

TOWN OF OGUNQUIT

OGUNQUIT, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2012

**TOWN OF OGUNQUIT
OGUNQUIT, MAINE
JUNE 30, 2012**

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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, major funds, 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, 2012, as listed in the table of contents. These financial statements are the responsibility of the Town's Management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses 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 the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Smith & Associates

SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
February 11, 2013



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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, 2012. 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 \$10,074,222 per Exhibit I (Net Assets). Of this amount, \$5,271,975 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net assets increased by \$560,796.
- As of the close of the current fiscal year, the Town of Ogunquit's governmental funds reported combined ending fund balances of \$5,497,018 a decrease of \$386,396 over the prior year. The amount of \$2,182,273 is the general fund unreserved fund balance which is available for appropriation in the next budget cycle and represents 0.29% of the total general fund expenditures.
- The Town of Ogunquit has \$2,384,931 reserved for Capital Projects, \$452,420 reserved for Special Revenues, and \$477,394 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 basic financial statements. The Town's basic 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 basic 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 Assets* (Exhibit I) presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 Assets 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 Assets 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 basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison of the general fund.

Comparative Data

The tables below provides a summary of the Town of Ogunquit's net assets and statement of activities for the year ended June 30, 2012, with comparative data for the previous year. Net assets serve as a useful indicator of the Town's financial position. Changes in net assets generally indicate the direction (positive and negative) of the Town's financial position over time.

TOWN OF OGUNQUIT'S NET ASSETS

Condensed Statement of Net Assets	Governmental Activities		Business - Type Activities		Total	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
Assets						
Current & Other Assets	\$ 5,954,639	\$ 6,343,534	\$ 21,062	\$ 14,486	\$ 5,975,701	\$ 6,358,020
Non Current Assets	<u>11,194,203</u>	<u>10,651,321</u>	<u>0</u>	<u>0</u>	<u>11,194,203</u>	<u>10,651,321</u>
Total Assets	\$ 17,148,842	\$ 16,994,855	\$ 21,062	\$ 14,486	\$ 17,169,904	\$ 17,009,341
Liabilities						
Current & Other Liabilities	\$ 701,239	\$ 667,166	\$ 0	\$ 0	\$ 701,239	\$ 667,166
Long Term Liabilities	<u>6,394,443</u>	<u>6,828,749</u>	<u>0</u>	<u>0</u>	<u>6,394,443</u>	<u>6,828,749</u>
Total Liabilities	\$ 7,095,682	\$ 7,495,915	\$ 0	\$ 0	\$ 7,095,682	\$ 7,495,915
Net Assets						
Invested in Capital Assets, Net	\$ 4,345,688	\$ 3,373,687	\$ 0	\$ 0	\$ 4,345,688	\$ 3,373,687
Restricted	456,559	456,559	0	0	456,559	456,559
Unrestricted	<u>5,250,913</u>	<u>5,668,694</u>	<u>21,062</u>	<u>14,486</u>	<u>5,271,975</u>	<u>5,683,180</u>
Total Net Assets	\$ 10,053,160	\$ 9,498,940	\$ 21,062	\$ 14,486	\$ 10,074,222	\$ 9,513,426

By far, the largest portion of the Town's net assets 43.2% (35.5% 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 is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

Comparative Data (Continued)

An additional portion of the Town's net assets 4.5% (4.8% in prior year) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$5,250,913 represents 52.2% (5,668,694 or 59.7% 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 assets, 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 ASSETS

Condensed Statement of Activities	Governmental Activities		Business – Type Activities		Total	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
Revenues:						
<i>Program Revenues</i>						
Charge for Services	\$ 2,433,064	\$ 2,239,199	\$ 0	\$ 0	\$ 2,433,064	\$ 2,239,199
Operating Grants & Contributions	21,749	73,015	0	0	21,749	73,015
Capital Grants and Contributions	0	0	0	0	0	0
<i>General Revenues</i>						
Property & Other Taxes	9,830,925	9,258,764	0	0	9,830,925	9,258,764
Grants & Contributions Not Restricted to Specific Programs	51,970	47,594	0	0	51,970	47,594
Unrestricted Investment Earnings	18,331	13,670	17	41	18,348	13,711
Miscellaneous	0	55,953	20,000	22,000	20,000	77,953
Total Revenues	<u>\$ 12,356,039</u>	<u>\$ 11,688,195</u>	<u>\$ 20,017</u>	<u>\$ 22,041</u>	<u>\$ 12,376,056</u>	<u>\$ 11,710,236</u>
Expenses						
General Government	\$ 1,232,117	\$ 1,158,204	\$ 13,441	\$ 34,063	\$ 1,245,558	\$ 1,192,267
Public Works & Sanitation	1,446,981	1,455,782	0	0	1,446,981	1,455,782
Protection	2,689,353	2,475,647	0	0	2,689,353	2,475,647
Culture & Recreation	542,434	493,314	0	0	542,434	493,314
General Assistance	494	1,327	0	0	494	1,327
Health and Social Service	7,260	19,550	0	0	7,260	19,550
Education	4,576,496	4,407,158	0	0	4,576,496	4,407,158
Interest	240,211	228,802	0	0	240,211	228,802
Fixed Charges	684,574	678,035	0	0	684,574	678,035
Depreciation	381,899	334,767	0	0	381,899	334,767
Total Expenses	<u>\$ 11,801,819</u>	<u>\$ 11,252,586</u>	<u>\$ 13,441</u>	<u>\$ 34,063</u>	<u>\$ 11,815,260</u>	<u>\$ 11,286,649</u>
Increase (Decrease) In Net Assets	\$ 554,220	\$ 435,609	\$ 6,576	\$ (12,022)	\$ 560,796	\$ 423,587
Net Assets, July 1	<u>9,498,940</u>	<u>9,063,331</u>	<u>14,486</u>	<u>26,508</u>	<u>9,513,426</u>	<u>9,089,839</u>
Net Assets, June 30	<u>\$ 10,053,160</u>	<u>\$ 9,498,940</u>	<u>\$ 21,062</u>	<u>\$ 14,486</u>	<u>\$ 10,074,222</u>	<u>\$ 9,513,426</u>

Analysis of Overall Financial Position and Results of Operations

The Statement of Activities indicates that the total revenues exceeded total expenses by \$554,220 indicating a strong overall financial position for the year ended June 30, 2012.

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

Revenues failed to exceed total expenditures by \$386,396 for the governmental funds. The CIP projects reflected total fund balance of \$2,384,931 (major & non major CIP) as indicated in Note 13. General fund balance amounted to \$2,182,273. The general fund balance decreased by \$34,134. 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 \$261,723 or 2.3% greater than expected. The actual expenditures were \$54,143 less than the proposed budget or a 0.45% 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 \$542,882 or 5.09%. The Town of Ogunquit's total debt decreased by \$391,544 (5.25%) during the current fiscal year.

As a comparison by State law, the Town may have a debt service not to exceed 15% of the total assessed valuation of the Town or \$1,294,277,300. The actual long term debt as of June 30, 2012 was \$7,053,354 including accrued compensated absence pay.

General Fund Budgetary Highlights

As presented in Exhibit VII, the original budgeted expenditures amount to \$11,921,438 (\$11,295,067 in prior year). The total gross budget for the year ending June 30, 2012, including transfers to and from other funds, was \$12,115,295 (\$11,899,253 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 \$54,143 (\$172,184 in prior year). This results in a decrease in the Town's undesignated fund balance to \$2,182,273. This healthy surplus allows the town to use funds for a one-time expenditure such as paving or equipment purchases (Capital Improvement Items). These undesignated funds are always considered during the budget review and subsequent town meetings.

The property tax rate has remained at \$7.31 due in large part prudent fiscal management and oversight.

General Fund Budgetary Highlights (Continued)

Please note the table below. The Budget is net of revenues. Also, 2009 was a transition year to a new Fiscal year of July – June. The year 2009 represents that 6 month transition period of January to June

YEAR	MIL RATE	BUDGET
2009	\$3.37	\$4,271,153.87
2010	\$6.76	\$8,747,879.73
2011	\$6.88	\$8,926,552.31
2012	\$7.31	\$9,461,169.45
2013	\$7.31	\$9,525,177.00

Currently Known Facts

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

- The Operating Budget for fiscal Year 2013 was approved at the Annual Town Meeting held on June 12, 2012. The budget focused on our infrastructure needs. Many substantial capital improvement projects were funded. Voters approved \$779,000 to fund a new Public Works Department Facility.
- The Town has received notification from the Maine Department of Transportation that we have received priority funding of \$7,000,000 for our Route One paving, drainage, and sidewalk project. Because of our collaboration and diligence with other governmental groups this will best leverage the \$2,200,000 in federal grant money the Town received for the sidewalk project, which will now stretch from town line to town line. It is our hope that this project will begin in the spring of 2014.
- Towns in York County are being asked to pay an additional \$8,000,000 to cover a six month transitional period as County Government transitions from a calendar year to a fiscal budget year starting July 1 through June 30. For Ogunquit, this means an additional half year payment of \$340,000 in County taxes in the upcoming months. This is significant issue because tax payments see our share of the annual County bill reflected in their property taxes. We are pleased to have Select Board representation on the York County Budget Committee to bring the Town's perspective to that group.

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 the aforementioned 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!*

Requests for Information

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 ASSETS
JUNE 30, 2012**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	
Assets			
Cash	\$ 5,330,896	\$ 21,062	\$ 5,351,958
Accounts Receivable	58,658	0	58,658
Taxes Receivable	509,981	0	509,981
Liens Receivable	55,104	0	55,104
Capital Assets, Net of Accumulated Depreciation	<u>11,194,203</u>	<u>0</u>	<u>11,194,203</u>
Total Assets	<u>\$ 17,148,842</u>	<u>\$ 21,062</u>	<u>\$ 17,169,904</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Expenses	247,167	0	247,167
<i>Non Current Liabilities:</i>			
Due Within One Year	454,072	0	454,072
Due in More Than One Year	<u>6,394,443</u>	<u>0</u>	<u>6,394,443</u>
Total Liabilities	<u>\$ 7,095,682</u>	<u>\$ 0</u>	<u>\$ 7,095,682</u>
Net Assets			
<i>Invested in Capital Assets, Net of Related Debt</i>	\$ 4,345,688	\$ 0	\$ 4,345,688
<i>Restricted</i>			
Permanent Funds, Non-Expendable	456,559	0	456,559
<i>Unrestricted</i>	<u>5,250,913</u>	<u>21,062</u>	<u>5,271,975</u>
Total Net Assets	<u>\$ 10,053,160</u>	<u>\$ 21,062</u>	<u>\$ 10,074,222</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, 2012**

	General Fund	Sidewalks	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 2,187,507	\$ 2,213,498	\$ 929,891	\$ 5,330,896
Taxes Receivable	509,981	0	0	509,981
Tax Liens Receivable	55,104	0	0	55,104
Accounts and Notes Receivable	58,658	0	0	58,658
Due From Other Funds	<u>0</u>	<u>0</u>	<u>171,356</u>	<u>171,356</u>
Total Assets	<u>\$ 2,811,250</u>	<u>\$ 2,213,498</u>	<u>\$ 1,101,247</u>	<u>\$ 6,125,995</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 0	0	0	\$ 0
Accrued Expenses	1,621	0	0	1,621
Deferred Revenues	456,000	0	0	456,000
Due to Other Funds	<u>171,356</u>	<u>0</u>	<u>0</u>	<u>171,356</u>
Total Liabilities	<u>\$ 628,977</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 628,977</u>
Fund Balance				
<i>Reserved Reported In:</i>				
<i>Nonspendable</i>				
Permanent Funds, Nonexpendable	\$ 0	\$ 0	\$ 456,559	\$ 456,559
<i>Restricted</i>	0	0	0	0
<i>Committed</i>				
Capital Projects Funds	0	2,213,498	171,433	2,384,931
<i>Unreserved Reported In:</i>				
<i>Assigned</i>				
Special Revenue Funds	0	0	452,420	452,420
Permanent Funds, Expendable	0	0	20,835	20,835
<i>Unassigned</i>				
General Fund	<u>2,182,273</u>	<u>0</u>	<u>0</u>	<u>2,182,273</u>
Total Fund Balance	<u>\$ 2,182,273</u>	<u>\$ 2,213,498</u>	<u>\$ 1,101,247</u>	<u>\$ 5,497,018</u>
Total Liabilities and Fund Balance	<u>\$ 2,811,250</u>	<u>\$ 2,213,498</u>	<u>\$ 1,101,247</u>	<u>\$ 6,125,995</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 ASSETS
JUNE 30, 2012**

Total Fund Balance – Total Governmental Funds \$ 5,497,018

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

Capital Assets Used in Governmental Activities are Not Current Financial Resources and Therefore are Not Reported in the Governmental Funds Balance Sheet 11,194,203

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 (40,707)

Property Tax Revenues are Reported in the Governmental Funds Balance Sheet Under NCGA Interpretation-3, Revenue Recognition-Property Taxes 456,000

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	\$ 454,072	
Due in More Than One Year	6,394,443	
Accrued Compensated Absence Pay	<u>204,839</u>	<u>(7,053,354)</u>

Net Assets of Governmental Activities \$ 10,053,160

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, 2012

	General Fund	Sidewalks	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 9,834,925	\$ 0	\$ 0	\$ 9,834,925
Intergovernmental	70,857	0	2,862	73,719
Licenses, Permits and Fees	1,935,696	0	0	1,935,696
Charges for Services	162,625	0	264,444	427,069
Investment Income	7,059	8,181	3,091	18,331
Miscellaneous	<u>69,999</u>	<u>0</u>	<u>300</u>	<u>70,299</u>
Total Revenues	<u>\$ 12,081,161</u>	<u>\$ 8,181</u>	<u>\$ 270,697</u>	<u>\$ 12,360,039</u>
Expenditures				
<i>Current</i>				
General Government	\$ 1,107,644	0	\$ 69,463	\$ 1,177,107
Public Works	1,446,524	0	546,016	1,992,540
Protection	2,674,204	0	187,029	2,861,233
Culture and Recreation	491,599	0	48,997	540,596
General Assistance	494	0	0	494
Debt Service	699,286	0	0	699,286
Health and Social Services	7,260	0	0	7,260
Education	4,568,861	0	7,635	4,576,496
Fixed Charges	684,574	0	0	684,574
<i>Capital Outlay</i>	<u>186,849</u>	<u>0</u>	<u>0</u>	<u>186,849</u>
Total Expenditures	<u>\$ 11,867,295</u>	<u>\$ 0</u>	<u>\$ 859,140</u>	<u>\$ 12,726,435</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 213,866	\$ 8,181	\$ (588,443)	\$ (366,396)
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(248,000)</u>	<u>0</u>	<u>228,000</u>	<u>(20,000)</u>
Net Change in Fund Balance	\$ (34,134)	\$ 8,181	\$ (360,443)	\$ (386,396)
Fund Balance – July 1, 2011	<u>2,216,407</u>	<u>2,205,317</u>	<u>1,461,690</u>	<u>5,883,414</u>
Fund Balance – June 30, 2012	<u>\$ 2,182,273</u>	<u>\$ 2,213,498</u>	<u>\$ 1,101,247</u>	<u>\$ 5,497,018</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, 2012**

Net Change in Fund Balance – Total Governmental Funds \$(386,396)

**Amounts Reported for Governmental Activities in the Statement of
Net Assets 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 924,781

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Assets, But They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds (381,899)

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 Assets. 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 391,544

Some Property Tax Will Not be Collected for Several Months After the Town's Fiscal Year End; They are Not Considered "Available" Revenues in the Governmental Funds. This Amount is the Net Effect of the Differences (4,000)

Accrued Interest Expense on Long-Term Debt is Reported in the Government-Wide Statement of Activities and Changes in Net Assets, But Does Not Require the Use of Current Financial Resources; Therefore, Accrued Interest Expense is not Reported as Expenditures in Governmental Funds 10,190

Change in Net Assets of Governmental Activities \$ 554,220

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues				
Taxes	\$ 9,832,169	\$ 9,832,169	\$ 9,834,925	\$ 2,756
Intergovernmental	59,662	59,662	70,857	11,195
Licenses, Permits and Fees	1,649,875	1,649,875	1,935,696	285,821
Charges for Services	177,600	177,600	162,625	(14,975)
Investment Income	8,000	8,000	7,059	(941)
Miscellaneous	92,132	92,132	69,999	(22,133)
Total Revenues	\$11,819,438	\$11,189,438	\$12,081,161	\$ 261,723
Expenditures				
<i>Current</i>				
General Government	\$ 1,113,993	\$ 1,113,993	\$ 1,107,644	\$ 6,349
Public Works	1,516,015	1,516,015	1,446,524	69,491
Protection	2,637,768	2,637,768	2,674,204	(36,436)
Culture and Recreation	497,185	497,185	491,599	5,586
General Assistance	3,000	3,000	494	2,506
Debt Service	699,977	699,977	699,286	691
Health and Social Services	7,300	7,300	7,260	40
Education	4,568,861	4,568,861	4,568,861	0
Fixed Charges	688,839	688,839	684,574	4,265
<i>Capital Outlay</i>	188,500	188,500	186,849	1,651
Total Expenditures	\$11,921,438	\$11,921,438	\$11,867,295	\$ 54,143
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ (102,000)	\$ (102,000)	\$ 213,866	\$ 315,866
Other Financing Sources (Uses)				
Transfers In (Out)	(248,000)	(248,000)	(248,000)	0
Net Change in Fund Balance	\$ (350,000)	\$ (350,000)	\$ (34,134)	\$ 315,866
Fund Balance – July 1, 2011	2,216,407	2,216,407	2,216,407	0
Fund Balance – June 30, 2012	\$ 1,866,407	\$ 1,866,407	\$ 2,182,273	\$ 315,866

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

**TOWN OF OGUNQUIT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Business - Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
Assets	
Current Assets	
Cash	\$ 21,062
Accounts Receivable	<u>0</u>
Total Assets	<u>\$ 21,062</u>
Liabilities	
Current Liabilities	
Accounts Payable	<u>\$ 0</u>
Net Assets	
Unrestricted	<u>\$ 0</u>
Total Net Assets	<u>\$ 21,062</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business - Type Activities Enterprise Funds Unemployment</u>
Operating Revenues	
Interest Income	\$ 17
Miscellaneous	<u>0</u>
Total Operating Revenues	\$ 17
Operating Expenses	
General Government	<u>13,441</u>
Changes in Net Assets	\$ (13,424)
Transfers from General Fund	<u>20,000</u>
Changes in Net Assets after Transfers	\$ 6,576
Net Assets – July 1, 2011	<u>14,486</u>
Net Assets – June 30, 2012	<u>\$ 21,062</u>

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

EXHIBIT X

**TOWN OF OGUNQUIT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business - Type Activities Enterprise Funds Unemployment</u>
Cash Flows from Operating Activities	
Interest	\$ 17
Payments to Vendors	<u>(13,441)</u>
Net Cash Provided by (Used) in Operating Activities	\$ (13,424)
Cash Flows from Non-Capital Financing Activities	
Transfers In (Out)	<u>20,000</u>
Net Increase (Decrease) in Cash after Transfers	\$ 6,576
Cash – July 1, 2011	<u>14,486</u>
Cash – June 30, 2012	<u>\$ 21,062</u>
Reconciliation of Operating Income to Net Cash Provided by (Used) in Operating Activities:	
Changes in Net Assets	<u>\$ (13,424)</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>\$ (13,424)</u>

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

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 basic 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). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. 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, which provides an analysis of the Town's overall financial position and results of operations, has not been presented as indicated in the Independent Auditors' Report.
- 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.

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

C. – Basic Financial Statements – Government-Wide Statements

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

In the government-wide Statement of Net Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

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).

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Basic 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.

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).

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 assets, 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.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. 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.

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. – Budgetary Control (Continued)

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. – Cash

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.

H. – 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

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

I. – 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 \$204,839 at June 30, 2012.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. – 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.

K. – Equity Classifications

Government-Wide Statements

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

- Invested in capital assets, net of related debt – 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 assets – consists of net assets 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 assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund 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.

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. – 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.

NOTE 2 – 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 such excess funds in checking accounts, savings accounts, certificates of deposit and U.S. government obligations (through an investment group owned by a financial institution).

A. Deposits

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.

At June 30, 2012, all cash and cash equivalents consisted of Category 1 deposits.

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, 2011, upon which the levy for the year ended June 30, 2012, was based, amounted to \$1,294,277,300. The assessed value was 100.9% of the 2012 State valuation of \$1,282,500,000.

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 \$9,300 for the year ended June 30, 2012.

All 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.

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 2011 - 2012 levy:

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – PROPERTY TAXES (CONTINUED)

Net Assessed Value	\$ 1,294,277,300
Tax Rate (Per \$1,000)	<u>7.31</u>
Commitment	\$ 9,461,167
Supplemental Taxes Assessed	<u>0</u>
Sub-Total	\$ 9,461,167
Less: Abatements	(5,035)
Collections	<u>(8,943,905)</u>
Receivable at Year End	<u>\$ 521,227</u>
Collection Rate	<u>94.5%</u>

Property taxes on real and personal property accounts were due on November 2, 2011. 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, 2012, was as follows:

	Beginning Balance <u>7/1/11</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Ending Balance <u>6/30/12</u>
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 4,667,460	\$ 0	\$ 0	\$ 4,667,460
Work in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets not being Depreciated	<u>\$ 4,667,460</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,667,460</u>
Capital Assets being Depreciated				
Buildings and Improvements	\$ 4,386,978	\$ 18,850	\$ 0	\$ 4,405,828
Machinery and Equipment	577,774	277,812	41,029	814,557
Vehicles	2,278,938	205,054	230,898	2,253,094
Infrastructure	<u>2,981,005</u>	<u>423,065</u>	<u>0</u>	<u>3,404,070</u>
Total Capital Assets being Depreciated	<u>\$ 10,224,695</u>	<u>\$ 924,781</u>	<u>\$ 271,927</u>	<u>\$ 10,877,549</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 2,159,079	\$ 88,429	\$ 0	\$ 2,247,508
Machinery and Equipment	407,182	56,756	41,029	422,909
Vehicles	1,228,402	127,322	230,898	1,124,826
Infrastructure	<u>446,171</u>	<u>109,392</u>	<u>0</u>	<u>555,563</u>
Total Accumulated Depreciation	<u>\$ 4,240,834</u>	<u>\$ 381,899</u>	<u>\$ 271,927</u>	<u>\$ 4,350,806</u>
Total Capital Assets being Depreciated, Net	<u>\$ 5,983,861</u>	<u>\$ 542,882</u>	<u>\$ 0</u>	<u>\$ 6,526,743</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,651,321</u>	<u>\$ 542,882</u>	<u>\$ 0</u>	<u>\$ 11,194,203</u>

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – LONG-TERM DEBT

At June 30, 2012, bonds, mortgage payable, and capital leases consisted of the following individual issues:

	<u>Governmental Activities</u>
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	\$ 214,500
General Obligation Bond of 2004, Interest Rate 1.597% to 9.0%, Annual Principal Payments of \$24,750 Plus Interest Through 2024	321,750
General Obligation Bond of 2005, Interest Rate 3.05% to 9.0%, Annual Principal Payments of \$20,000 Plus Interest Through 2025	280,000
General Obligation Bond of 2006, Interest Rate 3% to 6%, Annual Principal Payments of \$120,000 Plus Interest Through 2026	1,800,000
General Obligation Bond of 2008, Interest Rate 3.94%, Annual Principal Payments of \$89,295 - \$145,285 Plus Interest Through 2028	1,909,849
General Obligation Bond of 2010, Interest Rate 2.37%, Annual Principal Payments of \$111,350 Plus Interest Through 2030	2,115,650
<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	187,000
Capital Leases	
<i>Gorham Leasing Group, LLC</i>	
Capital Lease, 36 Month, \$133 a month, 4.105% Interest, Total \$4,522 for Copier Through 2014	3,864
Capital Lease, 60 month, \$299 a month, 3.826% Interest, Total \$16,357 for Konica Copier through 2016	<u>15,902</u>
Total Bonds, Mortgage Payable, and Capital Leases	<u>\$ 6,848,515</u>

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Changes in Outstanding Debt

Transactions for the year ended June 30, 2012, are summarized as follows:

	<u>Balance July 1</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30th</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 7,079,634	\$ 0	\$ 437,885	\$ 6,641,749	\$437,885
Mortgage Payable	198,000	0	11,000	187,000	11,000
Capital Leases Payable	0	22,792	3,026	19,766	5,187
Compensated Absences	<u>167,264</u>	<u>37,575</u>	<u>0</u>	<u>204,839</u>	<u>0</u>
Total Governmental Activities	<u>\$ 7,444,898</u>	<u>\$ 60,367</u>	<u>\$ 451,911</u>	<u>\$ 7,053,354</u>	<u>\$454,072</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the fiscal years subsequent to June 30, 2012, are as follows:

<u>Year Ending June 30</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012/13	448,885	235,821	684,706
2013/14	448,885	218,549	667,434
2014/15	448,885	199,762	648,647
2015/16	448,885	182,552	631,437
2016/17	448,885	165,994	614,879
2017/22	2,076,425	594,661	2,671,086
2022/27	1,861,927	243,018	2,104,945
2027/32	<u>645,972</u>	<u>32,500</u>	<u>678,472</u>
Total	<u>\$ 6,828,749</u>	<u>\$ 1,872,857</u>	<u>\$ 8,701,606</u>

The amount of debt that can be incurred by a Town is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 15% of the assessed value of taxable property as of the beginning of the fiscal year. As of June 30, 2012, the amount of outstanding long-term debt was equal to 0.53% of property valuation for the period then ended.

Capital Leases

The following is a schedule of future minimum lease payments for the Town of Ogunquit as of June 30, 2012:

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012/13	\$ 5,187
2013/14	5,187
2014/15	4,254
2015/16	3,588
2016/17	<u>1,550</u>
Total Minimum Lease Payments	\$ 19,766
Less Amount Representing Interest	<u>(1,535)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 18,231</u>

NOTE 6 – DEFINED PENSION PLAN

Deferred Compensation Plan

The government offers its employees two deferred compensation plans through John Hancock Insurance, created in accordance with Internal Revenue Code Section 457, and the Maine Public Employees Retirement System. 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.

John Hancock Insurance Pension Plans

The Town has two pension plans with John Hancock Insurance. The Plans covers 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.

Under the terms of the Plan 1 - 401k Plan, the Town contributes 8% of the participating employees' annual compensation. Plan 2 - 457 Plan, for department heads the Town contributes a matching 3% of the participating employees' annual compensation. 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 total covered payroll was \$1,522,660 and its total payroll was \$2,918,104 for the year ended June 30, 2012.

<u>Year Ended</u>	<u>Contributions</u>
June 30, 2012	\$ 123,404
June 30, 2011	\$ 117,401
June 30, 2010	\$ 97,758

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – DEFINED PENSION PLAN (CONTINUED)

Maine Public Employees Retirement System

Certain employees of the Town participate in the Maine Public Employees Retirement System ("System"). Employees participating in the Maine Public Employees Retirement System are eligible for normal retirement upon attaining the age of sixty and early retirement after completing twenty to twenty-five or more years of creditable service depending upon plan documents.

Under the plan, participants contribute 6.5% of compensation. Total pension expense for the Town for the year was \$126,707. The total payroll for the Town was \$2,918,104 and covered payroll for the Town was approximately \$1,485,751 for the year ended June 30, 2012.

Information concerning the consolidated pension plan is available from the System. The percentages and contributions to the plan for past years are as follows:

<u>Year Ended</u>	<u>% Contributed</u>	<u>Contributions</u>
June 30, 2012	4.4% - 10.2%	\$ 126,707
June 30, 2011	3.5% - 8.1%	\$ 93,311
June 30, 2010	2.8% - 6.5%	\$ 71,955

A. Plan Description

Town employees contribute to the Maine Public Employees Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except as members of the judiciary and legislature who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions.

Several Town employees participate in the System. Benefits vest after five years of service. Participants who retire at or after age 60 with 20 - 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the average of their highest three year earnings per year of service.

The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute.

Employees are required to contribute 6.5% of their annual salary to the System. The Town contributes the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

B. Funding Status and Progress

Information concerning the pension benefit obligation for Town employees is available from the System.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – DEFINED PENSION PLAN (CONTINUED)

C. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information is not currently available from the System.

NOTE 7 – INTERFUND ACTIVITY

Interfund balances at June 30, 2012, consisted of the following:

Due To

Non-Major Governmental Funds:

Capital Project Funds	<u>\$171,356</u>
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Due From

General Fund	<u>\$171,356</u>
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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, 2012, consisted of the following:

Transfer To

Non-Major Governmental Funds:

Special Revenues	\$ 25,000
Capital Project Funds	203,000
Enterprise Fund-Unemployment	<u>20,000</u>
Total	<u>\$248,000</u>

Transfer From

General Fund	<u>\$248,000</u>
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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.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – APPROPRIATIONS AND TRANSFERS

At the Annual Town Meeting on June 14, 2011 and the Special Town Meeting on January 17, 2012, the Townspeople voted appropriations of general fund balance totaling \$350,000, which are reflected as the excess of budgeted expenditures over budgeted revenues on Exhibit VII for the year ended June 30, 2012.

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:

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 balance sheet information for ecomaine for the year ended June 30, 2011, the latest date available, includes total assets of \$59,636,994, total liabilities of \$28,808,855 and unrestricted net assets of \$7,088,994. The liabilities include an accrual for landfill closure and post closure care amounting to \$15,416,704. 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 separate audited financial statements of ecomaine may be obtained from the Town's Finance office.

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. At June 30, 2012, the Town's share was 22.09% (or \$2,102,968) of the District's outstanding debt of \$9,520,000.

The Town's proportionate share of York County's debt is not recorded in the financial statements of the Town of Ogunquit. Per the December 31, 2011 County of York audited financial statements, the Town's share was 4.26% (\$508,846) of the County's outstanding debt of \$11,944,753.

TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

For the fiscal year ended June 30, 2012, 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.

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 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.

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)

The General Fund unassigned fund balance total of \$2,182,273 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, 2012 follows.

Nonspendable and Assigned

Non - Major Fund

Permanent Funds	<u>Nonexpendable Amount</u>	<u>Expendable Amount</u>	<u>Total</u>
Dorothea Jacobs Grant Fund	\$ 219,259	\$ 11,649	\$ 230,908
Performing Arts	145,300	5,739	151,039
Music Center Escrow	<u>92,000</u>	<u>3,447</u>	<u>95,447</u>
Total	<u>\$ 456,559</u>	<u>\$ 20,835</u>	<u>\$ 477,394</u>

Committed

Major Fund

Capital Projects

Sidewalks \$ 2,213,498

Committed

Non - Major Fund

Capital Projects

2012 Pavement	\$ 76,661
2011 Ogunquit Village School	40,714
2011 Sidewalks	27,092
2008 Oarweed Cove Road	10,347
2012 Police Air/Heat	8,000
2012 Dump Truck	4,189
2012 Signs	3,810
2010 Ogunquit Village School	543
2011 Fire Department Reserve	<u>77</u>

Total \$ 171,433

Assigned

Non - Major Fund

Special Revenue Funds

Land Conservation Reserve	\$ 164,371
National Disaster Emergency Repair	75,142

**TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Assigned

Non - Major Fund

Special Revenue Funds (Continued)

Marginal Way Investment	73,683
Perpetual Bench Care Fund	63,615
Contingent Fund	30,564
Fire and Rescue	17,131
Planning Board Project Escrow	10,759
Summer Programs	4,305
Computer Software	3,710
Firefighter Training Facilities Grant	2,596
Dog Park	1,996
Community Cupboard	1,789
Jay Parott Scholarships	1,212
Shore and Harbor Planning	1,139
Ambulance Fund	266
Police Drug and Interdiction	<u>142</u>

Total \$ 452,420

Unassigned

Major Fund

General Fund \$ 2,182,273

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, 2012, expenditures did exceed appropriations in one category. However, in total the Town's expenditures did not exceed appropriations. Exhibit VII shows the following overdraft and comment:

Protection	\$ 36,436	Due to Reclassification of Employee Benefits
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TOWN OF OGUNQUIT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. - Deficit Balances

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

As of June 30, 2012, no individual funds held a deficit balance.

NOTE 15 – SUBSEQUENT EVENT

York County has notified the Town of Ogunquit that due to the County's changing of accounting cycles from calendar year to fiscal year, an additional assessment for six months will be charged to the Town. The amount is expected to equal \$340,000 and is unbudgeted at this time. The effect on the financial statements cannot be determined.

NOTE 16 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through February 11, 2013 the date of which the financial statements were available to be issued.