

# TOWN OF OGUNQUIT

OGUNQUIT, MAINE

## **FINANCIAL AUDIT REPORT**

**JUNE 30, 2016**

**TOWN OF OGUNQUIT  
OGUNQUIT, MAINE  
JUNE 30, 2016**

**TABLE OF CONTENTS**

**FINANCIAL SECTION**

**EXHIBITS**

Independent Auditors' Report

Management's Discussion and Analysis (Unaudited)

**Financial Statements**

**Government-Wide Financial Statements**

Statement of Net Position

Exhibit I

Statement of Activities

Exhibit II

**Fund Financial Statements**

**Governmental Funds**

Balance Sheet

Exhibit III

Reconciliation of the Governmental Funds Balance Sheet  
to Statement of Net Position

Exhibit IV

Statement of Revenues, Expenditures and Changes in Fund Balance

Exhibit V

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities

Exhibit VI

Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – General Fund

Exhibit VII

**Proprietary Funds**

Statement of Net Position

Exhibit VIII

Statement of Revenues, Expenses and Changes in Net Position

Exhibit IX

Statement of Cash Flows

Exhibit X

**Notes to Financial Statements**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE**

Schedule of Town's Proportionate Share of Net Pension Liability

I

Schedule of Town Pension Contributions

II

**SUPPLEMENTARY INFORMATION**

**SCHEDULE**

Statements of Expenditures, Revenues and Fund Balances

III - VI

# Smith & Associates, CPAs

*A Professional Association*

---

500 US Route One, Suite 102 • Yarmouth, Maine 04096  
Ph (207) 846-8881 • Fax (207) 846-8882  
www.smithassociatescpa.com

## **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, 2016, 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 Management Discussion and Analysis (MD&A) as well as the Schedule of the Town's Proportionate Share of Net Pension Liability and 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 the limited procedures do not provide us with sufficient evidence to express an opinion or provide any

### *Supplementary Information*

The statements of expenditures, revenues and fund balances presented as Schedules III through VI are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



SMITH & ASSOCIATES, CPAs  
*A Professional Association*



**MUNICIPAL OFFICES**  
23 SCHOOL STREET • P.O. BOX 875  
OGUNQUIT, MAINE 03907-0875  
(207) 646-5139 General Offices  
(207) 646-9326 Land Use  
(207) 646-9546 Town Clerk  
E-mail: townofogt@maine.rr.com

---

## **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, 2016. 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 \$10,965,920 per Exhibit I (Net Position). Of this amount, \$2,684,503 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net position increased by \$755,146 because of a prior period adjustment of \$198,970 related to the Town's pension balances, plus a current year change in net position of \$556,176.
- As of the close of the current fiscal year, the Town of Ogunquit's governmental funds reported combined ending fund balances of \$4,853,354 representing a decrease of \$1,567,396 over the prior year, due in large measure to the disbursement of \$2,025,319 in funds set aside for the MDOT/Route 1 Project. The amount of \$3,529,027 is the general fund unassigned fund balance which is available for appropriation in the next budget cycle; \$354,439 has been appropriated for FY 16/17. Other commitments of general fund balance include \$20,000 for the Ecomaine Closeout Reserve and \$139,364 for our Ambulance Reserve.
- The Town of Ogunquit has \$169,814 reserved for Capital Projects, \$162,917 reserved for Special Revenues, and \$477,793 reserved for Permanent Funds. See Note 13 and Schedules III through VI 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.

**Government-Wide Financial Statements (Continued)**

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.

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. Currently, all of the funds of the Town can be divided into two categories: governmental funds and proprietary 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.

**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, 2016, with comparative data for the previous year.

**TOWN OF OGUNQUIT'S NET POSITION**

Condensed Statement of Net Position	Governmental Activities		Business - Type Activities			Total
	30-Jun-16	30-Jun-15 (Restated)	30-Jun-16	30-Jun-15	30-Jun-16	30-Jun-15 (Restated)
<b>Assets</b>						
Current and Other Assets	\$ 5,293,679	\$ 6,907,100	\$ 41,781	\$ 45,751	\$ 5,335,460	\$ 6,952,851
Non Current Assets	<u>14,779,018</u>	<u>12,746,372</u>	<u>0</u>	<u>0</u>	<u>14,779,018</u>	<u>12,746,372</u>
<b>Total Assets</b>	<u>\$ 20,072,697</u>	<u>\$ 19,653,472</u>	<u>\$ 41,781</u>	<u>\$ 45,751</u>	<u>\$20,114,478</u>	<u>\$19,699,223</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 910,133</u>	<u>\$ 292,277</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 910,133</u>	<u>\$ 292,277</u>
<b>Liabilities</b>						
Current and Other Liabilities	\$ 911,457	\$ 1,073,038	\$ 0	\$ 0	\$ 911,457	\$ 1,073,038
Long Term Liabilities	<u>8,231,485</u>	<u>7,536,761</u>	<u>0</u>	<u>0</u>	<u>8,231,485</u>	<u>7,536,761</u>
<b>Total Liabilities</b>	<u>\$ 9,142,942</u>	<u>\$ 8,609,799</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,142,942</u>	<u>\$ 8,609,799</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 915,749</u>	<u>\$ 971,957</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 915,749</u>	<u>\$ 971,957</u>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 7,825,308	\$ 5,351,940	\$ 0	\$ 0	\$ 7,825,308	\$ 5,351,940
Restricted	456,559	456,559	0	0	456,559	456,559
Unrestricted	<u>2,642,272</u>	<u>4,555,494</u>	<u>41,781</u>	<u>45,751</u>	<u>2,684,053</u>	<u>4,601,245</u>
<b>Total Net Position</b>	<u>\$ 10,924,139</u>	<u>\$ 10,363,993</u>	<u>\$ 41,781</u>	<u>\$ 45,751</u>	<u>\$10,965,920</u>	<u>\$10,409,744</u>

By far, the largest portion of the Town's net position 71.4% (52.7% 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 of 4.2% (4.5% in prior year) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,684,053 represents 24.5% (\$4,601,245 or 44.2% 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**

<b>Condensed Statement of Activities</b>	<b>Governmental Activities</b>		<b>Business – Type Activities</b>		<b>Total</b>	
	<b>30-Jun-16</b>	<b>30-Jun-15 (Restated)</b>	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>30-Jun-16</b>	<b>30-Jun-15 (Restated)</b>
<b>Revenues</b>						
<i>Program Revenues</i>						
Charge for Services	\$ 2,839,635	\$ 2,731,466	\$ 0	\$ 0	\$ 2,839,635	\$ 2,731,466
Operating Grants and Contributions	191,418	39,455	0	0	191,418	39,455
Capital Grants and Contributions	0	0	0	0	0	0
<i>General Revenues</i>						
Property and Other Taxes	11,142,167	10,667,049	0	0	11,142,167	10,667,049
Grants and Contributions Not Restricted to Specific Programs	33,394	32,007	0	0	33,394	32,007
Unrestricted Investment Earnings	7,869	4,024	93	96	7,962	4,120
Miscellaneous and Transfers	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>	<u>9,000</u>	<u>0</u>	<u>9,000</u>
<b>Total Revenues</b>	<b><u>\$ 14,211,483</u></b>	<b><u>\$ 13,474,001</u></b>	<b><u>\$ 3,093</u></b>	<b><u>\$ 9,096</u></b>	<b><u>\$ 14,214,576</u></b>	<b><u>\$ 13,483,097</u></b>
<b>Expenses</b>						
General Government	\$ 1,653,542	\$ 1,247,632	\$ 7,063	\$ 5,383	\$ 1,660,605	\$ 1,253,015
Public Works and Sanitation	1,325,592	1,538,885	0	0	1,325,592	1,538,885
Protection	2,683,970	2,549,836	0	0	2,683,970	2,549,836
Culture and Recreation	1,019,340	1,067,179	0	0	1,019,340	1,067,179
General Assistance	983	844	0	0	983	844
Health and Social Services	7,500	6,700	0	0	7,500	6,700
Education	5,198,383	5,015,745	0	0	5,198,383	5,015,745
Interest	217,570	238,474	0	0	217,570	238,474
Fixed Charges	815,813	793,275	0	0	815,813	793,275
Pension, Unallocated	131,580	(142,084)	0	0	131,580	(142,084)
Depreciation	<u>597,064</u>	<u>526,886</u>	<u>0</u>	<u>0</u>	<u>597,064</u>	<u>526,886</u>
<b>Total Expenses</b>	<b><u>\$ 13,651,337</u></b>	<b><u>\$ 12,843,372</u></b>	<b><u>\$ 7,063</u></b>	<b><u>\$ 5,383</u></b>	<b><u>\$ 13,658,400</u></b>	<b><u>\$ 12,848,755</u></b>
<b>Increase (Decrease) In Net Position</b>	<b>\$ 560,146</b>	<b>\$ 630,629</b>	<b>\$ (3,970)</b>	<b>\$ 3,713</b>	<b>\$ 556,176</b>	<b>\$ 634,342</b>
<b>Net Position, July 1</b>	<b>10,165,023</b>	<b>11,298,197</b>	<b>45,751</b>	<b>42,038</b>	<b>10,210,774</b>	<b>11,340,235</b>
<b>Prior Period Adjustment</b>	<b><u>198,970</u></b>	<b><u>(1,564,833)</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>198,970</u></b>	<b><u>(1,564,833)</u></b>
<b>Net Position, June 30</b>	<b><u>\$ 10,924,139</u></b>	<b><u>\$ 10,363,993</u></b>	<b><u>\$ 41,781</u></b>	<b><u>\$ 45,751</u></b>	<b><u>\$ 10,965,920</u></b>	<b><u>\$ 10,409,744</u></b>

**Analysis of Overall Financial Position and Results of Operations**

The Statement of Activities indicates that the total revenues exceeded total expenses by \$556,176 indicating a strong overall financial position for the year ended June 30, 2016.

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

**General Fund**

Expenditures exceeded total revenues and other financing sources (uses) by \$1,567,396 for the governmental funds. The CIP projects reflected total fund balance of \$169,814 (major & non-major CIP) as indicated in Note 13. General fund balance amounted to \$4,042,830. The general fund balance increased by \$626,233. 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 \$870,608 or 6.6% greater than expected. The actual expenditures were \$279,459 less than the proposed budget or a 2.2% 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 \$2,032,646 or 15.9%. The Town of Ogunquit’s total debt increased by \$476,423 (5.7%) 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 \$1,330,154,335. The actual long term debt as of June 30, 2016 was \$8,832,313 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 final budgeted expenditures for the year amounted to \$13,367,256 (\$12,730,765 in prior year ). The total gross budget for the year ending June 30, 2016 , including transfers to and from other funds, was \$13,923,3707 (\$13,542,002 in prior year).

The Town department budgets were under spent by \$279,459 (\$101,701 in prior year). This results in an increase in the Town’s unassigned fund balance to \$3,529,027. 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.

<u>YEAR</u>	<u>MIL RATE</u>	<u>TAX COMMITMENT</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	\$10,729,725

### **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 continued the Route 1 Rehabilitation Project through FY 2016 and the project was brought to a close at the end of calendar year 2016. The Town anticipates receiving a partial refund of monies that it contributed to the project and those funds will be used to continue the enhancements on Main Street.
- During FY 2016 the Town continued its grant activities with the Maine Department of Environmental Protection (DEP), and Maine Department of Agriculture, Conservation and Forestry (Agriculture).
  - DEP – Sec 319 Grants, Phase I and II
    - Phase I - Is schedule to be completed December 31, 2016 and includes \$92,050 in grant funds to improve the water quality in the Ogunquit River. The DEP is administering federal funds from the Environmental Protection Agency (EPA).
    - Phase II – Is scheduled to be completed December 31, 2017 and includes \$69,430 in grant funds to continue improving the water quality in the Ogunquit River. The DEP is administering federal funds from the EPA.
  - Agriculture is administering a grant of \$29,849 of federal funds from the Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), The purpose of these funds is to strengthen collaboration between the Towns of Ogunquit, South Berwick, York and Wells to identify and bracket potential sources of bacteria “hotspot” areas. The grant is scheduled to be completed December 31, 2016.
  - Agriculture is administering a grant of \$20,000 of state funds for the development of the Footbridge Pedestrian Bridge Replacement. Payment in full was received during FY 2015 and paid for the development of the bridge plans. The Maine Department of Transportation will provide grant funds for the construction of the replacement pedestrian bridge.
- During FY 2016 the parking lots produced \$1,954,547 in revenues which is \$525,547 more than the budgeted \$1,425,000. During FY 2017 the Jacobs Lot restroom will be refurbished.

### **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, 2016**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business -</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,835,950	\$ 41,781	\$ 4,877,731
Accounts Receivable	73,142	0	73,142
Taxes Receivable	231,625	0	231,625
Tax Liens Receivable	57,519	0	57,519
Prepaid Expenses	95,443	0	95,443
Capital Assets, Net of Accumulated Depreciation	<u>14,779,018</u>	<u>0</u>	<u>14,779,018</u>
<b>Total Assets</b>	<b>\$ 20,072,697</b>	<b>\$ 41,781</b>	<b>\$ 20,114,478</b>
<b>Deferred Outflows of Resources</b>			
Related to Pensions	<u>910,133</u>	<u>0</u>	<u>910,133</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 20,982,830</u></b>	<b><u>\$ 41,781</u></b>	<b><u>\$ 21,024,611</u></b>
<b>Liabilities</b>			
Accounts Payable	\$ 103,037	\$ 0	\$ 103,037
Accrued Expenses	207,590	0	207,590
<i>Non Current Liabilities</i>			
Due Within One Year	600,830	0	600,830
Due in More Than One Year	<u>8,231,485</u>	<u>0</u>	<u>8,231,485</u>
<b>Total Liabilities</b>	<b><u>\$ 9,142,942</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 9,142,942</u></b>
<b>Deferred Inflows of Resources</b>			
Related to Pensions	<u>\$ 915,749</u>	<u>\$ 0</u>	<u>\$ 915,749</u>
<b>Net Position</b>			
<i>Net Investment in Capital Assets</i>	\$ 7,825,308	\$ 0	\$ 7,825,308
<i>Restricted</i>			
Permanent Funds, Non-Expendable	456,559	0	456,559
<i>Unrestricted</i>	<u>2,642,272</u>	<u>41,781</u>	<u>2,684,053</u>
<b>Total Net Position</b>	<b><u>\$ 10,924,139</u></b>	<b><u>\$ 41,781</u></b>	<b><u>\$ 10,965,920</u></b>

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



**EXHIBIT III**

**TOWN OF OGUNQUIT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<u>General Fund</u>	<u>MDOT Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 4,048,206	\$ 68,175	\$ 719,569	\$ 4,835,950
Taxes Receivable	231,625	0	0	231,625
Tax Liens Receivable	57,519	0	0	57,519
Accounts and Notes Receivable	59,238	0	13,904	73,142
Prepaid Expenses	95,443	0	0	95,443
Due From Other Funds	<u>0</u>	<u>0</u>	<u>222,860</u>	<u>222,860</u>
<b>Total Assets</b>	<b><u>\$ 4,492,031</u></b>	<b><u>\$ 68,175</u></b>	<b><u>\$ 956,333</u></b>	<b><u>\$ 5,516,539</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 4,492,031</u></b>	<b><u>\$ 68,175</u></b>	<b><u>\$ 956,333</u></b>	<b><u>\$ 5,516,539</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 88,802	7,115	7,120	\$ 103,037
Accrued Expenses	92,288	0	78,000	170,288
Due to Other Funds	<u>101,111</u>	<u>18,204</u>	<u>103,545</u>	<u>222,860</u>
<b>Total Liabilities</b>	<b><u>\$ 282,201</u></b>	<b><u>\$ 25,319</u></b>	<b><u>\$ 188,665</u></b>	<b><u>\$ 496,185</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue – Property Taxes	<u>\$ 167,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 167,000</u>
<b>Fund Balance</b>				
<i>Nonspendable</i>				
Permanent Funds, Non-Expendable	\$ 0	\$ 0	\$ 456,559	\$ 456,559
<i>Committed</i>				
Capital Projects Funds	0	42,856	204,958	247,814
Ecomaine Closeout Reserve	20,000	0	0	20,000
Ambulance Reserve	139,364	0	0	139,364
Appropriated Fund Balance FY 16/17	354,439	0	0	354,439
<i>Assigned</i>				
Special Revenue Funds	0	0	242,616	242,616
Permanent Funds, Expendable	0	0	21,234	21,164
<i>Unassigned</i>				
Capital Projects Funds - Deficit	0	0	(78,000)	(78,000)
Special Revenue Funds - Deficit	0	0	(79,699)	(79,699)
General Fund	<u>3,529,027</u>	<u>0</u>	<u>0</u>	<u>3,529,027</u>
<b>Total Fund Balance</b>	<b><u>\$ 4,042,830</u></b>	<b><u>\$ 42,856</u></b>	<b><u>\$ 767,668</u></b>	<b><u>\$ 4,853,354</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b><u>\$ 4,492,031</u></b>	<b><u>\$ 68,175</u></b>	<b><u>\$ 956,333</u></b>	<b><u>\$ 5,516,539</u></b>

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, 2016**

**Total Fund Balance – Total Governmental Funds** \$ 4,853,354

**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. 14,779,018

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. (37,302)

Unavailable Property Tax Revenues are Not Available to Pay for Current Period Expenditures and, Therefore, are Deferred Inflows of Resources. 167,000

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	\$ 600,830	
Due in More Than One Year	6,352,880	
Accrued Compensated Absence Pay	<u>329,892</u>	(7,283,602)

Changes Between Deferred Inflows and Deferred Outflows Regarding Related Pension Expenses Due to Implementation of GASB No. 68. (1,554,329)

**Net Position of Governmental Activities** **\$ 10,924,139**

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, 2016**

	General Fund	MDOT Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Taxes	\$ 11,248,167	\$ 0	\$ 0	\$ 11,248,167
Intergovernmental	50,826	0	134,339	185,165
Licenses, Permits and Fees	2,423,263	0	0	2,423,263
Charges for Services	245,106	0	82,468	327,574
Investment Income	7,070	258	541	7,869
Miscellaneous	<u>125,541</u>	<u>0</u>	<u>2,904</u>	<u>128,445</u>
<b>Total Revenues</b>	<b><u>\$ 14,099,973</u></b>	<b><u>\$ 258</u></b>	<b><u>\$ 220,252</u></b>	<b><u>\$ 14,320,483</u></b>
<b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 1,486,375	0	\$ 55,932	\$ 1,542,307
Public Works and Sanitation	1,193,941	0	406,422	1,600,363
Protection	2,510,690	0	427,819	2,938,509
Culture and Recreation	1,056,133	0	31,590	1,087,723
General Assistance	983	0	0	983
Debt Service	817,979	0	0	817,979
Health and Social Services	7,500	0	0	7,500
Education	5,198,383	0	0	5,198,383
Fixed Charges	815,813	0	0	815,813
<i>Capital Outlay</i>	<u>0</u>	<u>2,025,319</u>	<u>0</u>	<u>2,025,319</u>
<b>Total Expenditures</b>	<b><u>\$ 13,077,387</u></b>	<b><u>\$ 2,025,319</u></b>	<b><u>\$ 921,763</u></b>	<b><u>\$ 16,034,879</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b><u>\$ 1,012,176</u></b>	<b><u>\$ (2,025,061)</u></b>	<b><u>\$ (701,511)</u></b>	<b><u>\$ (1,714,396)</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	\$ (385,943)	\$ 0	\$ 382,943	\$ (3,000)
Proceeds from Bond	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ (385,943)</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 532,943</u></b>	<b><u>\$ 147,000</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ 626,233</b>	<b>\$ (2,025,061)</b>	<b>\$ (168,568)</b>	<b>\$ (1,567,396)</b>
<b>Fund Balance – July 1, 2015</b>	<b><u>3,416,597</u></b>	<b><u>2,067,917</u></b>	<b><u>936,236</u></b>	<b><u>6,420,750</u></b>
<b>Fund Balance – June 30, 2016</b>	<b><u>\$ 4,042,830</u></b>	<b><u>\$ 42,856</u></b>	<b><u>\$ 767,668</u></b>	<b><u>\$ 4,853,354</u></b>

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, 2016**

**Net Change in Fund Balance – Total Governmental Funds** \$( 1,567,396)

**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. 2,629,710

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. (597,064)

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. 445,323

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. (106,000)

Accrued Interest Expense and Compensated Absences are Reported in the Government Wide Statement of Activities and Changes in Net Position, But Does Not Require the Use of Current Financial Resources; Therefore, These Items and Changes Therein Are Not Reported as Expenditures in Governmental Funds. (112,847)

Changes Between Deferred Inflows and Deferred Outflows Related to Pension and Implementation of GASB No. 68. (131,580)

**Change in Net Position of Governmental Activities** \$ 560,146

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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$11,200,247	\$11,200,247	\$11,248,167	\$ 47,920
Intergovernmental	171,878	171,878	50,826	(121,052)
Licenses, Permits and Fees	1,623,240	1,623,240	2,423,263	800,023
Charges for Services	184,000	184,000	245,106	61,106
Investment Income	0	0	7,070	7,070
Miscellaneous	<u>50,000</u>	<u>50,000</u>	<u>126,541</u>	<u>75,541</u>
<b>Total Revenues</b>	<u>\$13,229,365</u>	<u>\$13,229,365</u>	<u>\$14,099,973</u>	<u>\$ 870,608</u>
<b>Expenditures</b>				
<i>Current</i>				
General Government	\$ 1,377,009	\$ 1,574,861	\$ 1,486,375	\$ 88,486
Public Works and Sanitation	1,302,659	1,292,442	1,193,941	98,501
Protection	2,577,367	2,572,981	2,510,690	62,291
Culture and Recreation	1,054,963	1,071,993	1,056,133	15,860
General Assistance	3,400	3,151	983	2,168
Debt Service	822,195	822,195	817,979	4,216
Health and Social Services	7,799	7,769	7,500	269
Education	5,198,383	5,198,383	5,198,383	0
Fixed Charges	<u>823,481</u>	<u>823,481</u>	<u>815,813</u>	<u>7,668</u>
<b>Total Expenditures</b>	<u>\$13,167,256</u>	<u>\$13,367,256</u>	<u>\$13,087,797</u>	<u>\$ 279,459</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	\$ 62,109	\$ (137,891)	\$ 1,012,176	\$ 1,150,067
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	<u>(556,451)</u>	<u>(556,451)</u>	<u>(385,943)</u>	<u>170,508</u>
<b>Net Change in Fund Balance</b>	\$ (494,342)	\$ (694,342)	\$ 626,233	\$ 1,320,575
<b>Fund Balance – July 1, 2015</b>	<u>3,416,597</u>	<u>3,416,597</u>	<u>3,416,597</u>	<u>0</u>
<b>Fund Balance – June 30, 2016</b>	<u>\$ 2,922,255</u>	<u>\$ 2,722,255</u>	<u>\$ 4,042,830</u>	<u>\$ 1,320,575</u>

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

**TOWN OF OGUNQUIT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016**

	Business - Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents	\$ 41,781
Accounts Receivable	<u>          0</u>
<b>Total Assets</b>	<b><u>\$ 41,781</u></b>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	<u>\$          0</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 41,781</u>
<b>Total Net Position</b>	<b><u>\$ 41,781</u></b>

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, 2016**

	Business - Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
<b>Operating Revenues</b>	
Interest Income	\$ 93
Miscellaneous	<u>0</u>
<b>Total Operating Revenues</b>	\$ 93
<b>Operating Expenses</b>	
General Government	<u>7,063</u>
<b>Operating Income (Loss)</b>	\$ (6,970)
<b>Transfers from General Fund</b>	<u>3,000</u>
<b>Changes in Net Position</b>	\$ (3,970)
<b>Net Position – July 1, 2015</b>	<u>45,751</u>
<b>Net Position – June 30, 2016</b>	<u>\$ 41,781</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, 2016**

	Business - Type <u>Activities</u> Enterprise Funds <u>Unemployment</u>
<b>Cash Flows from Operating Activities</b>	
Interest	\$ 93
Payments to Vendors	<u>(7,063)</u>
<b>Net Cash Provided by (Used) in Operating Activities</b>	\$ (6,970)
<b>Cash Flows from Non-Capital Financing Activities</b>	
Transfers In (Out)	<u>3,000</u>
<b>Net Increase (Decrease) in Cash after Transfers</b>	\$ (3,970)
<b>Cash and Cash Equivalents – July 1, 2015</b>	<u>45,751</u>
<b>Cash and Cash Equivalents – June 30, 2016</b>	<u>\$ 41,781</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used) in Operating Activities</b>	
Operating Income (Loss)	<u>\$ (6,970)</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used) in Operating Activities</b>	
Depreciation Expense	\$ 0
(Increase) Decrease in Accounts Receivable	<u>0</u>
<b>Total Adjustments</b>	<u>\$ 0</u>
<b>Net Cash Provided by (Used) in Operating Activities</b>	<u>\$ (6,970)</u>

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

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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, 2016**

**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, 2016**

**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 1<sup>st</sup>. 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, 2016**

**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 \$329,892 at June 30, 2016.

**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, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. – Deferred Outflows and Inflows of Resources**

*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, 2016 in Exhibit I amounted to \$915,749 and \$910,133 of deferred outflows of resources for the Town of Ogunquit. Per Exhibit III, the deferred inflows of resources listed at June 30, 2016 for the Town of Ogunquit amounted to \$167,000, and there was no deferred outflow of resources at June 30, 2016.

**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.”

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. 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;

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. – Equity Classifications (Continued)**

**Fund Financial Statements (Continued)**

(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.

**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, 2016, primarily consists of miscellaneous intergovernmental receivables. Management has established a reserve for uncollectible balances in the amount of \$2,300, based on ongoing monitoring of collection performance.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The Town's deposits may be subject to various risks from time to time, including the following.

**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.

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

**TOWN OF OGUNQUIT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

*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 1<sup>st</sup> 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, 2015, upon which the levy for the year ended June 30, 2016 was based, amounted to \$1,330,154,335. The assessed value was 102.62% of the 2016 State valuation of \$1,296,200.

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 \$30,653 for the year ended June 30, 2016.

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 2015 - 2016 levy:

Net Assessed Value	\$ 1,330,154,335
Less: Homestead Exemption	(571,995)
BETE	<u>(620)</u>
Net Assessed Value	\$ 1,329,581,720
Tax Rate (Per \$1,000)	<u>8.07</u>
Commitment	\$ 10,729,725
Supplemental Taxes Assessed	<u>5,914</u>
Sub-Total	\$ 10,735,639
Less: Abatements	(22,985)
Collections	<u>(10,485,803)</u>
Receivable at Year End	<u>\$ 226,851</u>
Collection Rate	<u>97.7%</u>

Property taxes on real and personal property accounts were due on November 2, 2015 and May 2, 2016. Interest was charged at a rate of 7% on delinquent accounts after that date.

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Ending Balance <u>June 30</u>
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated</i>				
Land	\$ 4,967,460	\$ 0	\$ 0	\$ 4,967,460
<i>Capital Assets being Depreciated</i>				
Buildings and Improvements	\$ 4,669,356	\$ 81,383	\$ 0	\$ 4,750,739
Machinery and Equipment	954,962	175,900	0	1,130,862
Vehicles	2,921,730	179,744	142,049	2,959,425
Infrastructure	4,914,657	2,192,683	0	7,107,340
Total Capital Assets being Depreciated	<u>\$ 13,460,705</u>	<u>\$ 2,629,710</u>	<u>\$ 142,049</u>	<u>\$ 15,948,366</u>
<i>Less Accumulated Depreciation for</i>				
Buildings and Improvements	\$ 2,532,329	\$ 109,767	\$ 0	\$ 2,642,096
Machinery and Equipment	647,023	110,072	0	757,095
Vehicles	1,421,695	167,940	142,049	1,447,586
Infrastructure	1,080,746	209,285	0	1,290,031
Total Accumulated Depreciation	<u>\$ 5,681,793</u>	<u>\$ 597,064</u>	<u>\$ 142,049</u>	<u>\$ 6,136,808</u>
Total Capital Assets being Depreciated, Net	<u>\$ 7,778,912</u>	<u>\$ 2,032,646</u>	<u>\$ 0</u>	<u>\$ 9,811,558</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 12,746,372</u>	<u>\$ 2,032,646</u>	<u>\$ 0</u>	<u>\$ 14,779,018</u>

Depreciation has not been charged as a direct expense.

**NOTE 5 – LONG-TERM DEBT**

At June 30, 2016, bonds, mortgage payable, and capital leases consisted of the following individual issues:

	Governmental <u>Activities</u>
<b>Bonds and Mortgage Payable</b>	
<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	
	\$ 148,500
General Obligation Bond of 2004, Interest	
Rate 1.597% to 9.0%, Annual Principal	
Payments of \$24,750 Plus Interest Through 2024	
	\$ 222,750

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

	Governmental <u>Activities</u> (Continued)
<b>Bonds and Mortgage Payable</b>	
<i>Maine Municipal Bond Bank (Continued)</i>	
General Obligation Bond of 2005, Interest Rate 3.05% to 9.0%, Annual Principal Payments of \$20,000 Plus Interest Through 2025	200,000
General Obligation Bond of 2006, Interest Rate 3% to 6%, Annual Principal Payments of \$120,000 Plus Interest Through 2026	1,320,000
General Obligation Bond of 2008, Interest Rate 3.94%, Annual Principal Payments of \$89,295 - \$145,285 Plus Interest Through 2028	1,328,709
General Obligation Bond of 2010, Interest Rate 2.37%, Annual Principal Payments of \$111,350 Plus Interest Through 2030	1,670,250
General Obligation Bond of 2012, Interest Rate 1.48% to 3.706%, Annual Principal Payments of \$57,000 - \$70,000 Plus Interest Through 2032	995,000
General Obligation Bond of 2013, Interest Rate 0.45% to 4.57%, Annual Principal Payments of \$22,500 - \$39,800 Plus Interest Through 2033	363,400
General Obligation Bond of 2014, Interest Rate 0.43% to 3.599%, Annual Principal Payments of \$24,667 - \$38,467 Plus Interest Through 2029.	400,533
General Obligation Bond of 2016, Interest Rate 0.91% to 1.51%, Annual Principal Payments of \$30,000 Plus Interest Through 2021.	150,000
<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	143,000
<b>Capital Leases</b>	
<i>Gorham Leasing Group, LLC</i>	
Capital Lease, 60 month, \$299 a month, 3.826% Interest, Total \$16,357 for Konica Copier through 2016	1,481
<i>US Bank</i>	
Capital Lease, 60 month, \$218 a month, 4.515% Interest, for Konica Copier through 2020	<u>10,085</u>
<b>Total Bonds, Mortgage Payable, and Capital Leases</b>	<u><u>\$ 6,953,708</u></u>

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

**Changes in Outstanding Debt**

Transactions for the year ended June 30, 2016, 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 30<sup>th</sup></u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 7,235,294	\$ 150,000	\$ 586,152	\$ 6,799,142	\$586,152
Mortgage Payable	154,000	0	11,000	143,000	11,000
Capital Leases Payable	5,138	11,496	5,068	11,566	3,678
Net Pension Obligation	743,069	805,644	0	1,548,713	0
Compensated Absences	<u>218,389</u>	<u>111,503</u>	<u>0</u>	<u>329,892</u>	<u>0</u>
<b>Total Governmental Activities</b>	<b><u>\$ 8,355,890</u></b>	<b><u>\$ 1,078,643</u></b>	<b><u>\$ 602,220</u></b>	<b><u>\$ 8,832,313</u></b>	<b><u>\$600,830</u></b>

**Annual Requirements to Retire Debt Obligations**

The annual aggregate maturities for each debt type for the fiscal years subsequent to June 30, 2016, are as follows:

<u>Year Ending June 30</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016/17	\$ 597,152	\$ 211,360	\$ 808,512
2017/18	627,152	193,448	820,600
2018/19	614,152	174,636	788,788
2019/20	558,152	155,285	713,437
2020/21	544,352	137,733	682,085
2021/26	2,400,627	434,484	2,835,111
2026/31	1,473,055	114,306	1,587,361
2031/36	<u>127,500</u>	<u>5,090</u>	<u>132,590</u>
<b>Total</b>	<b><u>\$ 6,942,142</u></b>	<b><u>\$ 1,426,342</u></b>	<b><u>\$ 8,368,484</u></b>

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, 2016, the amount of outstanding long-term debt was equal to 0.54% of property valuation for the year then ended.

**TOWN OF OGUNQUIT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2016/17	\$ 4,166
2017/18	2,618
2018/19	2,618
2019/20	2,616
2020/21	<u>679</u>
Total Minimum Lease Payments	\$ 12,697
Less Amount Representing Interest	<u>(1,131)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 11,566</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.

**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.

*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. For the year ended June 30, 2016 total employer contributions to these plans amounted to \$80,858.

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

**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 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. MEPERS is established under Maine law found in 5 MRSA Part 20. The authority to establish and amend benefit provisions rests with the State legislature.

B. *Funding Policy*

The Town 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), Participating Local District (“PLD”) Plan AC and 1C. 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 5 years of service credit for Town employees.

Normal retirement age of PLD members is age 60 to 65. 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.

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

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

*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, 2016, the member contribution rate was between 7.5% and 9.0%, while the Town’s contribution rate was between 8.9% and 13.4%.

*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, 2016, the Town reported a net pension liability of \$1,548,713. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. 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 the June 30, 2015 measurement date, the Town proportion was 0.485419%, while at the June 30, 2014 measurement date it was 0.482885%. For the fiscal year ended June 30, 2016, the Town recognized pension expense of \$358,665.

At June 30, 2016, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 62,531	\$ 198,906
Changes in Assumptions	136,865	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	477,990	594,996
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	5,662	121,847
Town Contributions Subsequent to the Measurement Date	<u>227,085</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 910,133</u></b>	<b><u>\$ 915,749</u></b>

**TOWN OF OGUNQUIT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 – RETIREMENT 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)*

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

<b>For the Year Ended June 30,</b>	<u>Amount</u>
2017	\$ 99,800
2018	(127,285)
2019	(97,628)
2020	<u>119,497</u>
<b>Total</b>	<u>\$ (5,616)</u>

G. *Actuarial Assumptions*

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

- **Salary Increases and Inflation**            3.50% to 9.50%
- **Investment Rate of Return**            7.125%
- **Cost of Living Benefit Increases**    2.55%

For the Town employees, the mortality rate is based on the RP2000 Combined Mortality Tables for males and females using Scale AA.

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, 2015 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	20%	5.2%
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>	0.7%
	<u>100%</u>	

**TOWN OF OGUNQUIT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

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

H. *Discount Rate*

The discount rate used to measure the total pension liability was 7.125%. 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.

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 7.125%, 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 (6.125%) or 1 percentage point higher (8.125%) than the current rate:

	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
Proportionate Share of the Net Pension Liability	\$3,085,496	\$1,548,713	\$91,749

J. *Pension Plan Financial and Actuarial Information*

Additional financial information and actuarial information can be found in the Maine PERS 2015 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 – INTERFUND ACTIVITY**

Interfund balances at June 30, 2016, consisted of the following:

<b>Due To</b>	
<i>Non-Major Governmental Funds</i>	
Special Revenues	\$ 17,502
Capital Project Funds	204,958
Permanent Funds	<u>400</u>
<b>Total</b>	<b><u>\$ 222,860</u></b>
<b>Due From</b>	
General Fund	\$ 101,111
<i>Major Governmental Funds</i>	
MDOT Sidewalk Project	18,204
<i>Non-Major Governmental Funds</i>	
Special Revenues	<u>103,545</u>
<b>Total</b>	<b><u>\$ 222,860</u></b>

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, 2016, consisted of the following:

<b>Transfer To</b>	
General Fund	\$ 124,918
<i>Non-Major Governmental Funds</i>	
Permanent Funds – Expendable	7,500
Special Revenues	106,059
Capital Project Funds	394,302
Enterprise Fund-Unemployment	<u>3,000</u>
<b>Total</b>	<b><u>\$ 635,779</u></b>
<b>Transfer From</b>	
General Fund	\$ 510,861
<i>Non-Major Governmental Funds</i>	
Special Revenues	<u>124,918</u>
<b>Total</b>	<b><u>\$ 635,779</u></b>

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, 2016**

**NOTE 9 – APPROPRIATIONS AND TRANSFERS**

At the Annual Town Meeting on June 9, 2015 and the subsequent Special Town Meeting, the Townspeople voted appropriations of general fund balance totaling \$694,342, which are reflected as the excess of budgeted expenditures over budgeted revenues on Exhibit VII for the year ended June 30, 2016.

<b><u>June 9, 2015 Town Meeting</u></b>		
<b><u>Purpose</u></b>	<b><u>Article #</u></b>	<b><u>Amount</u></b>
Trash Compactor	54	\$ 90,000
Lower Lot Repaving	57	97,180
Paving Municipal Roads	58	140,000
Natural Disaster Repair Fund	45	<u>65,759</u>
Total Use of Fund Balance		<u>\$ 392,939</u>
 <b><u>Special Town Meeting</u></b>		
<b><u>Purpose</u></b>		<b><u>Amount</u></b>
Legal Settlement		<u>\$ 200,000</u>
 <b><u>Other Designations</u></b>		
Encumbrances from 14/15		<u>\$ 101,403</u>
 <b>Final Budgeted Use of Fund</b>		
<b>Balance FY 14/15</b>		<u>\$ 694,342</u>

Per the August 4, 2015 Special Town Meeting, the Charter was amended for Board Transfers. Such budgetary transfers are reflected as changes between the original and final budget within Exhibit VII.

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:

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

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 – JOINT VENTURE (CONTINUED)**

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, 2016 unaudited includes an accrual for landfill closure and post closure care amounting to \$16,746,994. 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 2.63% or \$440,446 at June 30, 2016.

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. Overlapping debt for year ended June 30, 2016 amounted to \$6,737,084 for the Town's share of 22.02% of the District's total outstanding debt of \$30,595,297.

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, 2016 County of York's audited financial statements the Town's share was 4.34% (\$256,060) of the County's outstanding debt of \$5,900,000.

**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**

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, 2016**

**NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)**

The General Fund unassigned fund balance total of \$3,529,027 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, 2016 follows.

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

<b>Permanent Funds</b>	Nonexpendable <u>Amount</u>	Expendable <u>Amount</u>	<u>Total</u>
Dorothea Jacobs Grant Fund	\$ 219,259	\$ 5,462	\$ 224,721
Performing Arts	145,300	9,749	155,049
Music Center Escrow	<u>92,000</u>	<u>6,023</u>	<u>98,023</u>
<b>Total</b>	<u>\$ 456,559</u>	<u>\$ 21,234</u>	<u>\$ 477,793</u>

***Committed  
Major Fund***

**Capital Projects**

Sidewalks \$ 42,856

***Committed***

***Non – Major Funds***

**Capital Projects**

2016 Lower Lot Repaving	97,180
2015 Main Beach Trolley	45,000
2016 Paving Municipal Roads	25,802
2016 Main Beach Trolley	19,000
2016 Underground Tank Removal	15,000
2015 Sidewalks	1,571
2015 Agamenticus Park	<u>1,405</u>
<b>Total</b>	<u>\$ 204,958</u>

**TOWN OF OGUNQUIT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 13 – GOVERNMENTAL FUND BALANCES (CONTINUED)**

*Committed*

**General Fund**

Appropriated Fund Balance FY 16/17	\$ 354,439
Ecomaine Closeout Reserve	20,000
Ambulance Reserve	<u>139,364</u>
<b>Total</b>	<b><u>\$ 513,803</u></b>

*Assigned*

*Non - Major Funds*

**Special Revenue Funds**

National Disaster Emergency Repair	111,961
Marginal Way Investment	82,575
Perpetual Bench Care Fund	29,709
Summer Programs	6,037
Dog Park	4,083
Contingent Fund	3,268
Community Cupboard	1,855
Jay Parott Scholarships	1,221
Conservation Commission	612
Land Conservation Reserve	593
Firefighter Training Facilities Grant	461
Police Drug Interdiction	<u>241</u>
<b>Total</b>	<b><u>\$ 242,616</u></b>

*Unassigned*

**General Fund**

*Non - Major Funds*

Capital Projects – 2016 Air Paks	(78,000)
Other Grant Funds	<u>(79,699)</u>
<b>Total</b>	<b><u>\$ 3,371,328</u></b>

**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.

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**B. - Excess of Expenditures over Appropriations**

For the year ended June 30, 2016, total expenditures did not exceed total appropriations, nor did those for any individual line item per Exhibit VII.

**C. - Deficit Balances**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of June 30, 2016, the following two individual funds held deficit balances:

Special Revenues – Other Grants	\$ (79,699)
Capital Projects – Air Paks	\$ (78,000)

The Town has taken or is taking action in the fiscal year ending June 30, 2017 to address these deficits.

**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 then picked up again in the fall of 2015. Construction also ceased during the next winter and began again in the spring of 2016. The Project was completed in late 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. The Town has fulfilled this obligation by disbursing to MDOT this \$2,000,000 in June, 2016.

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

Net position at July 1, 2015 was restated for a prior period adjustment of \$198,970. This amount represents the changes that occurred due to the implementation of GASB Statement Number 68. See Note #6 Retirement Plans.

**NOTE 17 – DATE OF MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 30, 2017 the date of which the financial statements were available to be issued.

In August 2016 the Town Manager was served with two criminal complaints issued by the Town of Wells Police Department. The Town Manager has denied any wrongdoing. An arraignment hearing was held in October 2016 and the case was bound over for trial.

**TOWN OF OGUNQUIT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 17 – DATE OF MANAGEMENT’S REVIEW AND SUBSEQUENT EVENTS,**  
**CONTINUED**

The Town Manager has been on paid leave since the complaints were filed, and the Fire Chief accepted additional duties as the Acting Town Manager until such time as the Select Board or the Town Manager resolves his continued employment.

The Town has no direct knowledge concerning the amount, if any, of the alleged missing funds, but management does not believe that the amount will rise to a level of materiality that would cause a restatement of the year-end balances. Furthermore, the alleged action took place after the end of fiscal year 2016.

**SCHEDULE I**

**TOWN OF OGUNQUIT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY  
JUNE 30, 2016**

	<u>6/30/16</u>	<u>6/30/15</u>
Town's Proportion of Net Pension Liability	0.485419%	0.482885%
Town's Proportionate Share of the Net Pension Liability	\$ 1,548,713	\$743,069
Town's Covered Employee Payroll	\$ 1,676,391	\$1,572,667
Town's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	<u>92.38%</u>	<u>47.25%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>88.27%</u>	<u>94.10%</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, 2016**

	<u>6/30/16</u>	<u>6/30/15</u>
Contractually Required Contribution	\$ 227,085	\$ 198,970
Actual Contribution	<u>(227,085)</u>	<u>(198,970)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 1,746,281	\$ 1,676,391
Contributions as a Percentage of Covered Employee Payroll	<u>13.00%</u>	<u>11.87%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined for each Town fiscal year presented, which differs from the timeframes utilized in Schedule I. 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 III**

**TOWN OF OGUNQUIT  
SUPPLEMENTARY STATEMENT OF EXPENDITURES, REVENUES  
AND FUND BALANCES  
SPECIAL REVENUE GRANT FUNDS  
JUNE 30, 2016**

<b>Fund Name</b>	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Transfers</b>	<b>Ending Balance</b>
Community Cupboard	\$ 1,851	\$ 4	\$ -	\$ -	\$ 1,855
Employe Contingency	17,105	36	(53,873)	40,000	3,268
Dog Park	5,511	374	(1,802)	-	4,083
Firefighter Training	214	651	(404)	-	461
Jay Parrott Scholarships	1,219	2	-	-	1,221
Land Conservation Reserve	740	-	(147)	-	593
Marginal Way	101,422	15,530	(34,677)	300	82,575
Natural Disaster	8,353	43,352	(5,503)	65,759	111,961
Perpetual Bench Care Fund	33,893	61	(4,245)	-	29,709
Police	490	1	(250)	-	241
Summer Programs	5,030	7,262	(6,255)	-	6,037
Conservation Commission	-	612	-	-	612
Totals	<u>\$ 175,828</u>	<u>\$ 67,885</u>	<u>\$ (107,156)</u>	<u>\$ 106,059</u>	<u>\$ 242,616</u>

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

**SCHEDULE IV**

**TOWN OF OGUNQUIT  
SUPPLEMENTARY STATEMENT OF EXPENDITURES, REVENUES  
AND FUND BALANCES  
SPECIAL REVENUE GRANT FUNDS  
JUNE 30, 2016**

<b>Fund Name</b>	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Transfers</b>	<b>Ending Balance</b>
2016 Shore & Harbor Grant	\$ -	\$ 20,000	\$ (13,056)	\$ -	\$ 6,944
DEP Sec 319 Grant Phase 1	(4,733)	65,547	(64,806)	-	(3,992)
Coastal Communities Grant	-	9,540	(14,366)	-	(4,826)
DEP Sec 319 Grant Phase 2	-	-	(1,461)	-	(1,461)
DOJ - DEA	-	16,643	(102,472)	-	(85,829)
Information Services	9,465	-	-	-	9,465
Maine DEA	(2,992)	15,109	(12,117)	-	-
Chamber - 4th of July	-	7,500	(7,500)	-	-
Totals	<u>\$ 1,740</u>	<u>\$ 134,339</u>	<u>\$ (215,778)</u>	<u>\$ -</u>	<u>\$ (79,699)</u>

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

**SCHEDULE V**

**TOWN OF OGUNQUIT  
SUPPLEMENTARY STATEMENT OF EXPENDITURES, REVENUES  
AND FUND BALANCES  
SPECIAL REVENUE GRANT FUNDS  
JUNE 30, 2016**

<b>Fund Name</b>	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Transfers</b>	<b>Ending Balance</b>
Performing Arts	\$ 10,399	\$ 12,067	\$ (20,217)	\$ 7,500	\$ 9,749
Music Center	5,213	810	-	-	6,023
Dorothea Jacobs Grant	<u>3,247</u>	<u>2,215</u>	<u>-</u>	<u>-</u>	<u>5,462</u>
Totals	<u>\$ 18,859</u>	<u>\$ 15,092</u>	<u>\$ (20,217)</u>	<u>\$ 7,500</u>	<u>\$ 21,234</u>

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

**SCHEDULE VI**

**TOWN OF OGUNQUIT  
SUPPLEMENTARY STATEMENT OF EXPENDITURES, REVENUES  
AND FUND BALANCES  
SPECIAL REVENUE GRANT FUNDS  
JUNE 30, 2016**

<b>Fund Name</b>	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Bond Proceeds</b>	<b>Transfers</b>	<b>Ending Balance</b>
Sidewalks	\$ 7,800	\$ -	\$ (6,229)	\$ -	\$ -	\$ 1,571
Agamenticus Park	10,000	-	(8,595)	-	-	1,405
Lifeguard ATV	16,000	-	(15,494)	-	(506)	-
FD Oil Tank Removal	-	-	-	-	15,000	15,000
Diagnostic Software	-	-	(4,827)	-	4,827	-
Salt Shed Roof	-	-	(13,000)	-	13,000	-
Woodbury Lane	-	-	(17,512)	-	17,512	-
Beach Street Circle	-	-	-	-	19,000	19,000
Fire Department Air Paks	-	-	(78,000)	-	-	(78,000)
Main Beach Roof	15,780	-	(15,780)	-	-	-
Woodbury Lane 2015	16,000	-	(16,000)	-	-	-
Main Beach Road & Trolley	45,000	-	-	-	-	45,000
Trash Compactor	-	-	(89,407)	-	89,407	-
Lower Lot Reclaim/Paving	-	-	-	-	97,180	97,180
Municipal Road Reclaim/Paving	-	-	(114,198)	-	140,000	25,802
MDOT Sidewalks	2,067,917	258	(2,025,319)	-	-	42,856
PC Comfort Station	37,183	-	(36,591)	-	(592)	-
DCC Fire Alarm	18,000	-	(17,631)	-	(369)	-
Police Cruiser	-	-	(40,000)	40,000	-	-
Fire Chief Vehicle	-	-	(34,843)	35,000	(157)	-
Fire Department Air Paks 2016	-	-	(75,000)	75,000	-	-
Totals	<u>\$2,233,680</u>	<u>\$ 258</u>	<u>\$ (2,608,426)</u>	<u>\$ 150,000</u>	<u>\$ 394,302</u>	<u>\$ 169,814</u>

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