

TOWN OF OGUNQUIT

OGUNQUIT, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2015

**TOWN OF OGUNQUIT
OGUNQUIT, MAINE
JUNE 30, 2015**

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Selectmen and Manager
TOWN OF OGUNQUIT
Ogunquit, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and remaining fund information, which collectively comprise the financial statements, of the Town of Ogunquit, Maine as of and for the year ended June 30, 2015, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and remaining fund information of the Town of Ogunquit and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Pension Contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 response to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because of 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 an opinion on the financial statements as a whole. The Management Discussion and Analysis (MD&A) which is the responsibility of management, is represented for purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedure applied in the audit of the financial statements and accordingly we do not express an opinion or provide any assurance on it.



SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
October 14, 2015



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As Town Manager of the Town of Ogunquit, I offer the readers of the Town of Ogunquit's financial statements this narrative overview and analysis of the financial activities of the Town of Ogunquit for the fiscal year ended June 30, 2015. I encourage the readers to consider the information presented here in conjunction with the financial statements presented.

Financial Highlights

- The assets of the Town of Ogunquit exceeded its liabilities at the close of the most recent fiscal year by \$10,210,774 per Exhibit I (Net Position). Of this amount, \$4,402,275 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net position decreased by \$1,129,461 because of the prior period adjustment of \$1,564,833 due to the implementation of the pension liability per GASB 68.
- As of the close of the current fiscal year, the Town of Ogunquit's governmental funds reported combined ending fund balances of \$6,420,750 a decrease of \$105,825 over the prior year. The amount of \$3,023,658 is the general fund unreserved fund balance which is available for appropriation in the next budget cycle; \$392,939 has been assigned to FY 15/16.
- The Town of Ogunquit has \$2,217,680 reserved for Capital Projects, \$311,037 reserved for Special Revenues, and \$475,436 reserved for Permanent Funds. See Note 13 for details of these funds.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *Statement of Net Position* (Exhibit I) presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

Government-Wide Financial Statements (Continued)

The *Statement of Activities* (Exhibit II) presents revenue and expenses and shows how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

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

Governmental Funds

Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and 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 Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary Funds

When the Town charges customers for the services it provides, 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 Position and the Statement of Activities. The Town's unemployment compensation program is reported in this fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required information concerning budgetary comparison of the general fund as Exhibit VII.

Comparative Data

The tables below provides a summary of the Town of Ogunquit's net position and statement of activities for the year ended June 30, 2015, with comparative data for the previous year. Net position serves as a useful indicator of the Town's financial position. Changes in net position generally indicate the direction (positive and negative) of the Town's financial position over time.

TOWN OF OGUNQUIT'S NET POSITION

Condensed Statement of Net Position	Governmental Activities		Business - Type Activities		Total	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Assets						
Current and Other Assets	\$ 6,907,100	\$ 7,015,894	\$ 45,751	\$ 42,038	\$ 6,952,851	\$ 7,057,932
Non Current Assets	<u>12,746,372</u>	<u>12,234,203</u>	<u>0</u>	<u>0</u>	<u>12,746,372</u>	<u>12,234,203</u>
Total Assets	<u>\$ 19,653,472</u>	<u>\$ 19,250,097</u>	<u>\$ 45,751</u>	<u>\$ 42,038</u>	<u>\$19,699,223</u>	<u>\$19,292,135</u>
Deferred Outflows of Resources	\$ <u>93,307</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>93,307</u>	\$ <u>0</u>
Liabilities						
Current and Other Liabilities	\$ 1,073,038	\$ 1,023,468	\$ 0	\$ 0	\$ 1,073,038	\$ 1,023,468
Long Term Liabilities	<u>7,536,761</u>	<u>6,928,432</u>	<u>0</u>	<u>0</u>	<u>7,536,761</u>	<u>6,928,432</u>
Total Liabilities	<u>\$ 8,609,799</u>	<u>\$ 7,951,900</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,609,799</u>	<u>\$ 7,951,900</u>
Deferred Inflows of Resources	\$ <u>971,957</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>971,957</u>	\$ <u>0</u>
Net Position						
Net Investment in Capital Assets						
Assets	\$ 5,351,940	\$ 4,715,832	\$ 0	\$ 0	\$ 5,351,940	\$ 4,715,832
Restricted	456,559	456,559	0	0	456,559	456,559
Unrestricted	<u>4,356,524</u>	<u>6,125,806</u>	<u>45,751</u>	<u>42,038</u>	<u>4,402,275</u>	<u>6,167,844</u>
Total Net Position	<u>\$ 10,165,023</u>	<u>\$ 11,298,197</u>	<u>\$ 45,751</u>	<u>\$ 42,038</u>	<u>\$10,210,774</u>	<u>\$11,340,235</u>

By far, the largest portion of the Town's net position 52.7% (41.7% in prior year) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Comparative Data (Continued)

Although the Town’s investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position 4.5% (4.0% in prior year) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$4,356,524 represents 42.9% (\$6,125,806 or 54.2% in prior year) may be used to meet the governments’ ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate government and business type activities. The same situation held true for the prior year.

TOWN OF OGUNQUIT’S CHANGES IN NET POSITION

Condensed Statement of Activities	Governmental Activities		Business – Type Activities		Total	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Revenues						
<i>Program Revenues</i>						
Charge for Services	\$ 2,731,466	\$ 2,470,293	\$ 0	\$ 0	\$ 2,731,466	\$ 2,470,293
Operating Grants and Contributions	39,455	170,007	0	0	39,455	170,007
Capital Grants and Contributions	0	0	0	0	0	0
<i>General Revenues</i>						
Property and Other Taxes	10,667,049	10,248,411	0	0	10,667,049	10,248,411
Grants and Contributions Not Restricted to Specific Programs	32,007	33,069	0	0	32,007	33,069
Unrestricted Investment Earnings	4,024	4,354	96	84	4,120	4,438
Miscellaneous	<u>0</u>	<u>0</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>
Total Revenues	<u>\$ 13,474,001</u>	<u>\$ 12,926,134</u>	<u>\$ 9,096</u>	<u>\$ 9,084</u>	<u>\$ 13,483,097</u>	<u>\$ 12,935,218</u>
Expenses						
General Government	\$ 1,247,632	\$ 1,278,415	\$ 5,383	\$ 2,500	\$ 1,253,015	\$ 1,280,915
Public Works and Sanitation	1,538,885	1,490,852	0	0	1,538,885	1,490,852
Protection	2,549,836	2,347,930	0	0	2,549,836	2,347,930
Culture and Recreation	1,067,179	887,060	0	0	1,067,179	887,060
General Assistance	844	2,471	0	0	844	2,471
Health and Social Services	6,700	7,300	0	0	6,700	7,300
Education	5,015,745	4,703,618	0	0	5,015,745	4,703,618
Interest	238,474	247,399	0	0	238,474	247,399
Fixed Charges	793,275	795,524	0	0	793,275	795,524
Pension, Unallocated	56,886	0	0	0	56,886	0
Depreciation	<u>526,886</u>	<u>479,696</u>	<u>0</u>	<u>0</u>	<u>526,886</u>	<u>479,696</u>
Total Expenses	<u>\$ 13,042,342</u>	<u>\$ 12,240,265</u>	<u>\$ 5,383</u>	<u>\$ 2,500</u>	<u>\$ 13,047,725</u>	<u>\$ 12,242,765</u>
Increase (Decrease) In Net Position	<u>\$ 431,659</u>	<u>\$ 685,869</u>	<u>\$ 3,713</u>	<u>\$ 6,584</u>	<u>\$ 435,372</u>	<u>\$ 692,453</u>
Net Position, July 1	\$ 11,298,197	\$ 10,612,328	\$ 42,038	\$ 35,454	\$ 11,340,235	\$ 10,647,782
Prior Period Adjustment	<u>(1,564,833)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,564,833)</u>	<u>0</u>
Net Position, June 30	<u>\$ 10,165,023</u>	<u>\$ 11,298,197</u>	<u>\$ 45,751</u>	<u>\$ 42,038</u>	<u>\$ 10,210,774</u>	<u>\$ 11,340,235</u>

Analysis of Overall Financial Position and Results of Operations

The Statement of Activities indicates that the total revenues exceeded total expenses by \$435,372 indicating a strong overall financial position for the year ended June 30, 2015.

Analysis of Significant Individual Fund Balances, Transactions and Changes in Fund Balance

General Fund

Expenditures exceeded total revenues by \$105,825 for the governmental funds. The CIP projects reflected total fund balance of \$2,217,680 (major & non-major CIP) as indicated in Note 13. General fund balance amounted to \$3,416,597. The general fund balance increased by \$269,087. While the amount of fund balance that any town needs to maintain is debatable, this amount is healthy by most standards.

Analysis of Significant General Fund Budget Variances

The general fund is the chief operating fund of the Town of Ogunquit. Revenues came in \$554,623 or 4.3% greater than expected. The actual expenditures were \$107,701 less than the proposed budget or a 0.8% variance. Accordingly, there were no significant overall variations from the original projected budgets, other than in licenses, permits and fees.

Significant Capital Asset and Long-Term Debt Activity

Capital assets net of depreciation increased by \$512,169 or 4.2%. The Town of Ogunquit’s total debt decreased by \$1,069,172 (11.3%) during the current fiscal year.

As a comparison, by State law the Town may have a debt service not to exceed 7.5% of the total assessed valuation of the Town of \$1,319,900,181. The actual long term debt as of June 30, 2015 was \$8,355,890 including accrued compensated absence pay and net pension obligation, which represents less than 1% of the property valuation.

General Fund Budgetary Highlights

As presented in Exhibit VII, the original budgeted expenditures amount to \$12,730,765 (\$12,698,483 in prior year). The total gross budget for the year ending June 30, 2015 , including transfers to and from other funds, was \$13,542,002 (\$12,923,483 in prior year). The budgeted revenues and expenditures in Exhibit VII are net of transfers in and out to various reserve funds.

The Town department budgets were under spent by \$107,701 (\$151,875 in prior year). This results in an increase in the Town’s undesignated fund balance to \$3,416,597. This healthy surplus allows the town to use funds for expenditures such as paving or equipment purchases (Capital Improvement Items). These undesignated funds are always considered during the budget review and subsequent town meetings.

Please note the table below. The Budget is net of revenues.

<u>YEAR</u>	<u>MIL RATE</u>	<u>BUDGET</u>
2012	\$7.31	\$9,461,169
2013	\$7.31	\$9,525,177
2014	\$7.50	\$9,845,897
2015	\$7.76	\$10,229,671
2016	\$8.07	\$10,712,150

Currently Known Facts

The currently known facts expected to affect the future financial position or the operations of the Town are as follows:

- Maine Department of Transportation began the Route 1 Rehabilitation Project in March 2015. The construction started at the Wells/Ogunquit town line with the rebuilding of the bridges over the Ogunquit and the Josias rivers; and in the Village with the water and sewer districts laying new lines. New pavement was laid north of the Village. The project is estimated to cost 18 million dollars, of which the Town's share is \$2,000,000. This is a significant investment in our community. The project calls for sidewalks and granite curbing from town line to town line, two new bridges, and improved drainage. Construction was halted during the summer season 2015 and will recommence in the fall 2015. During calendar year 2016, construction will restart during the spring construction season, halt during the summer season and then recommence during the fall construction season, when the project will be completed.
- We continue our in house efforts to upgrade our Community Center and municipal offices. A new fire-alarm system was installed through-out the building. In the auditorium general and stage lighting have been installed. Also, through-out the building new energy efficient general lighting was installed through a grant from Efficiency Maine Trust, which was coordinated by the Seacoast Energy Initiative.
- The parking lots produced \$1.73MM in revenues while the sale of beach passes produced \$99.8K during FY15. The new Perkins Cove bathroom was opened for the summer 2015 season. The maintenance crew continues to repair and upgrade the other beach bathrooms, and to maintain their cleanliness to extend their life and serve the public.

Requests for Information

The Town of Ogunquit is truly fortunate to have such high caliber individuals serving on its various Boards and Committees. The Board of Selectmen would like to thank all members of the community who serve on these committees and boards. Without the commitment from these important individuals, the Town simply could not function. Special thanks are due to all of the members of the municipal staff who continue to make Ogunquit the *Beautiful Place by the Sea!*

This financial report is designed to provide users with a general overview of the Town of Ogunquit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Manager, Town of Ogunquit, P.O. Box 875, Ogunquit, Maine 03907-0875 or telephone (207)646-5139.

EXHIBIT I**TOWN OF OGUNQUIT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business -</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
Assets			
Cash and Cash Equivalents	\$ 6,273,096	\$ 45,751	\$ 6,318,847
Accounts Receivable	104,768	0	104,768
Taxes Receivable	391,306	0	391,306
Tax Liens Receivable	106,987	0	106,987
Prepaid Expenses	30,943	0	30,943
Capital Assets, Net of Accumulated Depreciation	<u>12,746,372</u>	<u>0</u>	<u>12,746,372</u>
Total Assets	\$ 19,653,472	\$ 45,751	\$ 19,699,223
Deferred Outflows of Resources			
Related to Pensions	<u>93,307</u>	<u>0</u>	<u>93,307</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,746,779</u>	<u>\$ 45,751</u>	<u>\$ 19,792,530</u>
Liabilities			
Accounts Payable	\$ 65,120	\$ 0	\$ 65,120
Accrued Expenses	407,178	0	407,178
<i>Non Current Liabilities</i>			
Due Within One Year	600,740	0	600,740
Due in More Than One Year	<u>7,536,761</u>	<u>0</u>	<u>7,536,761</u>
Total Liabilities	<u>\$ 8,609,799</u>	<u>\$ 0</u>	<u>\$ 8,609,799</u>
Deferred Inflows of Resources			
Related to Pensions	<u>\$ 971,957</u>	<u>\$ 0</u>	<u>\$ 971,957</u>
Net Position			
<i>Net Investment in Capital Assets</i>	\$ 5,351,940	\$ 0	\$ 5,351,940
<i>Restricted</i>			
Permanent Funds, Non-Expendable	456,559	0	456,559
<i>Unrestricted</i>	<u>4,356,524</u>	<u>45,751</u>	<u>4,402,275</u>
Total Net Position	<u>\$ 10,165,023</u>	<u>\$ 45,751</u>	<u>\$ 10,210,774</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT II

**TOWN OF OGUNQUIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Primary Government						
Governmental Activities						
General Government	\$ 1,247,632	\$ 285,761	\$ 0	\$ (961,871)	\$ 0	\$ (961,871)
Public Works and Sanitation	1,538,885	238,224	38,118	(1,262,543)	0	(1,262,543)
Protection	2,549,836	2,080,615	1,128	(468,093)	0	(468,093)
Culture and Recreation	1,067,179	126,466	209	(940,504)	0	(940,504)
General Assistance	844	400	0	(444)	0	(444)
Health and Social Services	6,700	0	0	(6,700)	0	(6,700)
Education	5,015,745	0	0	(5,015,745)	0	(5,015,745)
Fixed Charges	793,275	0	0	(793,275)	0	(793,275)
Interest on Long-Term Debt	238,474	0	0	(238,474)	0	(238,474)
Pension – Unallocated	56,886	0	0	(56,886)	0	(56,886)
Depreciation - Unallocated	<u>526,886</u>	<u>0</u>	<u>0</u>	<u>(526,886)</u>	<u>0</u>	<u>(526,886)</u>
Total Governmental Activities	\$13,042,342	\$2,731,466	\$ 39,455	\$(10,271,421)	\$ 0	\$(10,271,421)
Business - Type Activities	<u>5,383</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,383)</u>	<u>(5,383)</u>
Total Primary Government	<u>\$13,047,725</u>	<u>\$2,731,466</u>	<u>\$ 39,455</u>	<u>\$(10,271,421)</u>	<u>\$ (5,383)</u>	<u>\$(10,276,804)</u>
General Revenues						
Property and Other Taxes				\$ 10,667,049	\$ 0	\$10,667,049
Grants and Contributions not Restricted to Special Programs				32,007	0	32,007
Unrestricted Investment Earnings				4,024	96	4,120
Miscellaneous				<u>0</u>	<u>9,000</u>	<u>9,000</u>
Total General Revenues				<u>\$ 10,703,080</u>	<u>\$ 9,096</u>	<u>\$10,712,176</u>
Changes in Net Position				<u>\$ 431,659</u>	<u>\$ 3,713</u>	<u>\$ 435,372</u>
Net Position – July 1, 2014				\$ 11,298,197	\$ 42,038	\$11,340,235
Prior Period Adjustment				<u>(1,564,833)</u>	<u>0</u>	<u>(1,564,833)</u>
Restated Net Position – July 1, 2014				<u>\$ 9,733,364</u>	<u>\$ 42,038</u>	<u>\$ 9,775,402</u>
Net Position – June 30, 2015				<u>\$ 10,165,023</u>	<u>\$ 45,751</u>	<u>\$10,210,774</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

EXHIBIT III

**TOWN OF OGUNQUIT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>MDOT Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 3,454,035	\$ 2,070,474	\$ 748,587	\$ 6,273,096
Taxes Receivable	391,306	0	0	391,306
Tax Liens Receivable	106,987	0	0	106,987
Accounts and Notes Receivable	104,768	0	0	104,768
Prepaid Expenses	30,943	0	0	30,943
Due From Other Funds	<u>0</u>	<u>0</u>	<u>187,649</u>	<u>187,649</u>
Total Assets	<u>\$ 4,088,039</u>	<u>\$ 2,070,474</u>	<u>\$ 936,236</u>	<u>\$ 7,094,749</u>
Deferred Outflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,088,039</u>	<u>\$ 2,070,474</u>	<u>\$ 936,236</u>	<u>\$ 7,094,749</u>
Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities				
Accounts Payable	\$ 65,120	0	0	\$ 65,120
Accrued Expenses	148,230	0	0	148,230
Due to Other Funds	<u>185,092</u>	<u>2,557</u>	<u>0</u>	<u>187,649</u>
Total Liabilities	<u>\$ 398,442</u>	<u>\$ 2,557</u>	<u>\$ 0</u>	<u>\$ 400,999</u>
Deferred Inflows of Resources				
Unavailable Revenue – Property Taxes	<u>\$ 273,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 273,000</u>
Fund Balance				
<i>Reserved Reported In</i>				
<i>Nonspendable</i>				
Permanent Funds, Non-Expendable	\$ 0	\$ 0	\$ 456,559	\$ 456,559
<i>Restricted</i>	0	0	0	0
<i>Committed</i>				
Capital Projects Funds	0	2,067,917	149,763	2,217,680
<i>Unreserved Reported In</i>				
<i>Assigned</i>				
Appropriated Fund Balance FY 15/16	392,939	0	0	392,939
Special Revenue Funds	0	0	311,037	311,037
Permanent Funds, Expendable	0	0	18,877	18,877
<i>Unassigned</i>				
General Fund	<u>3,023,658</u>	<u>0</u>	<u>0</u>	<u>3,023,658</u>
Total Fund Balance	<u>\$ 3,416,597</u>	<u>\$ 2,067,917</u>	<u>\$ 936,236</u>	<u>\$ 6,420,750</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,088,039</u>	<u>\$ 2,070,474</u>	<u>\$ 936,236</u>	<u>\$ 7,094,749</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF OGUNQUIT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance – Total Governmental Funds \$ 6,420,750

**Amounts Reported for Governmental Activities in the Statement of
Net Position is Different Because**

Capital Assets Used in Governmental Activities are Not Current Financial Resources and Therefore are Not Reported in the Governmental Funds Balance Sheet. 12,746,372

Interest Payable on Long-Term Debt Does Not Require Current Financial Resources. Therefore Interest Payable is Not Reported as a Liability in Governmental Funds Balance Sheet. (40,559)

Unavailable Property Tax Revenues are Not Available to Pay for Current Period Expenditures and, Therefore, are Deferred Inflows of Resources. 273,000

Long Term Liabilities are Not Due and Payable in the Current Period and, Therefore, They are Not Reported in the Governmental Funds Balance Sheet:

Due in One Year	\$ 600,740	
Due in More Than One Year	7,536,761	
Accrued Compensated Absence Pay	<u>218,389</u>	(8,355,890)

Changes Between Deferred Inflows and Deferred Outflows Regarding Related Pension Expenses Due to Implementation of GASB No. 68. (878,650)

Net Position of Governmental Activities **\$ 10,165,023**

The Notes to the Financial Statements are an Integral Part of This Statement.

TOWN OF OGUNQUIT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	MDOT Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Taxes	\$ 10,667,049	\$ 0	\$ 0	\$ 10,667,049
Intergovernmental	70,334	0	1,128	71,462
Licenses, Permits and Fees	2,204,707	0	0	2,204,707
Charges for Services	238,099	0	207,390	445,489
Investment Income	2,975	200	849	4,024
Miscellaneous	<u>81,224</u>	<u>46</u>	<u>0</u>	<u>81,270</u>
Total Revenues	<u>\$ 13,264,388</u>	<u>\$ 246</u>	<u>\$ 209,367</u>	<u>\$ 13,474,001</u>
Expenditures				
<i>Current</i>				
General Government	\$ 1,197,028	0	\$ 33,705	\$ 1,230,733
Public Works and Sanitation	1,328,214	114,408	468,070	1,910,692
Protection	2,550,216	0	1,558	2,551,774
Culture and Recreation	1,047,020	0	12,641	1,059,661
General Assistance	169	0	675	844
Health and Social Services	6,700	0	0	6,700
Education	5,001,896	0	13,849	5,015,745
Debt Service	799,351	0	0	799,351
Fixed Charges	793,275	0	0	793,275
<i>Capital Outlay</i>	<u>17,900</u>	<u>0</u>	<u>623,151</u>	<u>641,051</u>
Total Expenditures	<u>\$ 12,741,769</u>	<u>\$ 114,408</u>	<u>\$ 1,153,649</u>	<u>\$ 14,009,826</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 522,619</u>	<u>\$ (114,162)</u>	<u>\$ (944,282)</u>	<u>\$ (535,825)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	\$ (692,532)	\$ 0	\$ 683,532	\$ (9,000)
Proceeds from Bond	<u>439,000</u>	<u>0</u>	<u>0</u>	<u>439,000</u>
Total Other Financing Sources (Uses)	<u>\$ (253,532)</u>	<u>\$ 0</u>	<u>\$ 683,532</u>	<u>\$ 430,000</u>
Net Change in Fund Balance	\$ 269,087	\$ (114,162)	\$ (260,750)	\$ (105,825)
Fund Balance – July 1, 2014	<u>3,147,510</u>	<u>2,182,079</u>	<u>1,196,986</u>	<u>6,526,575</u>
Fund Balance – June 30, 2015	<u>\$ 3,416,597</u>	<u>\$ 2,067,917</u>	<u>\$ 936,236</u>	<u>\$ 6,420,750</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF OGUNQUIT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balance – Total Governmental Funds \$ (105,825)

**Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because**

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 and Reported as Depreciation Expense. This is the Amount of Capital Assets Recorded in the Current Period. 1,039,055

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Position, But They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (526,886)

The Issuance of Long-Term Debt (e.g. Bonds, Leases and Accrued Compensated Absence Pay) Provides Current Financial Resources To Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of Governmental Funds. Neither Transaction, However, has Any Effect on Net Position. Also, Governmental Funds Report the Effect of Issuance Cost, Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas the Amounts are Deferred and Amortized in the Statement of Activities. This Amount is the Net Effect of These Differences in the Treatment of Long-Term Debt and Related Items. 80,009

Some Property Tax Will Not be Collected for Several Months After the Town's Fiscal Year End; They are Not Considered Current Financial Resources in the Governmental Funds. This Amount is the Net Effect of the Differences. 0

Accrued Interest Expense on Long-Term Debt is Reported in the Government-Wide Statement of Activities and Changes in Net Position, But Does Not Require the Use of Current Financial Resources; Therefore, Accrued Interest Expense is not Reported as Expenditures in Governmental Funds. 2,192

Changes Between Deferred Inflows and Deferred Outflows Related to Pension and Implementation of GASB No. 68. (56,886)

Change in Net Position of Governmental Activities \$ 431,659

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF OGUNQUIT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues				
Property and Other Taxes	\$10,599,671	\$10,599,671	\$10,667,049	\$ 67,378
Intergovernmental	56,304	56,304	70,334	14,030
Licenses, Permits and Fees	1,817,590	1,817,590	2,204,707	387,117
Charges for Services	171,800	171,800	238,099	66,299
Investment Income	1,000	1,000	2,975	1,975
Miscellaneous	<u>63,400</u>	<u>63,400</u>	<u>81,224</u>	<u>17,824</u>
Total Revenues	<u>\$12,709,765</u>	<u>\$12,709,765</u>	<u>\$13,264,388</u>	<u>\$ 554,623</u>
Expenditures				
<i>Current</i>				
General Government	\$ 1,244,364	\$ 1,246,813	\$ 1,197,028	\$ 49,785
Public Works and Sanitation	1,370,568	1,346,752	1,328,214	18,538
Protection	2,440,735	2,550,217	2,550,216	1
Culture and Recreation	1,093,945	1,103,344	1,047,020	56,324
General Assistance	3,400	1,225	169	1,056
Health and Social Services	7,300	6,900	6,700	200
Education	5,001,896	5,001,896	5,001,896	0
Debt Service	793,486	799,352	799,351	1
Fixed Charges	775,071	775,071	793,275	(18,204)
<i>Capital Outlay</i>	<u>0</u>	<u>17,900</u>	<u>17,900</u>	<u>0</u>
Total Expenditures	<u>\$12,730,765</u>	<u>\$12,849,470</u>	<u>\$12,741,769</u>	<u>\$ 107,701</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ (21,000)</u>	<u>\$ (139,705)</u>	<u>\$ 522,619</u>	<u>\$ 662,324</u>
Other Financing Sources (Uses)				
Transfers In (Out)	\$ (537,532)	\$ (692,532)	\$ (692,532)	\$ 0
Proceeds from Bond	<u>439,000</u>	<u>439,000</u>	<u>439,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (98,532)</u>	<u>\$ (253,532)</u>	<u>\$ (253,532)</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ (119,532)</u>	<u>\$ (393,237)</u>	<u>\$ 269,087</u>	<u>\$ 662,324</u>
Fund Balance – July 1, 2014	<u>3,147,510</u>	<u>3,147,510</u>	<u>3,147,510</u>	<u>0</u>
Fund Balance – June 30, 2015	<u>\$ 3,027,978</u>	<u>\$ 2,754,273</u>	<u>\$ 3,416,597</u>	<u>\$ 662,324</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT VIII

**TOWN OF OGUNQUIT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Business - Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 45,751
Accounts Receivable	<u>0</u>
Total Assets	\$ <u>45,751</u>
Liabilities	
Current Liabilities	
Accounts Payable	<u>\$ 0</u>
Net Position	
Unrestricted	<u>\$ 45,751</u>
Total Net Position	<u>\$ 45,751</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF OGUNQUIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business - Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
Operating Revenues	
Interest Income	\$ 96
Miscellaneous	<u>0</u>
Total Operating Revenues	\$ 96
Operating Expenses	
General Government	<u>5,383</u>
Changes in Net Position	\$ (5,287)
Transfers from General Fund	<u>9,000</u>
Changes in Net Position after Transfers	\$ 3,713
Net Position – July 1, 2014	<u>42,038</u>
Net Position – June 30, 2015	<u>\$ 45,751</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF OGUNQUIT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Business - Type Activities Enterprise Funds Unemployment</u>
Cash Flows from Operating Activities	
Interest	\$ 96
Payments to Vendors	<u>(5,383)</u>
Net Cash Provided by (Used) in Operating Activities	\$ (5,287)
Cash Flows from Non-Capital Financing Activities	
Transfers In (Out)	<u>9,000</u>
Net Increase (Decrease) in Cash after Transfers	\$ 3,713
Cash and Cash Equivalents – July 1, 2014	<u>42,038</u>
Cash and Cash Equivalents – June 30, 2015	<u>\$ 45,751</u>
Reconciliation of Operating Income to Net Cash Provided by (Used) in Operating Activities	
Changes in Net Position	<u>\$ (5,287)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used) in Operating Activities	
Depreciation Expense	\$ 0
(Increase) Decrease in Accounts Receivable	<u>0</u>
Total Adjustments	<u>\$ 0</u>
Net Cash Provided by (Used) in Operating Activities	<u>\$ (5,287)</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Town of Ogunquit, Maine was incorporated as the Ogunquit Village Corporation in 1913 and later became the Town of Ogunquit by an act of the Legislature in 1980 under the laws of the State of Maine. The Town currently operates under a Selectmen/Town Manager Form of Government.

The accounting and reporting policies of the Town relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Town are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town’s activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

B. – Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town of Ogunquit operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. – Financial Reporting Entity (Continued)

Based on the aforementioned criteria, the Town of Ogunquit has no component units that are not included in this report.

C. – Financial Statements – Government-Wide Statements

The Town's financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

D. – Financial Statements – Fund Financial Statements

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

Governmental Funds

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

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Financial Statements – Fund Financial Statements (Continued)

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Maine Department of Transportation (MDOT) Project is considered a major fund.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town of Ogunquit:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has a third party requirement that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Ogunquit Unemployment program operates in a manner similar to private business enterprises. The intent is that costs for these services provided to the employees on a continuing basis be recovered through fees.

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

E. – Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. – Measurement Focus/Basis of Accounting (Continued)

Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. A one-year availability period is used for recognition of all other governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of the Town of Ogunquit. The Town of Ogunquit's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

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

1. During the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town of Ogunquit was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for the Special Revenue Funds.

G. - Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds during the year.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. – Cash and Cash Equivalents

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 certain funds in checking, savings accounts or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and investments in money market funds.

I. – Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	15-40 Years
Machinery and Equipment	5-12 Years
Vehicles	5-10 Years
Infrastructure	7-40 Years

The Town of Ogunquit has elected not to retroactively report major general infrastructure assets.

J. – Compensated Absences

The Town of Ogunquit recognizes accumulated leave compensation during the period in which the related liability is incurred. In compliance with Town personnel policies the liability for accrued compensated absence pay was \$218,389 at June 30, 2015.

K. – Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. – Deferred Outflows and Inflows of Resources

The Town has implemented the following statements:

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities.

GASB No. 63 and GASB No. 65 amends GASB No. 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. These terms are defined as follows:

Deferred Outflows of Resources - a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources - an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

The GASB emphasizes in GASB No. 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

The deferred inflows of resources listed at June 30, 2015 in Exhibit I amounted to \$971,957 and \$93,307 of deferred outflows of resources for the Town of Ogunquit. Per Exhibit III, the deferred inflows of resources listed at June 30, 2015 for the Town of Ogunquit amounted to \$273,000, and there was no deferred outflow of resources at June 30, 2015.

M. – Equity Classifications

Government-Wide Statements

Net position represent the differences between assets and liabilities. Equity is classified as net position and displayed in three components:

- Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. – Equity Classifications (Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen, such as an appropriation. Assigned fund balance is constrained by the Board’s intent to be used for specific purposes by directive. See Note 13 for additional information about fund balances.

N. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management’s estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

O. – Accounts Receivable

Accounts Receivable at June 30, 2015, primarily consist of miscellaneous intergovernmental receivables. There is no allowance for doubtful accounts as the Town believes they are 100% collectible.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Town’s deposits are categorized as follows to give an indication of the level of risk assumed by the Town at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Town or by the Town’s agent in the Town’s name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution’s trust department or agent in the Town’s name; Category 3 includes uninsured and uncollateralized deposits.

Deposits

Custodial Credit Risk – 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. The Town’s policy is to invest in only financial institutions that are insured by the F.D.I.C. or additional insurance. The Town’s bank balances were covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions. The Town’s deposits have been reported as follows:

	<u>Book</u>	<u>Bank</u>
Reported in Governmental Funds	\$ 6,273,096	\$ 6,268,603
Reported in Business-Type Activities	<u>45,751</u>	<u>45,751</u>
Total	<u>\$ 6,318,847</u>	<u>\$ 6,314,354</u>

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Credit Risk – The Town does not have a formal policy regarding credit risk. Maine statutes authorized the Town to invest in obligations of the U.S. Treasury and U.S. agencies and certain bonds.

Concentration of Credit Risk –The Town does not have a policy for concentration of credit risk.

NOTE 3 – PROPERTY TAXES

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. The Town of Ogunquit’s property tax is levied on the assessed value listed as of the prior April 1st for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2014, upon which the levy for the year ended June 30, 2015 was based, amounted to \$1,319,900,981. The assessed value was 101.25% of the 2015 State valuation of \$1,303,550,000.

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 \$2,281 for the year ended June 30, 2015.

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. The following summarizes the 2014 - 2015 levy:

Net Assessed Value	\$ 1,319,900,081
Less: Homestead Exemption	(1,640,000)
BETE	(3,531)
Net Assessed Value	\$ 1,318,256,550
Tax Rate (Per \$1,000)	7.76
Commitment	\$ 10,229,671
Supplemental Taxes Assessed	22,770
Sub-Total	\$ 10,252,441
Less: Abatements	(20,485)
Collections	(9,841,652)
Receivable at Year End	\$ 390,304
Collection Rate	96.0%

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – PROPERTY TAXES (CONTINUED)

Property taxes on real and personal property accounts were due on November 3, 2014 and May 1, 2015. Interest was charged at a rate of 7% on delinquent accounts after that date.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance <u>July 1</u>	Additions/ Completions	Retirement/ Adjustments	Ending Balance <u>June 30</u>
Governmental Activities				
<i>Capital Assets not being Depreciated</i>				
Land	\$ 4,667,460	\$ 300,000	\$ 0	\$ 4,967,460
<i>Capital Assets being Depreciated</i>				
Buildings and Improvements	\$ 4,524,633	\$ 144,723	\$ 0	\$ 4,669,356
Machinery and Equipment	861,643	93,319	0	954,962
Vehicles	2,642,786	386,728	107,784	2,921,730
Infrastructure	4,800,372	114,285	0	4,914,657
Total Capital Assets being Depreciated	<u>\$ 12,829,434</u>	<u>\$ 739,055</u>	<u>\$ 107,784</u>	<u>\$ 13,460,705</u>
<i>Less Accumulated Depreciation for</i>				
Buildings and Improvements	\$ 2,434,486	\$ 97,843	\$ 0	\$ 2,532,329
Machinery and Equipment	559,683	87,340	0	647,023
Vehicles	1,389,859	139,620	107,784	1,421,695
Infrastructure	878,663	202,083	0	1,080,746
Total Accumulated Depreciation	<u>\$ 5,262,691</u>	<u>\$ 526,886</u>	<u>\$ 107,784</u>	<u>\$ 5,681,793</u>
Total Capital Assets being Depreciated, Net	<u>\$ 7,566,743</u>	<u>\$ 212,169</u>	<u>\$ 0</u>	<u>\$ 7,778,912</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,234,203</u>	<u>\$ 512,169</u>	<u>\$ 0</u>	<u>\$ 12,746,372</u>

Depreciation has not been charged as a direct expense.

NOTE 5 – LONG-TERM DEBT

At June 30, 2015, bonds, mortgage payable, and capital leases consisted of the following individual issues:

<p>Bonds and Mortgage Payable <i>Maine Municipal Bond Bank</i> Marine Bulkheads Capital Improvement Bond of 2004, Interest Rates 1.946% to 9.0%, Annual Principal Payments of \$16,500 Plus Interest Through 2024</p>	<p style="text-align: center;">Governmental Activities</p> <p>\$ 165,000</p>
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TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (CONTINUED)

	<u>Governmental Activities</u> (Continued)
Bonds and Mortgage Payable	
<i>Maine Municipal Bond Bank (Continued)</i>	
General Obligation Bond of 2004, Interest Rate 1.597% to 9.0%, Annual Principal Payments of \$24,750 Plus Interest Through 2024	\$ 247,500
General Obligation Bond of 2005, Interest Rate 3.05% to 9.0%, Annual Principal Payments of \$20,000 Plus Interest Through 2025	220,000
General Obligation Bond of 2006, Interest Rate 3% to 6%, Annual Principal Payments of \$120,000 Plus Interest Through 2026	1,440,000
General Obligation Bond of 2008, Interest Rate 3.94%, Annual Principal Payments of \$89,295 - \$145,285 Plus Interest Through 2028	1,473,994
General Obligation Bond of 2010, Interest Rate 2.37%, Annual Principal Payments of \$111,350 Plus Interest Through 2030	1,781,600
General Obligation Bond of 2012, Interest Rate 1.48% to 3.706%, Annual Principal Payments of \$57,000 - \$70,000 Plus Interest Through 2032	1,065,000
General Obligation Bond of 2013, Interest Rate 0.45% to 4.57%, Annual Principal Payments of \$22,500 - \$39,800 Plus Interest Through 2033	403,200
General Obligation Bond of 2014, Interest Rate 0.43% to 3.599%, Annual Principal Payments of \$24,667 - \$38,467 Plus Interest Through 2029.	439,000
<i>Transfer Station Mortgage</i>	
Transfer Station Mortgage Payable, Interest Rate of 3%, Annual Payment of Principal and Interest Ranging From \$11,330 to \$19,250 Through 2028	154,000
Capital Leases	
<i>Gorham Leasing Group, LLC</i>	
Capital Lease, 60 month, \$299 a month, 3.826% Interest, Total \$16,357 for Konica Copier through 2016	<u>5,138</u>
Total Bonds, Mortgage Payable, and Capital Leases	<u>\$ 7,394,432</u>

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Changes in Outstanding Debt

Transactions for the year ended June 30, 2015, are summarized as follows:

	<u>Balance</u> <u>July 1</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30th</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 4,343,979	\$ 439,000	\$ 547,685	\$ 7,235,294	\$586,152
Mortgage Payable	165,000	0	11,000	154,000	11,000
Capital Leases Payable	9,392	0	4,254	5,138	3,588
Net Pension Obligation	1,732,232	0	989,163	743,069	0
Compensated Absences	<u>174,459</u>	<u>43,930</u>	<u>0</u>	<u>218,389</u>	<u>0</u>
Total Governmental Activities	<u>\$ 9,425,062</u>	<u>\$ 482,930</u>	<u>\$ 1,552,102</u>	<u>\$ 8,355,890</u>	<u>\$600,740</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the fiscal years subsequent to June 30, 2015, are as follows:

<u>Year Ending June 30</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015/16	\$ 597,152	\$ 228,502	\$ 825,654
2016/17	597,152	209,682	806,834
2017/18	597,152	191,781	788,933
2018/19	584,152	172,932	757,084
2019/20	528,152	153,917	682,069
2020/25	2,536,460	515,755	3,052,215
2025/30	1,648,724	160,493	1,809,217
2030/35	<u>300,350</u>	<u>12,480</u>	<u>312,830</u>
Total	<u>\$ 7,389,294</u>	<u>\$ 1,645,542</u>	<u>\$ 9,034,836</u>

In accordance with 30-A MRSA, Section 5702, as amended, the amount of long-term debt that can be incurred by the Municipality is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 7.5%, with certain exceptions, of the state valuation of taxable property as of the beginning of the fiscal year. As of June 30, 2015, the amount of outstanding long-term debt was equal to 0.56% of property valuation for the year then ended.

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Capital Leases

The following is a schedule of future minimum lease payments for the Town of Ogunquit as of June 30, 2015:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2015/16	\$ 3,588
2016/17	<u>1,550</u>
Total Minimum Lease Payments	\$ 5,138
Less Amount Representing Interest	<u>(198)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 4,940</u>

NOTE 6 – RETIREMENT PLANS

The Town of Ogunquit provides retirement pension plans for its employees through a deferred compensation plan and a defined benefit pension plan.

GASB Approves New Pension Accounting Standards

On June 25, 2012, the governmental Accounting Standards Board approved 2 new standards (GASB 68 and 67) designed to improve accounting and financial reporting for state and local government pension plans.

A Summary of GASB 68 requirements are as follows (Accounting and Financial Reporting for Pensions; Effective for Fiscal Years Starting After 6/15/14):

Net Pension Liability on Balance Sheet

Government employers that sponsor Deferred Benefit plans will now recognize a net pension liability (unfunded accrued liability) in their statement of net position (balance sheet). This is the difference between total pension liability (actuarial accrued liability) and plan asset (at fair value). The entry age normal actuarial cost method must be used to calculate total pension liability.

As under GASB 27, future salary increases, expected future service, and automatic Cost of Living Adjustments (COLAs) must be included in the liability calculation. Unlike current rules, GASB 68 requires that ad hoc post retirement benefit increases, including ad hoc COLAs, also be included if considered substantively automatic.

New Discount Rate

The discount rate can continue to be expected long-term rate of return on plan investments where current assets plus future contributions are projected to cover all future benefit payments. We expect this requirement will be met if the employer funds the actuarially determined contribution, provided it pays off the unfunded liability over a reasonable period. However, plans where current assets plus future contributions are projected not to cover all future benefit payments must use a municipal bond rate to discount the noncovered payments.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – RETIRMENT PLANS (CONTINUED)

A Summary of GASB 68 requirements are as follows (Accounting and Financial Reporting for Pensions; Effective for Fiscal Years Starting After 6/15/14):

New Discount Rate (Continued)

The municipal bond rate is a yield or index rate of 20-year, tax-exempt general obligation bonds with an average rating of AA/Aa or higher (currently below 4%). Including a municipal bond rate as part of the discount rate increases liabilities. In addition, changes in the municipal bond rate or assumed rate of return on plan investments between measurement dates introduce more volatility into calculating liabilities and expense.

More Variable Pension Expense

Pension expense will now be based on the net pension liability change between reporting dates, with some sources of the change recognized immediately in expense and others amortized over years. Service cost, interest on net pension liability, and expected investment earnings – as well as liability for any plan benefit change related to past service since the last reporting period must also be expensed immediately.

Changes in actuarial assumptions and experience gains and losses must be amortized over a closed period equal to the average remaining service of active and inactive plan members (who have no future service) – a much shorter than typical period. Investment gains and losses must be recognized in pension expense over closed 5-year periods.

Cost-Sharing Employers (Those in Plans Where Assets are Pooled and Can Be Used to Pay Benefits of Any Employer in the Pool) Report a Proportionate Liability

These employers will now report a net pension liability and pension expense equal to their proportionate share of the cost-sharing plan.

GASB 67(Financial Reporting for Pension Plans; Effective for Fiscal Years Starting after 6/15/13) includes many of GASB 68’s changes, but for pension plans rather than employers.

New Required Disclosures

These include the money-weighted rate of return (rather than the more common time-weighted rate) on plan investments (net of expenses).

I. Deferred Compensation Plan – John Hancock

A. Description of Plan

The government offers its employees a deferred compensation plans through John Hancock Insurance, created in accordance with Internal Revenue Code Section 457. The John Hancock Plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town has two pension plans with John Hancock Insurance. The Plans cover all full-time employees who are at least 18 years of age and have met certain service requirements. Employees become fully vested upon entering the Plan.

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 – RETIRMENT PLANS (CONTINUED)

I. Deferred Compensation Plan – John Hancock

B. Funding Policy

Under the terms of the Plan 1 - 401k Plan, the Town contributes 8% of the participating employees' annual compensation, unless the employee elects to enroll in the defined benefit pension plan. Plan 2 - 457 Plan, for department heads the Town contributes an additional amount matching 3% of the participating employees' annual compensation, whether the department head is enrolled in the deferred compensation plan or the defined benefit plan. There are no allocation requirements to receive any contribution made to the plan. Participants shall have a fully vested and nonforfeitable interest in Employer Contributions and their investment earnings. The Participant shall be responsible for the investment of his or her Plan account.

The Town's pension information for the years ended June 30:

<u>Year Ended</u>	<u>Eligible Pension Plan Wages</u>	<u>Pension Expenses</u>	<u>Contribution Rate</u>
2015	\$1,607,461	\$77,086	3% - 8%
2014	\$1,449,742	\$77,722	3% - 8%
2013	\$1,283,176	\$86,413	3% - 8%

II. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

A. Plan Description

Qualifying personnel of the Town participate in the Maine Public Employees Retirement System. The plan is a multiple employer, cost-sharing pension plan. The Town of Ogunquit has been enrolled in the MEPERS system since January 1, 2004. It is part of the COLA program within the MEPERS system plan. The Town participates in the Regular and Special Plan options.

B. Funding Policy

The Town of Ogunquit makes available to all full time employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), Plan AC and 1C, as an alternate retirement plan. The employee shall pay, through payroll deduction(s), his/her required contribution determined by MEPERS. The Town shall pay its required contribution determined by MEPERS. This benefit shall be offered to eligible employees on the date of hire.

C. Pension Benefits

Benefit terms are established in Maine Statute. The System's retirement programs provide defined retirement benefits based on member's average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility of benefits upon reaching qualification) occurs upon the earning of 20-25 years of service credit for Town employees.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – RETIRMENT PLANS (CONTINUED)

II. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

C. Pension Benefits (Continued)

Normal retirement age of PLD members is age 60. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.

The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual interest credited to member's accounts is set by the System's Board of Trustees.

D. Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contributions rates are determined through actuarial valuations. For the year ended June 30, 2015, the member contribution rate was 7% and the employer contribution rate was 6.5% of applicable member compensation.

The required contributions paid into the System for the year ended June 30, 2015 and the previous two years are as follows:

For the Year Ended June 30,	Employee <u>Contributions</u>	Employee <u>Rate</u>	Employer <u>Contributions</u>	Employer <u>Rate</u>	<u>Compensation</u>
2015	\$ 117,347	7%	\$ 198,970	7.8% -13.4%	\$ 1,676,390
2014	\$ 102,591	5.3% - 6.5%	\$ 173,402	6.5% - 12.8%	\$ 1,572,667
2013	N/A	4.4% - 5.3%	\$ 161,296	5.3% - 12.5%	\$ 1,582,396

E. Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred.

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a net pension liability of \$743,069. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – RETIRMENT PLANS (CONTINUED)

II. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

F. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

The Town proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At June 30, 2014, the Town proportion was 0.482885%, which was a decrease from its proportion measured at June 30, 2013 of 0.56194%.

For the fiscal year ended June 30, 2014, the Town recognized pension expense of \$56,886. At June 30, 2015, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 93,307	\$ 0
Changes in Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	789,187
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	0	182,770
Town Contributions Subsequent to the Measurement Date	<u>0</u>	<u>0</u>
Total	<u>\$ 93,307</u>	<u>\$ 971,957</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended June 30,	<u>Amount</u>
2016	\$ (227,119)
2017	(227,119)
2018	(227,116)
2019	<u>(197,297)</u>
Total	<u>\$ (878,651)</u>

G. *Actuarial Assumptions*

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

- **Inflation** 3.12%
- **Salary Increases** 3.5% - 9.5% Including Inflation
- **Investment Rate of Return** 7.25% Net Pension Plan Investment Expense Including Inflation.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – RETIRMENT PLANS (CONTINUED)

II. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

G. *Actuarial Assumptions(Continued)*

For the Town employees, the mortality rate is based on the RP2000 Combined Mortality Tables for males and females using Scale AA, with a two year setback for active members.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study performed in 2011 and covered the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	2.5%
Non- US Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	<u>25%</u>	0.0%
	<u>100%</u>	

H. *Discount Rate*

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contribution will be made the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – RETIRMENT PLANS (CONTINUED)

II. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

I. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate Share of the Net Pension Liability	\$2,318,156	\$743,069	\$(573,508)

J. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2014 Comprehensive Annual Financial Report available online at www.maineper.org or by contacting the System at (207) 512-3100.

NOTE 7 – INTERFUND ACTIVITY

Interfund balances at June 30, 2015, consisted of the following:

Due To

<i>Non-Major Governmental Funds</i>	
Special Revenues	\$ 37,886
Capital Project Funds	<u>149,763</u>
Total	<u>\$187,649</u>

Due From

General Fund	\$185,092
<i>Major Governmental Funds</i>	
MDOT Sidewalk Project	<u>2,557</u>
Total	<u>\$187,649</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To

<i>Non-Major Governmental Funds</i>	
Special Revenues	\$ 50,000
Capital Project Funds	633,532
Enterprise Fund-Unemployment	<u>9,000</u>
Total	<u>\$692,532</u>

Transfer From

General Fund	<u>\$692,532</u>
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TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – INTERFUND ACTIVITY (CONTINUED)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 – 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 carries commercial insurance. There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 9 – APPROPRIATIONS AND TRANSFERS

At the Annual Town Meeting on June 10, 2014 and the Special Town Meeting on November 4, 2014, the Townspeople voted appropriations of general fund balance totaling \$393,237, which are reflected as the excess of budgeted expenditures over budgeted revenues on Exhibit VII for the year ended June 30, 2015.

<u>June 10, 2014 Town Meeting</u>		
<u>Purpose</u>	<u>Article #</u>	<u>Amount</u>
Generator – Public Works	52	\$ 8,532
Reclaim/Repave Woodbury Drive	53	16,000
Reclaim/Repave Main Beach and Trolley Stop	54	45,000
Harbor Master	19	<u>50,000</u>
Total Use of Fund Balance		<u>\$ 119,532</u>
<u>November 4, 2014 Town Meeting</u>		
<u>Purpose</u>	<u>Article #</u>	<u>Amount</u>
Engineering Study for Erosion at Main Beach	7	\$ 50,000
Conservation Land Purchase	9	<u>100,000</u>
Total Use of Fund Balance		<u>\$ 150</u>
<u>Other Designations</u>		
Encumbrances from 13/14		<u>\$ 123,705</u>
Final Budgeted Use of Fund Balance FY 14/15		<u>\$ 393,237</u>

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – APPROPRIATIONS AND TRANSFERS (CONTINUED)

Per the August 4, 2015 Special Town Meeting, the Charter was amended for Board Transfers.

	August 4, 2015 <u>Transfers</u>	August 18, 2015 <u>Transfers</u>	<u>Total</u>
Department			
Visitor Services	\$ 712	\$ 0	\$ 712
Police Department	21,265	0	21,265
Fire Department	8,233	0	8,233
Lifeguard Services	1,947	0	1,947
Administrative Services	15,260	0	15,260
Conservation	2,022	0	2,022
Debt Management	5,866	0	5,866
General Government	(11,081)	(3,589)	(14,670)
Recreation	(3,357)	(1,087)	(4,444)
Land Use	(1,356)	(439)	(1,795)
Utilities	(2,784)	(901)	(3,685)
Public Works	(9,979)	(3,230)	(13,209)
Harbor Master	(4,875)	(1,578)	(6,453)
Welfare	(1,643)	(532)	(2,175)
Insurance And Benefits	(2,241)	(725)	(2,966)
Information Services	(835)	(270)	(1,105)
Clam Warden	(755)	(244)	(999)
Plover Management	(19)	0	(19)
Civic Organization	(300)	(100)	(400)
Transfer Station	(16,080)	(5,205)	(21,285)
Capital Improvement Programs	<u>0</u>	<u>17,900</u>	<u>17,900</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Transfers are limited to an amount not to exceed \$25,000 for any one department and not to exceed 1% of total municipal operating budget. Amounts over the limit will require a Special Town Meeting approval.

NOTE 10 – JOINT VENTURE

In 1985, the Town entered into a joint venture known as Ecomaine. Ecomaine provides solid waste disposal services to participating communities. The governing bodies of the participating communities appoint the Board of Directors who establishes the budget and charges the communities and commercial enterprises that use the facility.

The Town's proportionate share of Ecomaine Municipal Recycling Facilities' outstanding debt is not recorded in the financial statements of the Town of Ogunquit. The following is a statement from Ecomaine:

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – JOINT VENTURE (CONTINUED)

Ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected information for ecomaine for the year ended June 30, 2015 unaudited includes an accrual for landfill closure and post closure care amounting to \$16,451,511. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The share of costs for Ogunquit is estimated at 2.7% or \$444,716 at June 30, 2015.

The Town terminated its contract with Ecomaine in the prior year.

NOTE 11 - OVERLAPPING DEBT

The Town's proportionate share of Community School District No. 18's debt is not recorded in the financial statements of the Town of Ogunquit. The overlapping debt as of June 30, 2015 was not available before release of this report. Prior year's overlapping debt for year ended June 30, 2013 amounted to \$2,111,810 for the Town's share of 22.32% of the District's total outstanding debt of \$9,461,516.

The Town's proportionate share of York County's debt is not recorded in the financial statements of the Town of Ogunquit. Per the June 30, 2014 County of York's latest audited financial statements, the Town's share was 4.38% (\$346,020) of the County's outstanding debt of \$7,900,000.

NOTE 12 - CONTINGENT LIABILITIES

There are various claims pending against the Town of Ogunquit which arise in the normal course of the Town's activities. Several cases are currently pending which in the aggregate may or may not have a material effect on the financial position of the Town. In the opinion of the Town Counsel, it is extremely difficult to assess the extent or probability of the Town's liability at the present time.

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not expected to be material.

NOTE 13 – GOVERNMENTAL FUND BALANCES

Previously, the Town implemented the following accounting standard issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)

GASB Statement 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, committed, restricted, assigned, and unassigned.

The Town’s fund balances represent: **(1) Nonspendable Fund Balance**, resources that cannot be spent because of legal or contractual provisions that require they be maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described. A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund, because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceeds the total net resources of the fund.

The Town of Ogunquit has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town’s policy to use committed or assigned resources first, then unassigned resources as they are needed.

The General Fund unassigned fund balance total of \$3,023,658 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at June 30, 2015 follows.

***Nonspendable and Assigned
Non - Major Funds***

Permanent Funds	Nonexpendable <u>Amount</u>	Expendable <u>Amount</u>	<u>Total</u>
Dorothea Jacobs Grant Fund	\$ 219,259	\$ 3,247	\$ 222,506
Performing Arts	145,300	10,417	155,717
Music Center Escrow	<u>92,000</u>	<u>5,213</u>	<u>97,213</u>
Total	<u>\$ 456,559</u>	<u>\$ 18,877</u>	<u>\$ 475,436</u>

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Committed

Major Fund

Capital Projects

Sidewalks	<u>\$ 2,067,917</u>
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Committed

Non – Major Funds

Capital Projects

2015 Main Beach Trolley	\$ 45,000
2014 Perkins Cove Comfort	37,183
2015 Fire System Upgrade	18,000
2015 Woodbury Lane Reclaim	16,000
2014 Main Beach Roofing	14,163
2015 Agamenticus Park	10,000
2015 Sidewalks	7,800
2014 Dunaway Center Improvement	<u>1,617</u>

Total	<u>\$ 149,763</u>
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Assigned

Non - Major Funds

Special Revenue Funds

Ambulance Fund	\$ 124,918
Marginal Way Investment	101,422
Perpetual Bench Care Fund	33,892
Contingent Fund	17,105
Contracts	10,000
National Disaster Emergency Repair	8,440
Dog Park	5,716
Summer Programs	5,030
Community Cupboard	1,851
Jay Parott Scholarships	1,219
Land Conservation Reserve	740
Police Drug Interdiction	490
Firefighter Training Facilities Grant	<u>214</u>

Total	<u>\$ 311,037</u>
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Assigned

General Fund

Appropriated Fund Balance FY 15/16	<u>\$ 392,939</u>
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**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)

<i>Unassigned</i> General Fund	<u>\$ 3,023,658</u>
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NOTE 14 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Town of Ogunquit utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Board of Selectmen and must be approved at the Annual Town Meeting.

B. - Excess of Expenditures over Appropriations

For the year ended June 30, 2015, total expenditures did not exceed total appropriations.

Fixed Charges	\$ (18,204)
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The overdraft was due to abatements of \$20,405 exceeding the \$2,881 amount raised as overlay in the commitment for FY 14/15. Exhibit VII shows the following overdrafts.

C. - Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

As of June 30, 2015, no individual funds held a deficit balance.

NOTE 15 – COMMITMENTS

Since the Route 1 Project was originally conceived and funded by a 2010 loan through Maine Municipal Bond Bank, Maine Department of Transportation (MDOT) has enhanced the scope of the Project which impacted the timing for the start and completion of the Project.

Previously, MDOT requested proposals (RFP) for reconstruction of Route 1 in Ogunquit from the Wells town line to the York town line. The RFP was planned for construction beginning in the spring of 2015. The construction ceased during the summer tourist season of 2015 and pick up again in the fall of 2015. Construction will also cease during the winter and begin again in the spring of 2016. The Project is expected to be completed in the fall of 2016 ceasing in the summer of 2016.

The overall cost of the MDOT Project is anticipated to be \$18 million, and the town's share of the project, \$2 million, will not change from the original 2010 planning. In September 2013, the Town, MDOT and Kennebunk Savings Bank signed an escrow agreement whereby the Town' share was transferred to an account in the name of the Bank "for the benefit of the Town". The movement of funds out of the account is controlled by MDOT and the Bank and effectively removes control of the funds from the Town.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15 – COMMITMENTS (CONTINUED)

At the June 9, 2015 Annual Town Meeting, the townspeople voted to authorize the following borrowings of \$425,000 for the purchase of the following:

<u>Article #</u>	<u>Purpose</u>	<u>Amount</u>
47	Police Cruiser	\$ 40,000
50	Fire Chief's Vehicle	35,000
51	Ten Replacement Airpaks	75,000
59	Footbridge and Beach Comfort Station	<u>275,000</u>
	Total	<u>\$ 425,000</u>

NOTE 16 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2014 was restated for a prior period adjustment of \$1,564,833. This amount represents the changes that occurred due to the pension disclosure for GASB #68. See Note #6 Retirement Plans.

NOTE 17 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through October 14, 2015 the date of which the financial statements were available to be issued.

SCHEDULE I

**TOWN OF OGUNQUIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
JUNE 30, 2015**

	<u>6/30/15</u>
Proportion of Net Pension Liability	0.482885%
Proportionate Share of the Net Pension Liability	\$ 743,069
Covered Employee Payroll	\$ 1,572,667
Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	<u>47.25%</u>
Plan Total Pension Liability	\$2,609,657,845
Plan Fiduciary Net Position	\$2,455,776,671
Plan Net Pension Liability	\$ 153,881,174
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>94.10%</u>
Plan Covered Employee Payroll	\$ 460,029,637
Plan Net Pension Liability as a Percentage of the Covered Employee Payroll	<u>33.45%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.

SCHEDULE II

**TOWN OF OGUNQUIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN PENSION CONTRIBUTIONS
JUNE 30, 2015**

	<u>6/30/15</u>
Contractually Required Contribution	\$ 173,402
Actual Contribution	<u>(167,399)</u>
Contribution Deficiency (Excess)	<u>\$ 6,003</u>
Covered Employee Payroll	\$ 1,572,667
Contributions as a Percentage of Covered Employee Payroll	<u>10.64%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10 year schedule will be displayed as it becomes available.

The Notes to the Financial Statements are an Integral Part of This Statement.