deficiency) of revenues and other sources over (under) expenditures | \$ 805 | 2,203,572 | 1,785,077 | 863,100 | 99,687 | (315,246) | 93,347 | (242,354) |

PRIVATE-PURPOSE TRUST FUNDS



TOWN OF OLD ORCHARD BEACH, MAINE
Private-purpose Trust Funds
Comparative Statement of Fiduciary Net Assets
June 30, 2010

| | Total | |
|-------------------------|-------------|----------------|
| | 2010 | 2009 |
| ASSETS | | |
| Investments | \$ - | 494,575 |
| Total assets | \$ - | 494,575 |
| NET ASSETS | | |
| Unreserved: | | |
| Principal | - | 279,293 |
| Unexpended income | - | 215,282 |
| Total net assets | \$ - | 494,575 |

TOWN OF OLD ORCHARD BEACH, MAINE
 Private-purpose Trust Funds
 Statement of Changes in Fiduciary Net Assets
 For the Year Ended June 30, 2010

| | Net assets beginning of year | | Additions | | | Deductions | | Net assets end of year | | |
|---|------------------------------|-------------------|----------------|-------------------|-------------------------------|----------------------------------|---------------------|------------------------|-------------------|----------|
| | Principal | Unexpended income | Total | Investment income | Unrealized gains and (losses) | Contributions and other receipts | Transfer to RSU #23 | Principal | Unexpended income | Total |
| Old Orchard Beach High School Scholarship | \$ 279,293 | 215,282 | 494,575 | - | - | - | 494,575 | - | - | - |
| Totals | \$ 279,293 | 215,282 | 494,575 | - | - | - | 494,575 | - | - | - |

LONG-TERM DEBT



TOWN OF OLD ORCHARD BEACH, MAINE
 Statement of Changes in Long-term Debt
 For the Year Ended June 30, 2010

| | Interest rate | Final maturity date | Annual principal payments | Amounts authorized | Issued previous years | Retired previous years | Balance beginning of year | Current Period | | Balance end of year |
|--|---------------|---------------------|---------------------------|----------------------|-----------------------|------------------------|---------------------------|------------------|------------------|---------------------|
| | | | | | | | | Issued | Retired | |
| <u>General Obligation Bonds</u> | | | | | | | | | | |
| Town issues: | | | | | | | | | | |
| 1989 Capital improvement bond | 7.45 - 7.75% | 2009 | \$ 40,000 | 1,840,000 | 1,840,000 | 1,760,000 | 40,000 | - | 40,000 | - |
| 1998 General obligation - refunding bond | 4.15 - 5.2% | 2018 | Various | 5,975,000 | 5,975,000 | 2,930,000 | 2,550,000 | - | 515,000 | 2,035,000 |
| 2003 General obligation - refunding bond | 2.0 - 4.5% | 2023 | Various | 7,520,000 | 7,520,000 | 2,365,000 | 4,400,000 | - | 770,000 | 3,630,000 |
| 2009 General obligation bond | 4.965% | 2028 | Various | 4,100,000 | 4,100,000 | - | 4,100,000 | - | 205,000 | 3,895,000 |
| 2009 Sewer revolving loan fund | 1.900% | 2028 | 60,000 | 1,200,000 | 1,200,000 | - | 1,200,000 | - | 60,000 | 1,140,000 |
| 2010 General obligation bond | 3.405% | 2030 | 125,000 | 2,500,000 | - | - | - | 2,500,000 | - | 2,500,000 |
| Total general obligation bonds | | | | 20,635,000 | 20,635,000 | 7,055,000 | 12,290,000 | 2,500,000 | 1,590,000 | 13,200,000 |
| Total long-term debt | | | | \$ 20,635,000 | 20,635,000 | 7,055,000 | 12,290,000 | 2,500,000 | 1,590,000 | 13,200,000 |



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



TOWN OF OLD ORCHARD BEACH, MAINE
Capital Assets Used in the Operation of Governmental Funds - By Source
June 30, 2010

| | |
|---|----------------------|
| Capital assets: | |
| Land and buildings | \$ 6,522,478 |
| Equipment | 3,318,270 |
| Vehicles | 4,867,554 |
| Infrastructure | 18,188,373 |
| <hr/> | |
| Total governmental fund capital assets | \$ 32,896,675 |
| <hr/> | |
| Investments in capital assets by source: | |
| General Fund | 32,896,675 |
| Capital Project Funds | - |
| <hr/> | |
| Total governmental fund capital assets by source | \$ 32,896,675 |
| <hr/> | |

TOWN OF OLD ORCHARD BEACH, MAINE
Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity
June 30, 2010

| Function and Activity | Land and Buildings | Construction in Progress | Equipment | Vehicles | Infrastructure | Total |
|---|--------------------------|-----------------------------|------------------|------------------|-------------------|-------------------|
| Town Hall | \$ 1,011,923 | - | 289,566 | 102,964 | - | 1,404,453 |
| Public Works | 1,312,100 | - | 266,998 | 2,207,355 | 13,902,455 | 17,688,908 |
| Waste Water | 2,925,331 | 1,308,716 | 2,154,718 | 289,370 | 4,285,918 | 10,964,053 |
| Compost/Transfer Facility | 304,550 | - | - | - | - | 304,550 |
| Comfort Station | 167,277 | - | - | - | - | 167,277 |
| Police Department | 439,224 | 295,831 | 414,023 | 493,934 | - | 1,643,012 |
| Fire and Rescue | - | - | 192,965 | 1,773,931 | - | 1,966,896 |
| Tidal Gates | 54,394 | - | - | - | - | 54,394 |
| Animal Facility | 826 | - | - | - | - | 826 |
| Train Platform | 306,853 | - | - | - | - | 306,853 |
| Total governmental fund capital assets | \$ 6,522,478 | 1,604,547 | 3,318,270 | 4,867,554 | 18,188,373 | 34,501,222 |

Exhibit G-3

Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the Year Ended June 30, 2010

| Function and Activity | Balance 2009 | Additions | Deletions | Balance 2010 |
|---------------------------|----------------------|------------------|------------------|-------------------|
| Town Hall | \$ 1,404,453 | - | - | 1,404,453 |
| Public Works | 17,518,825 | 333,574 | 163,491 | 17,688,908 |
| Waste Water | 9,254,379 | 1,709,674 | - | 10,964,053 |
| Compost/Transfer Facility | 304,550 | - | - | 304,550 |
| Comfort Station | 167,277 | - | - | 167,277 |
| Police Department | 1,327,997 | 315,015 | - | 1,643,012 |
| Fire and Rescue | 2,061,974 | 33,760 | 128,838 | 1,966,896 |
| School Department | 6,394,656 | - | 6,394,656 | - |
| Tidal Gates | 54,394 | - | - | 54,394 |
| Animal Facility | 826 | - | - | 826 |
| Train Platform | 306,853 | - | - | 306,853 |
| Totals | \$ 38,796,184 | 2,392,023 | 6,686,985 | 34,501,222 |

TABLES

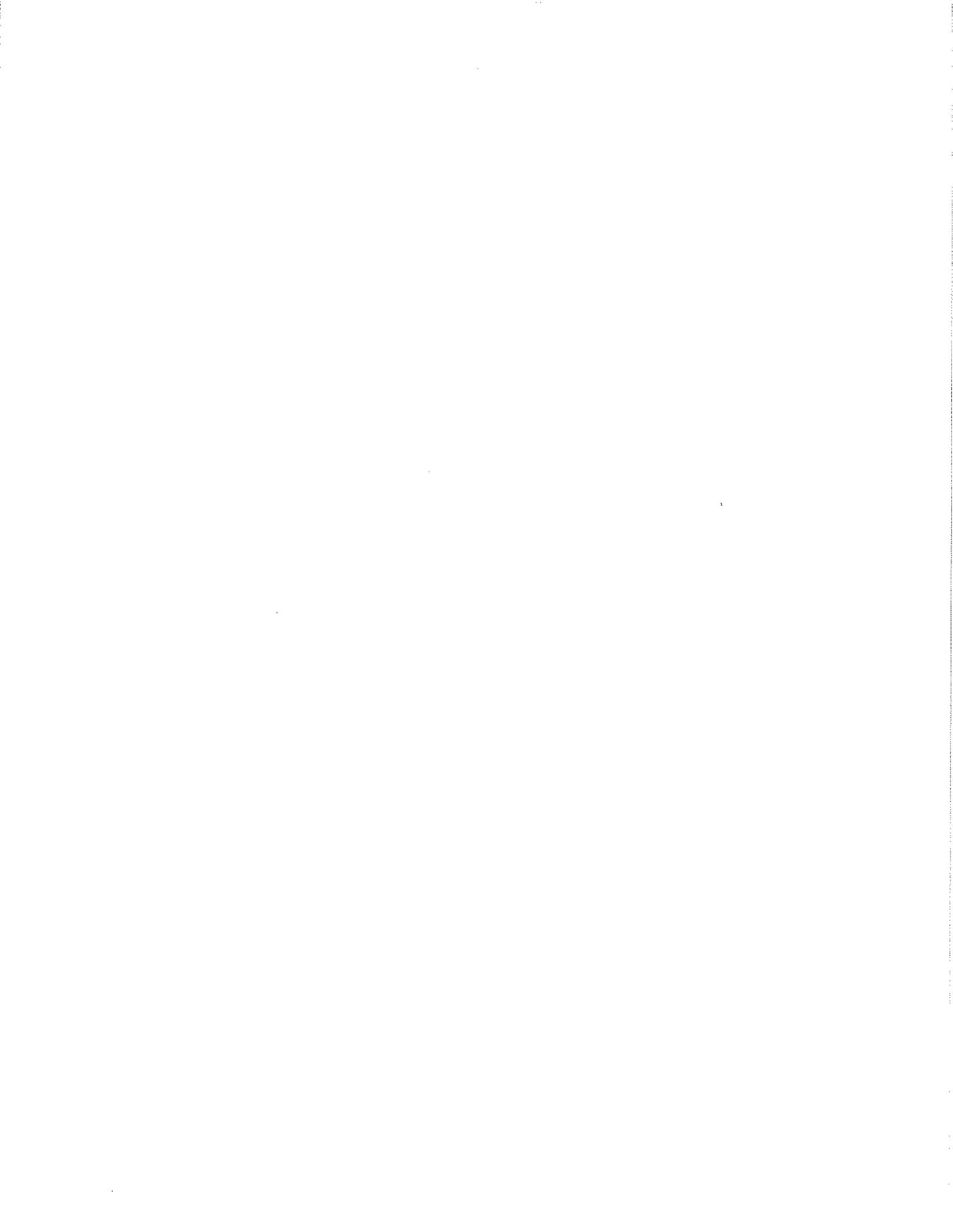


Table 1

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

| | 2001 | 2002+ | 2003+ | 2004+ | 2005+ | 2006+ | 2007+ | 2008+ | 2009+ | 2010+ |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | | | | | | | |
| Property taxes | \$ 12,234,946 | 13,199,080 | 14,676,830 | 15,043,333 | 15,535,851 | 16,265,640 | 17,208,689 | 17,749,257 | 18,682,705 | 19,102,512 |
| Other taxes | 1,283,991 | 1,481,602 | 1,535,620 | 1,658,127 | 1,787,674 | 1,649,581 | 1,684,326 | 1,691,863 | 1,687,245 | 1,600,567 |
| Licenses and permits | 244,333 | 575,411 | 657,588 | 787,862 | 1,120,948 | 1,164,742 | 1,132,286 | 940,062 | 963,141 | 1,165,597 |
| Intergovernmental revenues | 3,481,271 | 3,420,726 | 3,104,603 | 2,744,653 | 2,378,948 | 2,470,827 | 2,174,858 | 2,210,043 | 1,486,209 | 843,641 |
| Investment income | 355,894 | 160,005 | 89,177 | 97,957 | 134,125 | 224,977 | 343,844 | 352,740 | 150,912 | 104,417 |
| Other revenues | 367,469 | 51,589 | 37,752 | 183,408 | 232,794 | 92,151 | 195,742 | 134,061 | 354,015 | 38,687 |
| Total revenues | 17,967,904 | 18,888,413 | 20,101,570 | 20,515,340 | 21,190,340 | 21,867,918 | 22,739,745 | 23,078,026 | 23,324,227 | 22,855,421 |
| Expenditures: | | | | | | | | | | |
| General government | 888,028 | 2,242,861 | 1,523,897 | 1,842,364 | 1,855,934 | 1,797,347 | 1,761,598 | 1,913,524 | 1,851,871 | 2,021,057 |
| Public works | 672,082 | 714,867 | 941,985 | 1,005,234 | 1,059,881 | 1,127,144 | 1,482,509 | 1,618,224 | 1,696,363 | 1,547,039 |
| Sanitation | 1,301,527 | 1,400,267 | 1,684,667 | 1,576,873 | 1,455,194 | 1,677,526 | 1,496,170 | 1,542,780 | 1,644,676 | 1,661,658 |
| Public safety | 2,708,389 | 2,662,228 | 3,383,987 | 3,543,140 | 3,670,572 | 3,844,767 | 4,044,087 | 4,178,862 | 4,429,964 | 4,439,462 |
| Recreation, culture and agencies | 68,317 | 274,752 | 287,190 | 332,191 | 386,875 | 443,249 | 471,937 | 505,462 | 686,550 | 642,190 |
| Health and welfare | 41,116 | 55,649 | 56,515 | 62,202 | 80,503 | 70,732 | 76,463 | 74,298 | 101,475 | 107,822 |
| Education | 8,270,240 | 8,717,626 | 8,821,298 | 8,614,579 | 8,965,400 | 9,032,509 | 9,212,617 | 9,632,841 | 9,973,975 | 9,561,944 |
| Debt service (excluding education) | 1,766,217 | 1,635,917 | 1,621,046 | 1,561,729 | 1,238,346 | 1,616,746 | 1,543,678 | 1,521,034 | 1,726,929 | 2,127,481 |
| Employee benefits and insurance | 1,136,922 | - | - | - | - | - | - | - | - | - |
| Capital outlays | 1,137,159 | 533,291 | 778,051 | 1,149,854 | 1,937,383 | 2,710,375 | 2,242,068 | 1,914,839 | 1,228,471 | 1,147,808 |
| Other | 297,940 | 444,627 | 494,758 | 367,993 | 527,990 | 599,307 | 621,893 | 646,342 | 789,444 | 804,360 |
| Total expenditures | 18,287,937 | 18,682,085 | 19,593,394 | 20,056,119 | 21,178,078 | 22,919,702 | 22,953,020 | 23,548,206 | 24,129,718 | 24,060,821 |
| Other financing sources | 445,037 | 304,869 | 299,374 | 7,826,334 | 309,334 | 434,334 | 434,334 | 459,334 | 434,334 | 328,000 |
| Other financing uses | (634,320) | (356,000) | (75,638) | (7,342,491) | (56,180) | (59,680) | (65,680) | (74,180) | (88,620) | - |
| Net change in fund balances before special item | (509,316) | 155,197 | 731,912 | 943,064 | 265,416 | (677,130) | 155,379 | (85,026) | (459,777) | (877,400) |
| Special item: | | | | | | | | | | |
| Transfer of funds to Regional Unit #23 | - | - | - | - | - | - | - | - | - | 110,720 |
| Fund balances, beginning | 4,758,387 | 4,249,071 | 4,404,268 | 5,136,180 | 6,222,319 | 6,487,735 | 5,810,605 | 5,965,984 | 5,880,958 | 5,421,181 |
| Fund balances, ending | \$ 4,249,071 | 4,404,268 | 5,136,180 | 6,079,244 | 6,487,735 | 5,810,605 | 5,965,984 | 5,880,958 | 5,421,181 | 4,654,501 |

+ Beginning in 2002, some classifications have been changed to better conform to reporting requirements under GASB 34. Employee benefits and insurances have been allocated to department expenditures.

++ Includes a prior period adjustment.

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

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

Table 3

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

| Year | Assessed Value | | Estimated actual value | Ratio of total assessed value to total estimated actual value | | State equalized valuation | Ratio of total assessed value to state equalized value |
|-------|----------------|------------|------------------------|---|----------|---------------------------|--|
| | Real | Personal | | Total | to total | | |
| 2001 | \$ 531,735,300 | 17,620,800 | 549,356,100 | 560,567,449 | 98.00% | 560,550,000 | 98.00% |
| 2002 | 560,259,200 | 18,432,350 | 578,691,550 | 609,149,000 | 95.00% | 623,600,000 | 92.80% |
| 2003 | 776,373,600 | 19,692,966 | 796,066,566 | 796,066,566 | 100.00% | 697,300,000 | 114.16% |
| 2004 | 779,156,600 | 20,500,743 | 799,657,343 | 799,657,343 | 100.00% | 786,450,000 | 101.68% |
| 2005 | 812,166,500 | 20,816,750 | 832,983,250 | 832,983,250 | 100.00% | 969,950,000 | 85.88% |
| 2006* | 1,206,181,200 | 21,605,000 | 1,227,786,200 | 1,227,786,200 | 100.00% | 1,150,850,000 | 106.69% |
| 2007 | 1,289,869,400 | 23,392,100 | 1,313,261,500 | 1,313,261,500 | 100.00% | 1,368,350,000 | 95.97% |
| 2008 | 1,418,164,600 | 23,691,240 | 1,441,855,840 | 1,441,855,840 | 100.00% | 1,565,250,000 | 92.12% |
| 2009 | 1,439,858,170 | 25,294,968 | 1,465,153,138 | 1,465,153,138 | 100.00% | 1,575,350,000 | 93.00% |
| 2010 | 1,452,628,540 | 25,890,720 | 1,478,519,260 | 1,478,519,260 | 100.00% | 1,533,750,000 | 96.40% |

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

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

| Year | | Total | Town | School | County | Water quality control |
|--------|----|-------|-------|--------|--------|-----------------------------|
| 2001 | \$ | 23.40 | 10.66 | 11.21 | 0.31 | 1.22 |
| 2002* | | 24.40 | 8.68 | 11.87 | 0.68 | 3.17 |
| 2003 | | 20.10 | 7.65 | 9.33 | 0.65 | 2.47 |
| 2004 | | 20.10 | 6.67 | 9.64 | 0.59 | 3.20 |
| 2005 | | 20.10 | 7.57 | 9.71 | 0.59 | 2.23 |
| 2006** | | 13.50 | 5.10 | 6.26 | 0.44 | 1.70 |
| 2007 | | 13.32 | 5.20 | 6.09 | 0.44 | 1.59 |
| 2008 | | 12.56 | 4.73 | 5.94 | 0.43 | 1.46 |
| 2009 | | 12.94 | 4.85 | 6.40 | 0.40 | 1.29 |
| 2010 | | 12.94 | 4.45 | 6.76 | 0.51 | 1.22 |

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

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

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

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

(1) Includes all long-term general obligation debt excluding accrued vacation and sick leave.

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

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

| Year | Principal | Interest | Total debt service | Total General Fund expenditures | Ratio of debt service to total General Fund expenditures |
|------|------------|----------|--------------------------|---------------------------------------|---|
| 2001 | \$ 916,699 | 849,518 | 1,766,217 | 18,424,005 | 9.59% |
| 2002 | 836,630 | 799,287 | 1,635,917 | 18,509,600 | 8.84% |
| 2003 | 870,122 | 750,924 | 1,621,046 | 19,596,364 | 8.27% |
| 2004 | 880,000 | 681,729 | 1,561,729 | 20,153,706 | 7.75% |
| 2005 | 680,000 | 558,346 | 1,238,346 | 21,154,646 | 5.85% |
| 2006 | 1,175,000 | 441,746 | 1,616,746 | 22,807,881 | 7.09% |
| 2007 | 1,135,000 | 408,678 | 1,543,678 | 22,850,277 | 6.76% |
| 2008 | 1,150,000 | 371,034 | 1,521,034 | 23,512,985 | 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% |

TOWN OF OLD ORCHARD BEACH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2010

| Name | Type of Operation | Taxes | % of Net Tax Levy |
|----------------------------------|-------------------|-----------|-------------------|
| Palace Playland Association | Amusements | \$ 92,322 | 0.48% |
| Lafayette Old Orchard LLC | Resort | 85,136 | 0.45% |
| Seagate Limited Partnership | Mobile Home Park | 80,515 | 0.42% |
| MHC Pinehurst LLC | Resort | 70,634 | 0.37% |
| Wild Acres LLC | Resort | 68,687 | 0.36% |
| Birch Ridge Limited | Apartments | 65,881 | 0.34% |
| Powderhorn Family Camping Resort | Resort | 62,504 | 0.33% |
| Biddeford Saco Water Co | Utility | 61,622 | 0.32% |
| Alouette Atlantic Resorts LLC | Resort | 58,202 | 0.30% |
| Portland Ave Associates | Hotel | 56,452 | 0.30% |

