



MOORS & CABOT
INVESTMENTS
Banking & Advisory Group

NEW ISSUE

Moody's:
S&P:

In the opinion of Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals and corporations; however, such interest will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, in adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax and the foreign branch profits tax. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest on the Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and court decisions. **The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX E".

**REGIONAL SCHOOL UNIT NO. 23, MAINE
(Dayton, Old Orchard Beach and Saco, Maine)**

\$2,950,000

2012 GENERAL OBLIGATION REFUNDING BONDS

Dated: May 15, 2012

Due: January 15, as shown below

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2013	\$295,000			2018	\$295,000		
2014	295,000			2019	295,000		
2015	295,000			2020	295,000		
2016	295,000			2021	295,000		
2017	295,000			2022	295,000		

The 2012 General Obligation Refunding Bonds (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on July 15, 2012 and semi-annually on each January 15 and July 15 thereafter until maturity.

The legal opinion of Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel, will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of Regional School Unit No. 23 (the "RSU") and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes which may be levied without limit as to rate or amount upon all the property within the territorial limits of the RSU (which territory includes the towns of Dayton, Maine and Old Orchard Beach, Maine and the City of Saco, Maine) and taxable by it, except to the extent that any municipality within the territory of the RSU may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality; and except to the extent that any municipality within the territory of the RSU establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. The Treasurer of each municipality within the territory of the RSU has certified that no agreements under Chapter 223, Subchapter V, to share assessed valuation with another municipality now exist. The opinion will indicate that the enforceability of the obligations of the RSU, including the Bonds, are subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

The Bonds are not subject to redemption prior to their stated dates of maturity.

The Bonds are offered when, as and if issued, subject to the approval of legality by Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York City, New York on or about May 15, 2012.

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Issuer. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Issuer since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS ANY INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by Regional School Unit No. 23 (the “RSU”) with the assistance of Moors & Cabot, Inc., its Financial Advisor, from the RSU’s records and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by the Financial Advisor or by Drummond Woodsum & MacMahon, its Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Financial Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the RSU and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the RSU or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the undersigned, this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the RSU is not guaranteed as to accuracy, completeness or fairness, the undersigned has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the undersigned and furnished at the closing.

This Official Statement is in a form “deemed final” by the issuer for purposes of Securities and Exchange Commission’s Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Patrick Phillips
Treasurer
Regional School Unit No. 23

**OFFICIAL STATEMENT
REGIONAL SCHOOL UNIT NO. 23
\$2,950,000
2012 GENERAL OBLIGATION REFUNDING BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the sale of the above-referenced Regional School Unit No. 23 2012 General Obligation Refunding Bonds in the aggregate principal amount of \$2,950,000 (the “Bonds” or the “2012 Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated May 15, 2012 and will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York. DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof and will bear interest, payable on July 15, 2012 and semi-annually thereafter on January 15 and July 15 of each year until maturity or redemption prior to maturity. The Bonds will mature annually as follows:

<u>Amount</u>	<u>January 15,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>January 15,</u>	<u>CUSIP</u>
\$295,000	2013	560489AA4	\$295,000	2018	560489AF3
295,000	2014	560489AB2	295,000	2019	560489AG1
295,000	2015	560489AC0	295,000	2020	560489AH9
295,000	2016	560489AD8	295,000	2021	560489AJ5
295,000	2017	560489AE6	295,000	2022	560489AK2

The Bonds are not subject to optional redemption prior to their stated dates of maturity. It is expected that the Bonds will be available for delivery at DTC on or about May 15, 2012.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The RSU will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

RECORD DATE; PAYMENT

The principal of the Bonds is payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the last day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person’s address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

The 2002 Bonds

The City of Saco, Maine (the “City”) issued \$5,940,000 of its 2002 General Obligation Bonds, dated January 1, 2002, to provide a portion of the funds to finance improvements for the health and safety and other renovations to the Young School, the Saco Middle School, the C.K. Burns School, and the Governor John Fairfield School and related projects (the “School Projects”) (the “2002 Bonds”). The 2002 Bonds were issued pursuant to an order of the City Council adopted on August 7, 2000, approved by referendum vote of the voters of the City on November 7, 2000 authorizing the issuance of an amount not to exceed \$8,396,000 aggregate principal amount of bonds to finance the School Projects⁽¹⁾. This authority was granted to the City by Title 30-A, Section 5772 of the Maine Revised Statutes, as amended, and Article VI, Section 6.15 of the City’s Charter.

The School Departments’ of the City of Saco, the Town of Dayton and the Town of Old Orchard Beach, Maine (the “RSU Communities”) formed Regional School Unit No. 23 (the “RSU”), effective July 1, 2009. Section 5 of the *Reorganization Plan* (the “Reorganization Plan” (defined herein; see “REGIONAL SCHOOL UNIT NO. 23 - Reorganization to RSU 23” herein) provided that all real and personal property of each of the RSU Communities’ School Departments, including the property formerly owned by the School Department of the City, be conveyed to the RSU; Section 6 of the Reorganization Plan provided that the RSU assume liability for certain school indebtedness of the RSU Communities, including the debt of the 2002 Bonds.

NOTE: ⁽¹⁾ The City borrowed a portion of funds, in the amount of \$2,456,000, authorized to finance the School Projects through the School Revolving Renovation Fund (“SRRF”) administered through the Maine Municipal Bond Bank.

The 2012 Bonds

The Bonds will be issued by the RSU pursuant to Title 20-A, Sections 1490(7)(B) and 1506(2)(C) of the Maine Revised Statutes, as amended ⁽¹⁾. Pursuant to this authority, on March 15, 2012, the Board of Directors of the RSU (the “RSU Board”) approved a resolution authorizing the issuance of the 2012 Bonds to refund the remaining outstanding principal of the 2002 Bonds, on a current basis. The Secretary of the RSU Board posted and mailed the requisite notices, with receipts, on March 16, 2012, and completed a return thereon. The referendum petition period will expire on April 20, 2012.

NOTE: ⁽¹⁾ Section 1506(2)(C) of Title 20-A of the Maine Revised Statutes, as amended, provides that an RSU may issue bonds to refund or retire debt of its original member that the RSU has assumed in the reorganization plan, subject to the procedural requirements of Section 1490. Section 1490 provides, *inter alia*, that an RSU board may approve the issuance of bonds by passing a resolution to that effect, setting forth the amount of the proposed issue and the purposes for which the proceeds will be used. Within five days of the date of the passage of the resolution the secretary of the RSU Board must cause attested copies of the resolution to be posted in three public and conspicuous places within each of the municipalities within the RSU and cause copies of the resolution to be mailed to each municipal officer of each of the municipalities within the RSU, along with certain other procedural requirements. If, within 35 days of the date of the passage of the resolution, a petition is submitted with signatures of at least 10% of the eligible voters in the RSU requesting a referendum vote of the RSU to approve or disapprove the issuance of the bonds, then the RSU board must submit the question to referendum vote. This resolution procedure for issuing bonds may not be used if the amount of the proposed issue plus the amount of any other bonds authorized solely by resolution and that are for the same purpose exceeds 1% of the total of the last State valuation of all the municipalities of the RSU.

THE REFUNDED BONDS

The 2002 Bonds maturing after January 1, 2012 are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after January 1, 2012 at any time at the redemption price of 101%, declining to 100% after January 1, 2013. Pursuant to Title 20-A, Section 1506(2)(C) of the Maine Revised Statutes, as amended, the RSU intends to use the proceeds of the 2012 Bonds, plus bid premium if any, to refund the \$2,950,000 remaining principal balance of the 2002 Bonds due on and after January 1, 2013 (the “Refunded Bonds”), on a current basis, approximately 30 days following the date of issuance of the Bonds. Proceeds of the 2012 Bonds’ bid premium will be used to pay redemption premium of \$29,500 and costs of issuance (estimated to be \$39,000). To the extent available, residual bid premium not used for costs of issuance or redemption premium will be used to pay interest on the 2002 Bonds accrued and unpaid to the redemption date or for such other permitted costs as allowed by the Internal Revenue Code of 1986, as amended (the “Code”) and approved by the RSU Board.

Should refunding of the Refunded Bonds not achieve a Present Value (“PV”) Savings in excess of 2.0%, the RSU reserves the right, at its option, to withdraw the financing from the market (current projected PV Savings are estimated to be in excess of 5.00%). The following table displays certain information regarding the Refunded Bonds:

<u>Series</u>	<u>Dated Date</u>	<u>Amount Issued</u>	<u>Principal Due after January 1, 2012</u>	<u>Call Date (on or after)</u>	<u>Call Price</u>
2002	January 1, 2002	\$5,940,000	\$2,950,000	January 1, 2012	101.000%

The Refunded Bonds	<u>Amount</u>	<u>Maturity</u>	<u>Coupon</u>	<u>CUSIP</u>
	\$295,000	January 1, 2013	4.50%	785785FM3
	295,000	January 1, 2014	4.60	785785FN1
	295,000	January 1, 2015	4.70	785785FP6
	295,000	January 1, 2016	4.75	785785FQ4
	295,000	January 1, 2017	5.00	785785FR2
	295,000	January 1, 2018	5.00	785785FS0
	295,000	January 1, 2019	5.00	785785FT8
	295,000	January 1, 2020	5.00	785785FU5
	295,000	January 1, 2021	5.00	785785FV3
	295,000	January 1, 2022	5.00	785785FW1
	<u>\$2,950,000</u>			

SOURCE OF PAYMENT AND REMEDIES

Local Assessments

The Bonds are general obligations of the RSU and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State” or “Maine”) have the right to tax their inhabitants to pay municipal indebtedness. The RSU (whose territory includes the towns of Dayton and Old Orchard Beach and the City of Saco) has the power to levy ad valorem property taxes without limit as to rate or amount upon all the taxable property within the territorial limits of the RSU to pay principal and interest on the Bonds, except to any extent that any municipality within the territory of the RSU may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that any municipality within the territory of the RSU establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax

increment of which may not be available for payment of debt service on the Bonds. The Treasurer of each municipality within the territory of the RSU has certified that agreements under Chapter 223, Subchapter V, of the Maine Revised Statutes, as amended, do not now exist. The municipalities within the territory of the RSU may establish development districts and elect to retain the tax increment on the captured assessed value of property in each district to pay a portion of costs (including debt service, if any debt is issued by the city or town) to finance certain eligible projects within the districts. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims. The RSU is, however, subject to suit on the Bonds.

Pursuant to Title 20-A, Section 1490(5) of the Maine Revised Statutes, as amended, the RSU is a quasi-municipal corporation within the meaning of Title 30-A, Section 5701 of the Maine Revised Statutes, as amended, whereby the personal property of the residents may be taken to pay any debt due from the body corporate. Further, Title 20-A, Section 1489(6) of the Maine Revised Statutes, as amended, provides that if a treasurer of one of the RSU's constituent municipalities fails to pay an assessment when due, the RSU treasurer, following notice and a 60 day cure period from the due date, may initiate an action in Superior Court to compel payment of the delinquent installment. The court shall determine the amount owed by the municipality to the RSU and shall order the municipal treasurer to pay all delinquent installments and accrued interest (along with court costs and reasonable attorney's fees). To ensure prompt payment of the delinquent installments, the court may require that amounts due to the municipality from the State under Title 30-A, section 5681 and Title 36, sections 578 and 685 be paid to the RSU until the amount determined by the court is satisfied. The court shall promptly notify the disbursing state agency of the determination and direct the agency to make the required change in payee and the amounts to be paid. If additional funds are needed to satisfy the amount determined by the court to be paid to the RSU, the court may order the attachment or trustee process and sale of real or personal property owned by the municipality or the attachment of the municipality's bank accounts or require property tax payments to the municipality to be turned over to the court and may pay the amount owed the RSU from the proceeds and return any excess to the municipality. Funds to meet RSU expenses, including debt service, are not included in the assessments to the extent they are expected to be met with other non-assessed revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal of or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State of Maine.

State Subsidy

The State subsidizes local school administrative units pursuant to Chapter 606-B of Title 20-A of the Maine Revised Statutes, as amended. Chapter 606-B, known as the "Essential Programs and Services Funding Act" (the "Act").

Pursuant to Section 15671 of the Act, Essential Programs and Services ("EPS") are identified as those educational resources required for all students to meet the standards in the eight-content standard subject areas of the system of learning results established by statute. In order to achieve this system of learning results, school funding based on EPS must be available in all schools on an equitable basis and utilize resources including federal funds that are currently provided or could be adapted to implement a system of learning results, as well as additional resources that are also needed to ensure that these programs and services are available to all students. School funding must be adequate to fully provide for all of the staffing and other material resource needs of the essential programs and services identified by the Legislature.

The State and each local school administrative unit (“SAU”) are jointly responsible for contributing to the cost of the components of EPS. Except as otherwise provided by statute, the total cost of the components of EPS may not exceed the prior fiscal year’s costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1, of the Maine Revised Statutes, as amended, (“Average Real Personal Income Growth Rate”) except that in no case may that rate exceed 2.75%. For fiscal years commencing after the state tax burden ranks in the middle 1/3 of all states, as calculated and certified by the State Tax Assessor, the total cost of the components of EPS may not exceed the prior fiscal year’s costs multiplied by one plus the Average Real Personal Income Growth Rate. The Legislature, by an affirmative vote of each House, may exceed the limitations on increases in the total cost of the components of EPS, as long as that vote is taken upon legislation stating that it is the Legislature’s intent to override the limitation for that fiscal year. The state contribution to the cost of the components of EPS, exclusive of federal funds that are provided and accounted for in the cost of the components of essential programs and services, must be made in accordance with the following:

A. The level of the State share of funding attributable to the cost of the components of EPS must be at least 50% of eligible state and local General Fund education costs statewide; and

B. Based on EPS phased-in annual targets (as amended by Chapter 213, Section C-4 of the Public Laws of 2009), by fiscal year 2010/2011 the State share of the total cost of funding public education from kindergarten to grade 12, as described by EPS, was to be 55%.

For fiscal year 2010/2011 the State target was re-established at 45.84% and the State target for fiscal year 2011/2012 was 46.18%. Beginning in fiscal year 2011/2012, the State has set targets that include EPS costs plus the State contribution to teacher retirement, retired teacher health insurance and retired teacher life insurance. Therefore, as adjusted, fiscal year 2011/2012 target was 49.60% and the target for fiscal year 2012/2013 is 52.50% and for fiscal year 2013/2014, and succeeding years thereafter, is 55.00%. The Act further establishes full-value education mill rates that limit a municipality’s required local contribution. The full-value mill rates represent rates that, if applied to the statewide valuation, would produce the statewide total local share. A municipality’s required local contribution establishes the local cost share expectation for that municipality. By each February 1st, the Commissioner notifies each SAU of its local cost share expectation; and each superintendent reports to the municipal officers whenever a SAU is notified of the local cost share expectation or a change made in the local cost share expectation resulting from an adjustment. The Commissioner calculates the full-value education mill rate that is required to raise the statewide total local share, calculated for each fiscal year by dividing the applicable statewide total local share by the applicable statewide valuation.

The legislative body of a SAU may adopt an additional local appropriation that exceeds the local cost share expectation only if that action is approved in a separate article by a vote of the SAU’s legislative body through the same process that the school budget is approved in that SAU and in accordance the Act. For SAUs whose budget meeting is a town or city council, the override vote must be accomplished by a majority vote of the full membership of the school board, followed by a majority vote of the full membership of the town or city council. For s SAUs whose budget meeting is a New England-style open meeting of voters, the override is accomplished by a secret ballot, simple majority vote. In almost all cases, following the budget meeting the voters must ratify the school budget by a referendum vote.

Uncertainty Regarding School Funding

State subsidies for SAUs are based upon a number of factors that are subject to change each year. In addition the formula itself is subject to change each year by the Legislature. Furthermore, subsidies for SAUs are an annual item in the State’s budgetary process and are subject to legislative appropriation each year.

The level of State subsidy is subject in any year to approval by the State legislature. Since the State's establishment of school subsidy programs, in 1969, in some years the State has curtailed its subsidy of EPS costs⁽¹⁾. Also, over the last several fiscal cycles the State has delayed its transitional goals to reach its 55% State share target, and has recently redefined that target to include certain teacher retirement costs as "counting" for determining if the 55% State share target is achieved. The State has also adjusted the costs includible as EPS costs for funding purposes. No assurances can be given that future legislation will not have an adverse impact on school funding in Maine. In addition, no assurances can be given regarding the current, or future, annual appropriation by the Legislature of an amount sufficient to fund the State's share of EPS allocation as it is currently defined and determined under the Act. Because of the uncertainties involved in the legislative process, it is not possible to predict the level of State subsidy to local units in future years or indeed, whether the State's subsidy program will continue in its present form.

Neither the future amount nor rate of State subsidy can be calculated on a pro forma basis due to the variable nature of the factors included in the State's calculation.

NOTE: ⁽¹⁾ It is noted that in those years where the State has curtailed its subsidy of EPS costs, it has always excluded from curtailment the debt service for school construction projects that the State has approved for inclusion in EPS costs for subsidy services. No assurance can be given, however, that the State will not change this practice in some manner that would affect the level of such debt service subsidy. Unless expressly provided herein, the debt service on the Bonds is not included in EPS costs for purposes of determining the RSU's level of State funding.

TAX MATTERS

The Bonds

In the opinion of Drummond Woodsum & MacMahon, Bond Counsel, under existing statutes, regulations and court decisions, and assuming compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of a corporation for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bond Counsel's opinion will state that the Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owner thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The opinion will further state that Bond Counsel has examined the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Treasurer of the RSU and the Issuer's Certificate Regarding Qualified and Designated Status (collectively, the "Tax Certificates") delivered concurrently with the Bonds, which will contain provisions and procedures regarding compliance with the requirements of the Code. The RSU, in executing the Tax Certificates will certify to the effect that the RSU will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall not be included in the gross income of the owner thereof for federal income tax purposes. In rendering its opinion Bond Counsel will rely upon the

representations of the RSU set forth in the Tax Certificates and assume that the RSU will comply with the provisions and procedures set forth in the Tax Certificates.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

In the opinion of Bond Counsel, pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, interest on the Bonds is exempt from State of Maine income taxes imposed on individuals, estates, trusts and corporations under existing statutes, regulations and judicial decisions. See “Proposed Form of Legal Opinion” in APPENDIX E herein.

The RSU will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Original Issue Discount/Premium

For federal income tax purposes, original issue discount with respect to a bond is equal to the excess, if any, of the stated redemption price at maturity of such bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all substantially identical Bonds were sold (“Original Issue Discount”). Original Issue Discount accrues over the term of a bond in accordance with Section 1272 of the Code. Purchasers of the Bonds should consult their own tax advisers with respect to the computation of Original Issue Discount on such accruals of interest during the period in which any such Bond is held.

The excess, if any, of the tax basis of the Bonds to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “Bond Premium.” For federal income tax purposes, Bond Premium is amortized over the term of such Bonds, is not deductible and reduces the purchaser’s adjusted tax basis. Bond purchasers should consult their own tax advisers with respect to the tax consequences of Bond Premium. Bond Counsel will not express an opinion regarding the treatment of Original Issue Discount or Bond Premium for federal income tax purposes.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market

instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The RSU may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the RSU believes to be reliable, but the RSU takes no responsibility for the accuracy thereof.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the RSU provided, however, that the RSU assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATINGS

The Bonds are rated "___" by Moody's Investors Service ("Moody's") and "___" by Standard & Poor's, Public Finance Ratings ("S&P"). The RSU has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and their explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States' debt limit, obligations issued by state and local governments in the United States, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of, outstanding debt obligations, including the Bonds.

Except as set forth in the Continuing Disclosure Certificate set forth in APPENDIX F and referred to under “THE BONDS – CONTINUING DISCLOSURE” herein, the RSU has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in, or withdrawal of, any rating of the Bonds or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriter in complying with the Securities Exchange Commission’s Rule 15c2-12 (the “Rule”), the RSU will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material, which material events are more specifically described herein. The covenants will be contained in a “Continuing Disclosure Certificate” (the “Certificate”), the proposed form of which is provided in APPENDIX F. The Certificate will be executed by the Treasurer of the RSU, and incorporated by reference in the Bonds.

This is the first issuance of debt by the RSU subject to continuing disclosure requirements of the Rule and, thus heretofore the RSU has not entered into an undertaking under the Rule. Therefore the RSU has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

FINANCIAL ADVISOR

Moors & Cabot, Inc. has acted as Financial Advisor to the RSU with respect to the issuance of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid or participate in the public bidding for the Bonds.

STATUTORY REFERENCES

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

CONDITIONS PRECEDENT TO DELIVERY

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

Certification

The Bonds will be certified as to their genuineness by The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, which certificate will appear on the Bonds.

Approval of Legality

The legality of the Bonds will be approved by Drummond Woodsum & MacMahon of Portland, Maine, Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also “PROPOSED FORM OF LEGAL OPINION” in APPENDIX E herein.

Certificate With Respect to Debt Limits

At the time of the original delivery of and payment for the Bonds, the RSU will deliver a certificate of the Treasurer of the RSU which certifies that the RSU has not exceeded its debt limitations and that issuance of the Bonds will not cause the RSU to exceed the debt limit.

Certificate With Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the RSU will deliver a certificate of the Treasurer to the effect that he has examined this Official Statement and the financial and other data contained therein and that, to the best of his knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the RSU is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe that such information is materially inaccurate or misleading.

Certificate With Respect to Treasurers of Constituent Towns

At the time of the original delivery of and payment for the Bonds, the RSU will deliver a certificate of the Treasurer of each of the municipalities within the territory of the RSU which certifies that no agreements now exist under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality.

No Litigation

Upon delivery of the Bonds, the RSU shall deliver or cause to be delivered a certificate of the Treasurer, and attested to by its Secretary, dated the date of delivery, to the effect that there is no litigation pending or, to the knowledge of the Treasurer, threatened, affecting the validity of the Bonds or the power of the RSU to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the RSU, nor the title of any of said officers to their respective offices, is being contested.

REORGANIZATION OF SCHOOL ADMINISTRATIVE UNITS INTO REGIONAL SCHOOL UNITS

The School Consolidation Act was enacted in 2007 with the goal of reorganizing and consolidating certain existing School Administrative Units (“SAUs”) into Regional School Units (“RSUs”). The law sets forth State policy to provide for certain existing SAUs to be reorganized into regional, State approved, units of school administration in order to provide: equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All SAUs were directed to work with other units to reorganize into larger, more efficient units; or where expansion of the SAU would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to consolidate SAUs to achieve administrative efficiencies.

Subject to certain exceptions, existing SAUs were directed to form regional school units of at least 2,500 resident students; or 1,200 resident students in certain situations where geography, demographics, population density, transportation challenges and other obstacles make 2,500 impractical. SAUs that were exempt from the requirement were, nonetheless, required to submit a plan to achieve efficiencies.

ORGANIZATION

A RSU is a body politic and corporate of the State of Maine and is a quasi-municipal corporation within the meaning of Title 30-A, Section 5701 of the Maine Revised Statutes, as amended, pursuant to Chapter 103, Section 1490(5) of Title 20-A of the Maine Revised Statutes, as amended.

OPERATION

Unless determined otherwise under Section 1472 of Title 20-A of the Maine Revised Statutes, as amended, the Board of Directors of a RSU must include at least one Director from each constituent municipality or sub-district. Each Director serves a term of three years for municipalities with annual elections and four years for municipalities with biennial elections. The Superintendent serves as the Secretary and the Treasurer of the School Board.

The consolidation law required that the balance remaining in the school accounts of a former SAU within a new RSU be paid to the treasurer of the new RSU and verified through the annual audit process pursuant to Chapter 221, Subchapter 2, of the Maine Revised Statutes, as amended. The balance from each of the former SAUs was to be used to reduce that SAU’s local contribution to the RSU.

All teachers and school employees who were employed by a participating SAU on the day prior to the new RSU operational date and not terminated prior to such date were to be transferred to and employed by the new RSU as of the operational date. With certain exceptions, the new RSU was to assume all of the legal obligations and duties that the participating SAU owed to its employees. The contracts between the superintendents and SAUs within the new RSU were transferred on the operational date of the RSU to the RSU Board. The RSU Board determined the superintendents’ duties within the RSU.

On the new RSU operational date, RSU Board assumed all of the obligations, duties, liabilities and rights of the participating SAUs for all purposes under Title 26, chapter 9-A pertaining to collective bargaining agreements. Notwithstanding any other provision of law, the responsibilities of the RSU include, among other things: A. Continued recognition of all bargaining agents; B. Assumption and continued observance of all collective bargaining agreements; and C. Collective bargaining for an initial or successor collective

bargaining agreement in any bargaining unit in which a collective bargaining agreement is not in effect on the operational date.

A RSU may raise money, in addition to the local contribution, for establishing and maintaining public schools, erecting buildings and providing equipment for educational purposes. The additional costs of operating a regional school unit must be shared among all municipalities within the RSU by the same local share percentages for each municipality resulting from the determination of the local contribution under Title 20-A, Section 15688 of the Maine Revised Statutes, as amended, except that cost-sharing agreements in existence on the effective date of the School Consolidation Act that were adopted pursuant to Public Law 2005, chapter 2 or pursuant to a private and special law remain in existence unless the parties to the agreement modify or terminate the agreement, and except that an RSU is permitted to use a different method of sharing the additional costs by so providing in the RSU's plan of reorganization. See "RSU FINANCES - RSU'S LOCAL COST BUDGET AND ASSESSMENTS – Cost Sharing in the RSU" for a discussion of the RSU's sharing of costs among the RSU Communities.

BUDGET AND ASSESSMENTS

Until a RSU votes to discontinue the statutory budget process, a RSU's cost center summary budget must be approved at a RSU budget meeting and by a budget validation referendum. The budget validation referendum must be held on or before the 30th calendar day following the scheduled date of the regional school unit budget meeting. If the voters do not validate the budget at the budget validation referendum vote, the RSU board shall hold another budget meeting at least 10 days after the referendum to vote on a budget approved by the RSU board. The budget approved at the budget meeting must again be submitted to the voters for validation at referendum. The process must be repeated until a budget is approved at a RSU budget meeting and validated at referendum.

If a budget is not approved prior to July 1st, the latest budget approved at a budget meeting is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved, except that, when the RSU board delays the budget meeting, the operating budget must be approved within 30 days of the date the Commissioner notifies the RSU Board of the amount allocated to the RSU, or the latest budget submitted by the RSU board becomes the operating budget for the next school year until a budget is approved.

In accordance with the approved budget, the RSU Board issues warrants to the Assessors of each member municipality for its share of the RSU's costs. The Assessors commit the assessment to the respective Tax Collectors, who have the authority and powers to collect the RSU's taxes as is vested in them by law to collect state, county and municipal taxes. The RSU Board also notify the member municipalities of the monthly installments that will become payable during the RSU's fiscal year, due on or before the 20th of each month. In accordance with Title 20-A, Section 1489(6) of the Maine Revised Statutes, as amended, if a treasurer of one of the RSU's constituent municipalities fails to pay an assessment when due, the RSU treasurer, following notice and a 60-day cure period from the due date, may initiate an action in Superior Court to compel payment of the delinquent installment. The court shall determine the amount owed by the municipality to the RSU and order the municipal treasurer to pay all delinquent installments and accrued interest (along with court costs and reasonable attorney's fees). To ensure prompt payment of the delinquent installments, the court may require that amounts due to the municipality from the State be paid to the RSU until the amount determined by the court is satisfied, promptly notifying the disbursing state agency of the determination and directing the agency to make the required change in payee and the amounts to be paid; or if additional funds are needed the court may order the attachment or trustee process and sale of real or personal property owned by the municipality or the attachment of the municipality's bank accounts or require property tax payments to the municipality to be turned over to the court and may pay the amount owed the RSU from the proceeds and return any excess to the municipality.

POWER TO BORROW MONEY

Pursuant to Title 20-A, Section 1490 of the Maine Revised Statutes, as amended, subject to prior approval of the voters of the RSU, the RSU Board may borrow money to pay for: (1) current operating expenses, (2) school construction projects, and (3) minor capital costs. Pursuant to Title 20-A, Section 1506(2)(C) of the Maine Revised Statutes, as amended, a RSU may borrow to refinance or retire the debt of an original member that the RSU assumed at the RSU's formation. The aggregate principal amount of outstanding debt issued or assumed by a RSU for school construction purposes, shall not exceed 10% of the total of the last preceding state valuation of all of the municipalities within the RSU, plus an amount not to exceed 4% of that total RSU valuation set by the State Board at the time of the initial approval of such school construction project.

RSU REFERENDUM

In addition to a budget validation referendum, a RSU Board is required to initiate a RSU referendum for the various purposes, including the following (under Title 20-A, Sections 1465 and 1501 of the Maine Revised Statutes, as amended):

1. To add a SAU to an existing RSU;
2. To approve issuance of bonds or notes for school construction;
3. To approve a change in the selection of a school building site;
4. To authorize the RSU Board to contract for the schooling of secondary pupils;
5. To accept or reject a prospective gift; or
6. To borrowing funds for minor capital costs.

If within 7 days of the first referendum, at least 10% of the number of voters voting for the gubernatorial candidates in the last gubernatorial election in the municipalities within the RSU petition to reconsider a prior referendum vote, the RSU Board shall initiate a new referendum to reconsider the vote within 60 days. A reconsideration referendum is not valid unless the number of persons voting in that referendum is at least equal to the number who voted in the prior referendum.

ADDITIONS TO A RSU

A SAU not originally a member of a RSU may be included in the RSU by filing with the Commissioner a notice of intent to engage in planning and negotiations to join with the RSU. The Commissioner shall provide information regarding the process and whether the intended action complies with the requirements of Chapter 103-A of Title 20-A. A SAU may join an existing RSU generally in the same manner required for the formation of the RSU. The municipal officers of each municipality in a proposed reorganized SAU shall submit the question to the voters of such SAU. If the SAU vote was in the affirmative, the existing RSU shall call a RSU referendum to vote on the question. If a reorganization plan is approved, the Commissioner shall file notice of approval of the unit with the State Board of Education and the Commissioner shall issue an amended certificate of organization to the reorganized RSU.

WITHDRAWALS FROM A RSU

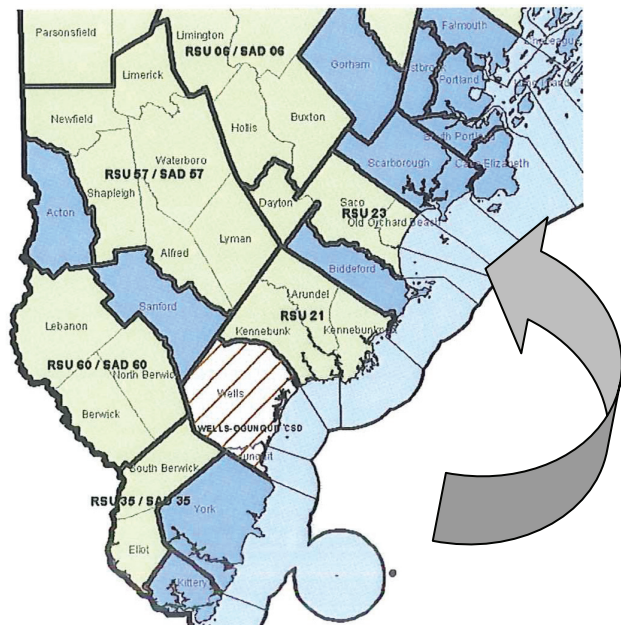
Pursuant to Section 1466 of Title 20-A of the Maine Revised Statutes, as amended, a municipality may withdraw from the RSU. The withdrawal agreement between the municipality and the RSU must make provision for the distribution of financial commitments arising from the RSU's bonds, notes and other commitments. The withdrawal law expressly provides that the RSU "remains intact for purpose of servicing and retiring the indebtedness" of the RSU.

REGIONAL SCHOOL UNIT NO. 23

GENERAL

The RSU's territory includes towns of Dayton and Old Orchard Beach ("Dayton"; "Old Orchard Beach" or "OOB", respectively) and the City of Saco ("Saco") (collectively, the "RSU Communities") being formerly comprised of School Union 7⁽¹⁾ for Saco and Dayton; Old Orchard Beach School Department, under Individual Supervision⁽²⁾. The RSU serves the educational needs for grades Kindergarten ("K") through 12 for all of the residents of the RSU Communities.

The RSU's administrative offices are located 90 Beach Street in Saco. Pursuant to the School Consolidation Act, the RSU operates pursuant to Title 20-A, Chapter 103-A of the Maine Revised Statutes, as amended.



NOTE: ⁽¹⁾ A School Union in Maine is a combination of two or more school administrative units joined together for the purpose of sharing the costs of a superintendent and the superintendent's office. Each member school administrative unit maintains its own budget, has its own school board, and operates in every way as a separate unit except for the sharing of superintendent services.

⁽²⁾ A city or town with individual school supervision ("Individual Supervision") is a single municipality. A school committee administers the education of all grades in the city or town through a superintendent of schools.

RSU 23'S REORGANIZATION PLAN

As of October 1, 2006, two of the RSU Communities, Dayton and Old Orchard Beach, had individual enrollments of 404 and 1,002, respectively, each being lower than the 2,500 resident students' threshold directed by the School Consolidation Act. Saco had 2,823 students enrolled on that date. The RSU Communities submitted a *Regional School Unit Reorganization Plan* (the "Reorganization Plan") on August 26, 2008, as amended and supplemented on September 19, 2008, and accepted by the Commissioner of Education on October 22, 2008. By ratification of the Reorganization Plan at referendum elections held in the RSU Communities on November 4, 2008, the RSU Communities school departments were reorganized as Regional School Unit No. 23 (the "RSU"), effective July 1, 2009.

THE RSU COMMUNITIES

Old Orchard Beach and Saco are located on the southern coast of the State of Maine in the eastern section of the County of York on Saco Bay. Dayton is inland, northwest and contiguous to Saco. The RSU Communities are approximately 15 miles southwest of the City of Portland, the State's largest city.

- Dayton has the Saco River as its eastern line, separating the Town from Buxton and Saco, on its east. The City of Biddeford forms its southeastern boundary; its south point touching Arundel; Lyman at the Town's southwest; Hollis on its northwest and north border.

- Old Orchard Beach is bordered by the Scarborough on the northeast, also forming a portion of the counties of Cumberland's and York's lines. Saco forms the Town's northwestern border with the Goose Fare Brook comprising its southwestern border, separating the Town from Saco. The Old Orchard Bay, in the Atlantic Ocean, forms the Town's southeastern boundary.
- Saco is bordered by the Scarborough on the northeast, also forming a portion of the lines of the counties of Cumberland and York; Buxton forming its northwestern border; the Saco River comprising the City's southwestern and southern borders for a distance of 10 miles, separating the City from Dayton and the Biddeford; Old Orchard Beach being contiguous to the City's southeastern line; and approximately four miles of beachfront along the Saco Bay forms the remainder of the City's southeastern boundary in a panhandle south of Old Orchard Beach.

The Maine Turnpike, also being US Interstate Route 95, bisects the RSU Communities' region in a northeast-southwest direction, with egress at Exit 36. Convenient access to the Saco and Old Orchard Beach is provided by the US Interstate Route 195 Connector, which originates at Exit 36 of the Turnpike and flows away in a perpendicular direction, terminating at the Saco's border at Old Orchard Beach. US Route 1 intersects the Saco's central plain, through its business district from Biddeford to Scarborough. State Route 9 crosses the Saco River at the City's central business area, proceeds through Saco's panhandle, to then progress along the coastal plain of the City. State Routes 5, 98 and 112 all originate at or from US Route 1 to various parts of the City. Access to Old Orchard Beach is provided by the U.S. Interstate Route 195 Connector; State Route 9 which follows the coastal plain of the Town; and State Routes 5 and 98, each of which originate at U.S. Route 1 in Saco. State Routes 5 and 35 crisscross Dayton from an east-to-west and north-to-south direction, respectively.



Patents on both sides of the Saco River were granted on February 12, 1629. A tract four miles wide on the sea and eight miles inland was granted to Thomas Lewis and Captain Richard Bonython on the east side of the river. A tract of the same size was conveyed to John Oldham and Richard Vines on the river's west side. These settlements were originally established in 1631 as part of Winter Harbor, now Biddeford Pool and were organized as the Town of Saco, the name attributed as from the Sokokis Indians who had dwelled there. The name for the combined settlements was changed in 1718 to Biddeford in honor of the English town of Biddeford. The Town divided in June of 1762 with the section east of the river taking the name of Pepperellborough, as a complement to Sir William Pepperell.

- On February 23, 1805 the name of this eastern area returned to the original name of Saco and became incorporated as the City of Saco, with a charter adopted on February 18, 1867.
- Old Orchard Beach set off and incorporated as the Town of Old Orchard on February 20, 1883, receiving its name from an orchard set out by Thomas Rogers in 1638 that became so important that

it served as a landmark for sailors at the time. In 1929 the name was changed to its present form as Old Orchard Beach.

- Dayton is situated in a portion of area also previously inhabited by the Sokokis Indians comprising the current towns of Hollis, Dayton and part of Limington, which was purchased by Major William Phillips, in 1664 but was not settled until 1753, when lumber mills were established in what ultimately, in 1798, became Little Falls Plantation. Goodwin's Mills and Union's Falls established sawmills and/or gristmills in the area in 1782 and 1806, respectively. Dayton split from Hollis and was incorporated as the Town on April 7, 1854.

Saco is home to the Dyer Library and York Institute Museum, that provides historic landmarks as well as houses a large collection of Maine history and genealogy. Thornton Academy, a co-educational prep school founded in 1811 with an 80-acre campus, provides secondary school education to area students. The Saco Valley Shopping Center and a highly developed strip all along U.S. Route 1 provides retail and commercial trade and Ferry Beach State Park offers a popular sandy public beach frequented by local citizens and visitors. Old Orchard Beach has been a popular summer resort for over a century. The year-round population of approximately 7,800 swells to over 100,000 in the months of July and August. A large percentage of the Town's summer populace hails from Canada, a traditional migration that began in 1853 when the Grand Trunk Railroad linked Montreal to Portland. Noted for its seven mile long and 700 foot wide beach with gently sloping sands, the beach considered as one of America's 17 "best beaches". Lodging in the Old Orchard Beach area is abundant and ranges from spartan to luxurious including numerous campgrounds with over 4,000 campsites for tents or trailers, and over 3,700 lodging units among the numerous motels, inns, cottages and condominiums.

Saco and Old Orchard Beach are coastal urban communities with suburban and rural areas; Dayton is an inland rural community. The RSU Communities' land area is comprised of residential, resource protection, business, industrial, farming and conservation zones, open spaces, coastal and woodland areas totaling a consolidated 65.2 square miles.

GOVERNMENT

The RSU has a seven member Board of Directors (the "RSU Board") of which four are residents of Saco, two are residents of Old Orchard Beach and one is a resident of Dayton. The delegation from each community is elected for three-year staggered terms. The Superintendent is the Secretary, Treasurer and chief administrator of the RSU. Respective Directors' votes are weighed, as follows:

<u>Municipality</u>	<u>Population</u>	<u>Board Members</u>	<u>Votes</u>	<u>Votes per Member</u>
Saco	18,289	4	616	154
Old Orchard Beach	9,349	2	316	158
Dayton	<u>2,026</u>	<u>1</u>	<u>68</u>	68
	29,664	7	1,000	

ASSESSMENT OF LOCAL COSTS

The RSU Communities share that part of the RSU's budget not funded from State Aid, other budgeted revenues or carry forwards (all defined terms as defined herein; see "RSU FINANCES - RSU'S LOCAL COST BUDGET AND ASSESSMENTS – Cost Sharing in the RSU"). The following tables display various characteristics, some of which may have been considered in the formula to calculate Local Cost assessments; and the assessments paid to the RSU since its organization:

Characteristics for Allocation of RSU Local Costs

	Dayton	Old Orchard Beach	Saco	Total
Enrollment	404	1,002	2,823	4,229
Population	2,206	9,349	18,289	29,844
2007 ESV	\$195,450,000	\$1,368,350,000	\$1,987,550,000	\$3,551,350,000
Enrollment	9.55%	23.69%	66.75%	100.00%
Population	7.39%	31.33%	61.28%	100.00%
2007 ESV	5.50%	38.53%	55.97%	100.00%
Allocation (ave)	6.30%	29.62%	64.07%	-

Historical Allocation for RSU Local Costs⁽¹⁾

	<u>2009/2010</u>		<u>2010/2011</u>		<u>2011/2012</u>	
<u>Community</u>	<u>Assessment</u>	<u>% Total</u>	<u>Assessment</u>	<u>% Total</u>	<u>Assessment</u>	<u>% Total</u>
Dayton	\$2,003,870	7.21%	\$2,116,051	7.67%	\$2,325,648	8.35%
OOB	9,575,516	34.44%	9,302,439	33.74%	8,808,956	31.63%
Saco	16,228,121	58.36%	16,153,547	58.59%	16,712,550	60.02%
Total	\$27,807,507	100.00%	\$27,572,037	100.00%	\$27,847,154	100.00%

NOTE: ⁽¹⁾ On November 8, 2011, the RSU voters approved a change in the method of sharing additional local costs by amending Section 13-B of the Plan. See "RSU FINANCES - RSU'S LOCAL COST BUDGET AND ASSESSMENTS – Cost Sharing in the RSU" herein.

THE SCHOOLS

The RSU has 10 learning centers, listed below, which include five primary and/or elementary schools, two middle schools, a high school, tuition to a private school (for grades 6 – 12), a transition program and an adult learning center. The staff consists of one superintendent, one assistant superintendent, eight principals, four Assistant Principals and 295 full-time equivalent teachers and various other professional and non-professional staff. The RSU's schools are listed below:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>Capacity</u>	<u>Enrollment as of October 1, 2011</u>			
				<u>Dayton</u>	<u>OOB</u>	<u>Saco</u>	<u>Total</u>
Fairfield	Saco	K - 2	320			300	300
Young	Saco	K - 2	325			286	286
Jameson Elementary	Old Orchard Beach	K - 3	300		230	1	231
Dayton Consolidated	Dayton	K - 5	260	135		2	137
CK Burns	Saco	3 - 5	650	1		612	613
Loranger Middle	Old Orchard Beach	4 - 8	450	3	299		302
Saco Middle	Saco	6 - 8	800	90	2	683	775
Old Orchard Beach High	Old Orchard Beach	9 - 12	350		271	1	272
Thornton Academy ⁽¹⁾	Saco	6 - 12	1,350	143	13	1,074	1,230
Saco Transition Program	Saco	9 - 12	30		3	16	19
				372	818	2,975	4,165 ⁽²⁾

NOTES: ⁽¹⁾ See "REGIONAL SCHOOL UNIT NO. 23 – THE SCHOOLS – Thornton Academy" herein.

⁽²⁾ The October 1, 2011 RSU Communities' total enrollment is 4,196. Approximately 30 RSU Communities' students attend public or private schools, not located within RSU 23.

Thornton Academy

RSU Communities may send its high school students to Thornton Academy (the “Academy”), located in Saco. The Academy is a private day school that provides education for tuition students for grades 6 to 12 from the towns of Arundel, Dayton, Old Orchard Beach, Scarborough and the cities of Biddeford and Saco. The Academy was originally established in 1811 on an 80-acre campus that includes seven buildings and various athletic facilities and is governed by a Board of Trustees with a Headmaster as the chief administrative officer. RSU 23 pays tuition for each student who elects to attend the Academy. Whereas the Academy is privately owned its operations and obligations are not of the RSU.

ENROLLMENTS

The following table shows the student population of each community within the RSU and its respective percentage of the RSU’s total student population over the last ten years⁽¹⁾, based upon the State of Maine Department of Education’s October 1st Annual Census:

Oct. 1,	Dayton		Old Orchard Beach		Saco		RSU 23	
	Students	%	Students	%	Students	%	Students	%
2011	373	8.89%	823	19.61%	3,000	71.50%	4,196	100.00%
2010	388	9.15%	869	20.50%	2,982	70.35%	4,239	100.00%
2009	408	9.77%	890	21.32%	2,877	68.91%	4,175	100.00%
2008	408	9.88%	889	21.52%	2,834	68.60%	4,131	100.00%
2007	409	9.76%	969	23.12%	2,814	67.13%	4,192	100.00%
2006	404	9.55%	1,002	23.69%	2,823	66.75%	4,229	100.00%
2005	405	9.66%	1,013	24.15%	2,776	66.19%	4,194	100.00%
2004	401	9.26%	1,080	24.93%	2,851	65.81%	4,332	100.00%
2003	375	8.54%	1,151	26.21%	2,866	65.26%	4,392	100.00%
2002	347	7.98%	1,188	27.30%	2,816	64.72%	4,351	100.00%

NOTE: ⁽¹⁾ For years 2008 and prior, the RSU Communities were not consolidated into RSU 23, but were individual SAUs.

The following tables show the trend of the RSU’s school enrollments over the last ten years, consolidated for the entire RSU, and then by community within the RSU:

RSU 23, School Enrollment Trend

Oct. 1,	Grades				Total Enrollment
	K - 5	6 - 8	9 - 12	Other	
2011	1,682	993	1,521	0	4,196
2010	1,751	977	1,511	0	4,239
2009	1,737	986	1,452	0	4,175
2008	1,699	986	1,445	1	4,131
2007	1,728	994	1,470	0	4,192
2006	1,750	1,021	1,458	0	4,229
2005	1,781	1,028	1,385	0	4,194
2004	1,859	1,058	1,415	0	4,332
2003	1,894	1,027	1,423	48	4,392
2002	1,919	1,037	1,373	22	4,351

Dayton, School Enrollment Trend

Oct. 1,	Grades				Total Enrollment
	K - 5	6 - 8	9 - 12	Other	
2011	136	95	142	0	373
2010	139	109	140	0	388
2009	163	102	143	0	408
2008	166	107	135	0	408
2007	178	108	123	0	409
2006	180	110	114	0	404
2005	197	99	109	0	405
2004	206	91	104	0	401
2003	162	78	99	36	375
2002	177	70	99	1	347

Old Orchard Beach, School Enrollment Trend

Oct. 1,	Grades				Total Enrollment
	K - 5	6 - 8	9 - 12	Other	
2011	337	197	289	0	823
2010	350	204	315	0	869
2009	375	218	297	0	890
2008	362	238	289	0	889
2007	403	246	320	0	969
2006	432	249	321	0	1,002
2005	444	230	339	0	1,013
2004	462	255	363	0	1,080
2003	487	264	397	3	1,151
2002	509	299	369	11	1,188

Saco, School Enrollment Trend

Oct. 1,	Grades				Total Enrollment
	K - 5	6 - 8	9 - 12	Other	
2011	1,209	701	1,090	0	3,000
2010	1,262	664	1,056	0	2,982
2009	1,199	666	1,012	0	2,877
2008	1,171	641	1,021	1	2,834
2007	1,147	640	1,027	0	2,814
2006	1,138	662	1,023	0	2,823
2005	1,140	699	937	0	2,776
2004	1,191	712	948	0	2,851
2003	1,245	685	927	9	2,866
2002	1,233	668	905	10	2,816

SOURCE: State of Maine, Department of Education, "October 1 Census of Students Educated at Public Expense" and RSU 23.

NOTE: "Other" includes: Elementary Special, Pre-Kindergarten, Secondary Special and Post-Graduate Students.

LABOR RELATIONS

The RSU has 555 full-time and various part-time employees. RSU employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

Teachers, School Secretaries, Educational Technicians, Educational Technicians, Custodians, Maintenance Personnel and Bus Drivers are represented by the RSU 23 Education Association (“RSU 23 Ed Assoc”) through its affiliation with the Maine Education Association (“MEA”), as separate bargaining units.

The 191 other RSU employees, including School Lunch Workers, are not represented by a union.

Union	Members	Bargaining Unit	Date of Contract	
			Effective	Expiration
RSU 23 Ed Assoc	254	Teachers	Sept. 1, 2011	Aug. 30, 2014
RSU 23 Ed Assoc	70	School Secretaries and Educational Technicians	July 1, 2009	Aug. 30, 2011 ⁽¹⁾
RSU 23 Ed Assoc	25	Custodians and Maintenance Personnel	July 1, 2009	Aug. 30, 2011 ⁽¹⁾
RSU 23 Ed Assoc	15	Bus Drivers	July 1, 2009	Aug. 30, 2011 ⁽¹⁾

NOTE: ⁽¹⁾The respective collective bargaining unit and the RSU are, or will be, negotiating the terms of a new contract. The employees continue to perform duties pursuant to the terms of the expired contract. The RSU has provided in its budget amounts that it expects that the RSU would incur in the successor contract.

ECONOMIC CHARACTERISTICS

Population	RSU Community			% Change-----		
	<u>Dayton</u>	<u>OOB</u>	<u>Saco</u>	<u>RSU</u>	<u>State</u>	<u>USA</u>
1970	546	5,404	11,678	13.4	2.4	13.4
1980	882	6,291	12,921	14.0	13.4	11.4
1990	1,197	7,789	15,181	20.3	9.2	9.8
2000	1,805	8,856	16,822	13.7	3.8	13.2
2010	1,965	8,624	18,482	5.8	4.2	8.9

Population Characteristics^(a)	RSU Community			York	State of	
	<u>Dayton</u>	<u>OOB</u>	<u>Saco</u>	<u>County</u>	<u>Maine</u>	<u>USA</u>
Median age	40.5	47.8	41.9	43.0	42.7	37.2
% school age	20.6%	10.5%	16.9%	16.1%	18.2%	20.4%
% working age	65.0%	66.8%	63.8%	63.3%	63.4%	62.9%
% 65 and over	9.3%	18.9%	14.3%	15.4%	15.9%	13.0%
Persons/household	2.76	1.93	2.38	2.40	2.32	2.58

Income^(b)	RSU Community			York	State of	
	<u>Dayton</u>	<u>OOB</u>	<u>Saco</u>	<u>County</u>	<u>Maine</u>	<u>USA</u>
Median fam income	\$57,692	\$47,952	\$52,724	\$51,419	\$45,179	\$50,046
% below poverty	3.5%	11.0%	8.2%	8.2%	10.9%	12.4%
Per capita income	\$20,629	\$20,929	\$20,444	\$21,225	\$19,533	\$21,587

Housing	RSU Community			York	State of	
	<u>Dayton</u>	<u>OOB</u>	<u>Saco</u>	<u>County</u>	<u>Maine</u>	<u>USA</u>
% owner occupied ^(a)	91.0%	59.7%	67.5%	73.4%	71.3%	65.1%
% built before 1939 ^(b)	1.8%	19.4%	29.0%	23.0%	29.1%	15.0%
% built since 1990 ^(b)	34.8%	12.8%	13.3%	15.0%	14.6%	17.0%
Owner occ med val ^(b)	\$126,100	\$97,100	\$119,800	\$122,600	\$98,700	\$119,600
Median gross rent ^(b)	\$557	\$575	\$564	\$568	\$497	\$602
Occupied hsg units ^(a)	712	4,454	7,623	81,009	557,219	-

SOURCE: ^(a) 2010 Census; ^(b) 2000 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	RSU Community			York	State of	
	<u>Dayton</u>	<u>OOB</u>	<u>Saco</u>	<u>County</u>	<u>Maine</u>	<u>USA</u>
2011	6.7%	7.0%	6.3%	6.8%	7.5%	8.9%
2010	7.0	7.2	6.8	7.6	7.9	9.6
2009	6.4	7.5	6.9	7.6	8.0	9.3
2008	3.8	4.8	4.2	4.9	5.4	5.8
2007	3.5	3.8	3.7	4.1	4.6	4.7
2006	3.5	4.1	3.5	3.7	4.6	4.6
2005	3.4	4.0	3.5	4.1	4.8	5.1
2004	2.9	3.8	3.3	3.9	4.6	5.5
2003	2.5	3.8	2.9	4.9	5.1	6.0
2002	2.7	3.7	2.8	4.6	4.4	5.8

SOURCE: Maine Department of Labor, Division of Economic Analysis and Research.

RSU FINANCES

BUDGETARY PROCESS

Title 20-A, Sections 1482-1489 provides for a budget process for the RSU. The fiscal year (or “budget year”) of the RSU begins on the first day of July and ends on the 30th day of June of the following year. Pursuant to statute the RSU Board annually prepare a budget for: (a) operational costs; (b) bonds falling due; (c) interest on bonds or other obligations; (d) rentals and other charges in a contract; and (e) temporary loans. The RSU’s budget must be approved at a budget meeting and by a budget validation referendum. The Board calls a budget meeting at a time it determines. At least seven days before the budget meeting the Board makes available to the legislative body responsible for final budget approval and residents of the RSU a detailed budget document, which includes a summary of anticipated revenues and estimated expenditures. The budget meeting is held, whereby a majority vote of the voters present and voting approve the annual budget. Following development of the annual budget and approval at the budget meeting, a budget validation referendum must be held to allow the voters to validate or reject the total budget. The budget validation referendum must be held on or before the 30th calendar day following the scheduled date of the budget meeting.

The RSU Board then issues its warrants to the assessors of each member municipality, requiring them to assess upon the taxable estates within the municipality an amount which is that municipality’s share of the RSU’s costs. Each municipal treasurer will pay the RSU amounts set by the RSU, in monthly installments on or before the 20th day of each month. The following table sets forth trends in the RSU’s General Fund budgets since the RSU’s establishment, effective July 1, 2009:

	Fiscal Year Ending June 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽¹⁾</u>
Revenues				
Municipal Assessment	\$27,645,507	\$27,568,597	\$27,643,534	\$30,975,944
Charges for Services	0	0	0	
State Shared Revenues	15,583,341	15,097,236	12,410,631	13,336,974
Miscellaneous	147,126	98,395	120,000	120,000
Total Revenues	43,375,974	42,764,228	40,174,164	44,432,918
Expenditures				
Instructions	28,602,024	30,334,481	31,471,783	32,927,387
Debt Service	858,904	823,679	567,182	444,109
Instructional Support				
School Administration	1,690,242	1,806,775	1,840,670	1,765,834
Operation and Maintenance	3,441,404	3,187,268	3,711,791	3,514,911
Student Support Services	2,227,939	1,979,910	2,378,876	2,281,772
General Administration	1,065,162	998,480	1,012,310	776,076
Other Public Programs	2,903,200	2,823,175	0	0
Capital Improvement	148,030	491,031	0	0
Student Transportation	1,612,969	1,761,331	1,792,508	1,795,538
Total Expenditures	42,549,874	44,206,130	42,775,120	43,505,627
Excess of Revenues	826,100	(1,441,902)	(2,600,956)	927,291
Other Sources (Uses)	192,748	490,513		
Use of Surplus	0	(951,389)	(2,600,956)	927,291
Total Other Sources	\$192,748	(\$460,876)	(\$2,600,956)	\$927,291

NOTE: ⁽¹⁾ FY 2012/2013 is projected, subject to final RSU Board approval and then budget validation referendum.

INVESTMENT POLICY

Pursuant to applicable Maine law [Title 30-A, Section 5706 *et seq.* of the Maine Revised Statutes, as amended (the “Act”)] all investments of the RSU must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. The RSU’s investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The RSU is invested principally in direct obligations of the United States government and its agencies. The RSU is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FUND BALANCE

The RSU is compelled to maintain an unallocated fund balance in an amount not to exceed 3% each year due to the 3% law, as discussed below:

The 3% Law

Pursuant to Title 20-A, Section 15689-B(6) of the Maine Revised Statutes, as amended: “Notwithstanding any other public or private statute, general operating fund balances at the end of a school administrative unit’s fiscal year must be carried forward to meet the school’s needs in the next year or over a period not to exceed 3 years. Unallocated balances in excess of 3% of the previous year’s school budget must be used to reduce the state and local share of the total allocation for the purpose of computing state subsidy. School boards shall have the discretion of carrying forward unallocated balances in excess of 3% of the previous year’s school budget and disbursing these funds in the next year or over a period not to exceed 3 years” (the “3% law”). For fiscal years 2008-09, 2009-10 and 2010-11 only, SAUs may not be limited to 3% of the previous fiscal year’s school budget. The 3% law applies only to “unallocated” fund balances. A SAU’s “allocated” balances are not subject to this limitation. A SAU’s legislative body may “allocate” its fund balance to the next year’s budget or into a reserve account through their annual budget process and/or a special article. The following is a worksheet that the State Department of Education (“DOE”) provides to SAUs to calculate its “unallocated” fund balance.

Unallocated Fund Balance Calculation

1) Prior Fiscal Year (“Prior FY”) Operating Budget (Prior FY EF-M-46, page 2, column 6, line 22)	=	\$ _____
2) 3% of Operating Budget (3% x \$ _____)	=	\$ _____
3) Actual ending balance (Prior FY EF-M-45, page 12, column 1, line 13)	=	\$ _____
4) Balance used for budget purposes (allocated) (Current Fiscal Year EF-M-46, page 3, line 30)	=	\$ _____
5) Unallocated ending balance (3. minus 4.)	=	\$ _____
6) 3% X prior year’s budget (2.)	=	\$ _____
7) Amount in excess of 3% (5. minus 6. or zero if less than zero)	=	\$ _____

Typically the State DOE assumes that some or all excess is used to reduce any amounts raised locally without State participation. If some or all of the excess remains, then the State DOE will assume that the State share of the EPS allocation should have been reduced and prorate the State share accordingly.

Transfer of Teachers' Summer Salaries and Benefits Liability

The RSU has been advised that accounting principles generally accepted in the United States of America ("GAAP") require that the cost of teachers' summer salaries and benefits be recorded as a liability in the governmental activities which would reduce the net assets of the governmental activities and the fund balance of the General Fund by that amount. The Reorganization Plan (see "REGIONAL SCHOOL UNIT NO. 23 - RSU 23'S REORGANIZATION PLAN" herein) had not contemplated assumption of the two month liability (i.e., July and August) for the RSU Communities' costs of teachers' summer salaries and benefits as part of its negotiation. This resulted in a consolidated accrual of \$2,377,893, recorded by the RSU as an account receivable from the respective RSU Communities, and reported as an asset; instead of revenue that would flow to Unassigned Fund Balance. In fiscal year 2010/2011, a consolidated payment from the RSU Communities of \$639,958 reduced the accrual to \$1,737,935. The RSU expects to receive the balance of this accrual from the RSU Communities in fiscal year 2011/2012.

In conformity with GAAP, this accrual, together with use of prior years fund balance and a budgeted surplus that did not materialize, caused an Unassigned Fund Balance deficit in fiscal year 2010/2011 of (\$4,414,947), as follows:

<u>FY 2010/2011 Unassigned Fund Balance</u>	
Use of FY 2009/2010 Fund Balance:	(\$1,699,376)
Accrued Teachers Summer Salaries and Benefits:	(1,737,935)
Use of Budgeted Surplus, Not Received:	<u>(977,636)</u>
	(\$4,414,947)

The above occurred because, at the time the RSU was organized, not all of the RSU Communities had funds that had been specifically allocated as "school funds" for the cost of teachers' summer salaries and benefits; and because the Consolidation Law did not require SAUs to pay non-school funds into the new RSUs. Thus, the RSU's Reorganization Plan did not require the RSU Communities to fund the summer salary and benefit obligations that the RSU assumed upon its organization. To date, the RSU has not assessed amounts to cover those obligations in addition to its annual budgets but, rather, has received funds, to the extent available from RSU Communities, offset by credits against its respective assessments.

The RSU is in the process of developing a timetable in consultation with the RSU Communities to fund the summer salary and benefit obligation (the "Obligation"). The RSU intends to fund the Obligation over three years through appropriations as part of the normal school budget process.

It is not clear whether the RSU Communities will achieve an agreement in principle on the proposed three year timetable. In any case, however, the funding of this obligation is subject to the RSU's normal appropriation and budget approval process. The budget currently proposed by the RSU for fiscal year 2012/2013 includes the first year of funding for this purpose. That budget and future budgets are subject to approval of the RSU voters at the budget validation referendum.

The RSU anticipates that the (\$4,414,947) fiscal year 2010/2011 Unassigned Fund Balance deficit will be reduced to an amount of approximately (\$2,000,000) for fiscal year 2011/2012 and will be in balance, albeit at \$0, budgeted for fiscal year 2012/2013. The RSU further expects that the second third of the Obligation's funding (in fiscal year 2013/2014) will replenish the Unassigned Fund Balance to appropriate levels; the last third (in fiscal year 2014/2015) providing for the two month liability to result, and be reported, in conformity with GAAP and to reconcile with Budgetary basis.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, provides for independent annual audits of the RSU's accounts and establishes procedures for such audits. The RSU, in conformance with this statute and its Charter, currently engages the services of Runyon Kersteen Ouellette, Certified Public Accountants ("Runyon Kersteen Ouellette"). The RSU's fiscal year 2011 Annual Report, audited by Runyon Kersteen Ouellette, is presented as APPENDIX A to this Official Statement. The consent of Runyon Kersteen Ouellette for the incorporation of the Financial Statements included in APPENDIX A has not been requested by the RSU, nor has it been received.

The RSU Communities' most recent audited fiscal year's Financial Statements are presented as APPENDIX B (Town of Dayton, Maine), APPENDIX C (Town of Old Orchard Beach, Maine) and APPENDIX D (City of Saco, Maine) to this Official Statement. Being of public record, the consent of the RSU Communities or of its auditors has not been requested by the RSU, nor has it been received, for the incorporation as appendices to this Official Statement.

FUNDS

The accounts of the RSU are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, equities, revenues and expenditures or expenses. The following fund types and account groups are used by the RSU:

Governmental Funds

The **General Fund** is the general operating fund of the RSU. It is used to pay the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

Fiduciary Funds focuses on net assets held by the RSU in a trustee capacity or as an agent for individuals, private organizations and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

COMPARATIVE FINANCIAL STATEMENTS

The RSU

Displayed on the following pages are the comparative financial statements of the RSU's *Combined Balance Sheet – General Fund* and the RSU's *Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund* for its audited fiscal periods since its establishment, effective July 1, 2009.

The RSU Communities

Also displayed on the following pages, are the comparative financial statements of the RSU Communities' *Combined Balance Sheet – General Fund* and *Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund*, for its respective most recent three audited fiscal periods.

COMPARATIVE BALANCE SHEET

General Fund
(As of June 30,)

	2011	2010
ASSETS		
Cash and equivalents	\$2,457,619	\$1,611,925
Accounts receivable	109,375	82,963
Due from Saco	1,262,333	1,262,333
Due from Dayton	117,796	544,432
Due from OOB	357,806	571,128
Due from State	35,185	257,053
Prepaid expenses	98,093	115,898
Interfund loans	0	379,351
TOTAL ASSETS	4,438,207	4,825,083
LIABILITIES & EQUITY		
LIABILITIES:		
Accounts payable	509,119	996,253
Accrued wages & benefits	2,760,485	2,129,454
Interfund loans	420,616	0
TOTAL LIABILITIES	3,690,220	3,125,707
FUND EQUITY⁽¹⁾:		
Unreserved:		
Designated	-	675,371
Undesignated	-	1,024,005
Non-spendable	1,409,475	-
Restricted	0	-
Assigned	3,753,459	-
Unassigned	(4,414,947)	-
TOTAL FUND EQUITY	747,987	1,699,376
TOTAL LIABILITIES AND EQUITY	\$4,438,207	\$4,825,083

Prepared from Audited Financial Statements

NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.COMPARATIVE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES

General Fund

(For the Years Ended June 30,)

	2011	2010
REVENUES		
Local assessments	\$27,568,597	\$27,645,507
Intergovernmental	15,097,236	15,583,341
Other revenues	98,395	147,126
TOTAL REVENUES	42,764,228	43,375,974
EXPENDITURES		
Regular instruction	23,432,672	21,693,533
Special Education	6,429,464	6,519,157
Other instruction	472,345	389,334
Student and staff support	1,979,910	2,227,939
System administration	998,480	1,065,162
School administration	1,806,775	1,690,242
Transportation	1,761,331	1,612,969
Facilities maintenance	3,187,268	3,441,404
MainePERS	2,823,175	2,903,200
Debt service	823,679	858,904
Capital outlay	491,031	148,030
TOTAL EXPENDITURES	44,206,130	42,549,874
EXCESS REVENUES	(1,441,902)	826,100
OTHER FINANCING		
Capital leases	491,031	148,030
Operating transfers in (out)	(518)	44,718
EXCESS REVENUES	490,513	192,748
NET CHANGES	(951,389)	1,018,848
FUND BALANCE, JULY 1	1,699,376	680,528
FUND BALANCE, JUNE 30	\$747,987	\$1,699,376

TOWN OF DAYTON, MAINE

**COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of June 30,)**

	2011	2010	2009
ASSETS			
Cash	\$923,598	\$1,243,531	\$1,722,421
Receivables:			
Taxes	2,465	41,979	47,674
Tax liens	41,811	0	0
Interfund	0	0	64,233
Other	43,359	0	8,896
TOTAL ASSETS	1,011,233	1,285,510	1,843,224
LIABILITIES			
Accounts payable	0	8,232	62,324
Accrued expenses	8,325	0	112,958
Other	12,240	0	54,838
Due to RSU	117,075	539,594	281,950
Gravel pit escrow	43,359	25,219	10,156
TOTAL LIABILITIES	180,999	573,045	522,226
EQUITY⁽¹⁾			
Fund balances:			
Designated	-	311,539	224,577
Reserved	-	135,094	734,554
Unreserved	-	265,832	361,867
Non-spendable	0	-	-
Restricted	5,150	-	-
Committed	220,013	-	-
Assigned	154,931	-	-
Unassigned	450,140	-	-
TOTAL EQUITY	830,234	712,465	1,320,998
TOTAL LIABILITIES AND EQUITY	\$1,011,233	\$1,285,510	\$1,843,224

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)**

	2011	2010	2009
REVENUES			
Property taxes	\$2,624,993	\$2,329,480	\$2,274,288
Excise taxes	334,849	327,751	342,261
Permits & fees	20,844	16,493	28,079
Intergovernmental	266,024	210,076	2,633,957
Miscellaneous	100,177	41,216	48,977
TOTAL REVENUES	3,346,887	2,925,016	5,327,562
EXPENDITURES			
General government	313,441	234,792	242,938
Public safety	185,756	175,832	261,712
Health & sanitation	159,264	155,896	150,218
Recreation & culture	2,029	6,163	4,963
Education	2,116,051	2,343,870	4,158,031
Public works	295,326	286,691	314,488
County tax	108,116	102,051	97,488
Unclassified & other	15,243	18,096	498,729
Debt Service	31,703	31,719	138,809
TOTAL EXPENDITURES	3,226,929	3,355,110	5,867,376
EXCESS OF REVENUES OVER EXPENDITURES	119,958	(430,094)	(539,814)
OTHER FINANCING			
Capital Leases or debt	0	0	350,000
Transfers to RSU	0	(228,292)	0
Operating transfers in/(out)	1,928	49,853	0
TOTAL OTHER	1,928	(178,439)	350,000
EXCESS OF REVENUES AND OTHER	121,886	(608,533)	(189,814)
BEGINNING FUND BALANCE	708,348	1,320,998	1,510,812
ENDING FUND BALANCE	\$830,234	\$712,465	\$1,320,998

Prepared from Audited Financial Statements
NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.

TOWN OF OLD ORCHARD BEACH, MAINE

**COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of June 30,)**

	2011	2010	2009
ASSETS			
Cash & investments	\$7,776,361	\$10,266,566	\$11,204,596
Receivables:			
Taxes	997,925	978,805	771,878
Tax liens	630,347	532,889	416,248
Accounts	184,886	242,460	175,358
Other	49,334	40,293	39,579
TOTAL ASSETS	9,638,853	12,061,013	12,607,659
LIABILITIES			
Accounts payable	300,171	228,934	564,062
Accrued expenses	100,284	214,842	828,571
Interfund	2,912,757	5,003,928	4,702,727
Due to RSU	357,806	595,388	-
Deferred tax revenue	1,398,377	1,236,923	998,165
Deposits	142,328	126,497	92,953
TOTAL LIABILITIES	5,211,723	7,406,512	7,186,478
EQUITY⁽¹⁾			
Fund balances:			
Reserved	-	43,107	41,274
Undesignated	-	4,611,394	5,379,907
Non-spendable	45,443	-	-
Restricted	0	-	-
Committed	0	-	-
Assigned	22,994	-	-
Unassigned	4,358,693	-	-
TOTAL EQUITY	4,427,130	4,654,501	5,421,181
TOTAL LIABILITIES AND EQUITY	\$9,638,853	\$12,061,013	\$12,607,659

Prepared from Audited Financial Statements
NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)**

	2011	2010	2009
REVENUES			
Taxes	\$21,412,144	\$20,703,079	\$20,369,950
Licenses, permits & fees	920,275	1,165,597	963,141
Intergovernmental	835,118	843,641	2,532,807
Investment income	20,662	104,417	150,912
Other revenues	50,654	38,687	354,015
TOTAL REVENUES	23,238,853	22,855,421	24,370,825
EXPENDITURES			
General government	1,964,273	2,023,867	1,851,871
Public safety	4,528,474	4,439,823	4,429,964
Public works	1,455,600	1,547,039	1,696,363
Sanitation	1,707,176	1,661,658	1,644,676
Recreation & culture	625,376	642,190	686,550
Health & welfare	106,693	107,822	101,475
Education	9,399,388	9,555,828	11,020,573
County tax	777,785	753,529	736,279
Unclassified & other	25,736	50,831	53,165
Debt Service	2,154,389	2,127,481	1,726,929
Capital outlays	1,218,334	1,150,753	1,228,471
TOTAL EXPENDITURES	23,963,224	24,060,821	25,176,316
EXCESS OF REVENUES OVER EXPENDITURES	(724,371)	(1,205,400)	(805,491)
OTHER FINANCING			
Operating transfers in/(out)	497,000	328,000	345,714
Transfer to RSU	0	100,720	0
TOTAL OTHER	497,000	428,720	345,714
EXCESS OF REVENUES AND OTHER	(227,371)	(776,680)	(459,777)
BEGINNING FUND BALANCE			
		4,654,501	5,421,181
ENDING FUND BALANCE		\$4,427,130	\$4,644,501

CITY OF SACO, MAINE

**COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of June 30,)**

	2011	2010	2009
ASSETS			
Cash & investments	\$1,015,856	\$9,066,709	\$4,205,980
Receivables (inc. interfund)	8,167,092	7,409,660	7,652,112
Tax & liens receivable	1,669,598	1,584,414	1,302,921
Tax acquired property	58,359	58,359	58,359
Prepaid items	140,681	383,559	210,116
Receivable - RSU	3,360,979	4,006,958	-
TOTAL ASSETS	14,412,565	22,509,659	13,429,488
LIABILITIES			
Accounts payable	916,873	1,142,462	1,419,086
Accrued liabilities	540,178	483,898	1,604,824
Taxes collected	18,908	30,629	22,844
Interfund	3,332,661	9,174,395	4,312,016
Due to RSU	1,518,582	1,893,582	-
Deferred debt service - RSU	3,360,979	4,006,958	-
Deferred revenue	1,259,422	1,195,030	1,017,048
TOTAL LIABILITIES	10,947,603	17,926,954	8,375,818
EQUITY(1)			
Fund balances:			
Reserved		2,494,115	2,667,468
Unreserved		2,088,590	2,386,202
Non-spendable	140,681		
Restricted	0		
Committed	61,040		
Assigned	772,662		
Unassigned	2,490,579		
TOTAL EQUITY	3,464,962	4,582,705	5,053,670
TOTAL LIABILITIES AND EQUITY	\$14,412,565	\$22,509,659	\$13,429,488

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)**

	2011	2010	2009
REVENUES			
Taxes	\$32,219,898	\$31,899,915	\$30,278,683
Licenses & permits	691,819	718,991	770,778
Intergovernmental	2,016,722	2,087,551	15,235,297
Charges for services	1,131,697	1,014,832	968,773
Other revenues	484,332	420,127	422,129
TOTAL REVENUES	36,544,468	36,141,416	47,675,660
EXPENDITURES			
General government	2,413,584	2,173,455	2,270,911
Public safety	5,836,380	5,728,015	5,417,894
Public works	4,411,669	4,227,214	4,589,463
Culture & recreation	1,227,045	1,105,116	1,071,275
Education	16,245,159	16,228,121	26,201,266
MainePERS	-	-	1,844,021
Unclassified	3,528,732	3,265,930	3,284,077
County tax	1,079,365	1,014,574	1,020,912
Debt Service	2,319,954	1,815,443	2,695,555
Capital improvements	123,861	841,856	1,480,882
TOTAL EXPENDITURES	38,295,749	36,399,724	49,876,256
EXCESS OF REVENUES OVER EXPENDITURES	(1,751,281)	(258,308)	(2,200,596)
OTHER FINANCING			
Capital lease or bonds	468,637	314,096	705,775
Operating transfers in/(out)	164,901	(253,944)	(464,148)
Transfer to RSU	-	(272,809)	-
TOTAL OTHER	633,538	(212,657)	241,627
EXCESS OF REVENUES AND OTHER BEGINNING FUND BALANCE	(1,117,743)	(470,965)	(1,958,969)
ENDING FUND BALANCE	4,582,705	5,053,670	7,012,639
	\$3,464,962	\$4,582,705	\$5,053,670

Prepared from Audited Financial Statements
NOTE: ⁽¹⁾ Redefined, pursuant to GASB 54.

PROPERTY TAXATION

The principal tax of the municipalities within the territory of the RSU is the tax on real and personal property. There is no limit as to rate or amount. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. Each RSU Communities' Tax Collector receives the tax commitment from the RSU Communities' Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For the current fiscal year, the tax due date(s) for Dayton is October 20, 2011; Old Orchard Beach is September 9, 2011 and March 9, 2012 and Saco is August 12, 2011 and February 10, 2012. All taxes paid after the due date will be subject to interest, at the rate of 7.0%, respectively, per annum.

Real Estate Taxes

Collection of real estate taxes is ordinarily enforced in a municipality by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by a municipality.

Business Personal Property Taxes

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, various types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: Office furniture; Lamps and lighting fixtures used to provide general purpose office or worker lighting; Property owned or used by public utilities and persons providing certain television/telecommunications services; Telecommunications personal property subject to the tax imposed by section 457 of Title 36; Gambling machines or devices and associated equipment; Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new exemption. For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district.

The value of all property made exempt by this law in the municipality will also be considered part of that municipality's equalized State Valuation to the extent the municipality is being reimbursed for its lost property taxes by the State with an additional adjustment for property in a tax increment financing district.

The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

Tax Levy and Collections

Town of Dayton, Maine

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)	
					Year End (000)	% of Levy
2012	\$207,900	\$166,625	\$17.65	\$2,941	In Process	
2011	208,700	165,603	16.05	2,658	2,626	98.82%
2010	213,200	162,395	14.55	2,363	2,328	98.39
2009	213,350	160,172	14.40	2,306	2,266	98.24
2008	207,250	158,060	14.40	2,276	2,231	98.03

Town of Old Orchard Beach, Maine

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)	
					Year End (000)	% of Levy
2012	\$1,508,700	\$1,488,289	\$13.40	\$19,943	In Process	
2011	1,531,150	1,491,410	13.40	19,988	\$19,277	96.45%
2010	1,533,750	1,478,519	12.94	19,152	18,453	96.35
2009	1,575,350	1,465,153	12.94	18,960	18,453	97.33
2008	1,565,250	1,441,856	12.56	18,118	17,506	96.62

City of Saco, Maine

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)	
					Year End (000)	% of Levy
2012	\$2,031,850	\$2,116,404	\$14.42	\$30,518	In Process	
2011	2,099,800	2,101,430	13.82	29,150	\$28,124	96.48%
2010	2,128,450	2,070,327	13.62	28,265	27,171	96.13
2009	2,121,100	2,051,483	13.42	27,537	26,584	96.54
2008	2,170,350	1,955,057	13.32	26,589	25,729	96.77

REVENUES FROM THE STATE

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for SAUs are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process.

Fiscal Yr. End June 30,	General Revenue	Debt Service	General Revenue & Debt Service	Adult Education	Total State Subsidy
2012	\$35,903,256	\$506,432	\$36,409,688	\$27,140	\$36,436,828
2011	35,652,576	711,796	36,364,372	171,360	36,535,732
2010	34,150,310	766,084	34,916,394	75,231	34,991,625

RSU'S LOCAL COST BUDGET AND ASSESSMENTS

The RSU Communities' Equalized State Valuation

The following is a list of the last ten years' equalized State Valuation filed by the State Tax assessor to the Secretary of State pursuant to Title 36, Sections 208 and 305 of the Maine Revised Statutes, as amended:

Consolidated Equalized State Valuation for Communities Comprising RSU 23

Year	Equalized State Valuation ("ESV")						
	Dayton		Old Orchard Beach		Saco		RSU 23
	ESV	%	ESV	%	ESV	%	ESV
2012	\$207,900,000	5.5%	\$1,508,700,000	40.2%	\$2,031,850,000	54.2%	\$3,748,450,000
2011	208,700,000	5.4%	1,531,150,000	39.9%	2,099,800,000	54.7%	3,839,650,000
2010	213,200,000	5.5%	1,533,750,000	39.6%	2,128,450,000	54.9%	3,875,400,000
2009	213,350,000	5.5%	1,575,350,000	40.3%	2,121,100,000	54.3%	3,909,800,000
2008	207,250,000	5.3%	1,565,250,000	39.7%	2,170,350,000	55.0%	3,942,850,000
2007	195,450,000	5.5%	1,368,350,000	38.5%	1,987,550,000	56.0%	3,551,350,000
2006	172,700,000	5.5%	1,150,850,000	36.8%	1,805,400,000	57.7%	3,128,950,000
2005	153,450,000	5.7%	969,950,000	36.2%	1,553,400,000	58.0%	2,676,800,000
2004	125,950,000	5.7%	786,450,000	35.4%	1,310,350,000	59.0%	2,222,750,000
2003	104,700,000	5.3%	697,300,000	35.6%	1,155,650,000	59.0%	1,957,650,000

Cost Sharing in the RSU

That part of the RSU's budget not funded from State Aid, other budgeted revenues or carry forwards is funded from assessments to the RSU Communities (the "Local Cost"). The assessments have two components. First, the RSU Communities must share the RSU's share (the "Local Allocation") of EPS costs (the "Total Allocation") that qualify for State subsidy (the "State Allocation"). Second, the RSU Communities must also share the additional local costs of the RSU that are not funded by other budgeted revenues or carry-forwards and that do not qualify for inclusion in the Total Allocation ("Additional Local Funds").

The RSU Communities share the RSU's Local Allocation pursuant to a formula set forth in Section 15688(3-A) of Title 20-A of the Maine Revised Statutes, as amended. Assuming the RSU has approved the Total Allocation for a budget year, the RSU assesses each RSU Community a share that, subject to adjustment, is the lesser of (i) the total of a statewide full-value education mill rate for that year times the municipality's certified State valuation for the year prior to the most recently certified State valuation; and (ii) the RSU's Total Allocation multiplied by the percentage that the municipality's most recent calendar year pupil count is to the RSU's most recent calendar year pupil count. The adjustments to this share include, where applicable, a "minimum receiver" adjustment.

For its first operational year, fiscal year 2009/2010, each RSU Community was responsible for its respective share of Additional Local Funds on the basis of the percentage of each RSU Community's percentage of Additional Local Funds as was calculated for fiscal year 2008/2009.

For fiscal years 2010/2011 and 2011/2012, each RSU Community was responsible for its respective share of Additional Local Funds in an amount up to its share of Additional Local Funds in fiscal year 2009/2010, calculated on the basis of the percentage of each RSU Community's percentage of Additional Local Funds as was calculated for fiscal year 2008/2009; plus or minus its share of the amount of any increase or decrease in Additional Local Funds from the amount of Additional Local Funds in fiscal year 2009/2010, based 50% on each RSU Community's percentage of the average number of pupils on April 1 and October 1 in the prior calendar year, and 50% on each RSU Community's percentage of equalized State valuation for the prior calendar year.

For operational year four of the RSU (FY 2012/2013) each RSU Community's share of Additional Local Funds shall be calculated by applying that RSU Community's percentage of Additional Local Funds in FY 2008/2009 to the amount of the RSU's Additional Local Funds for FY 2012/2013, up to an amount equal to 80% of the RSU's total Additional Local Funds for FY 2011/2012 (hereinafter the "Maximum Base Amount") as follows:

	FY 2008/2009 Percentage	Maximum Base Amount for FY 2012/13
Old Orchard Beach	14.635%	\$355,730
Saco	39.802%	967,460
Dayton	45.563%	1,107,492
	100.000%	\$2,430,682

Any Additional Local Funds in operational year four in excess of the Maximum Base Amount (hereinafter the "New Formula Amount") shall be allocated to the RSU Communities based 50% on each RSU Community's percentage of the average number of pupils on April 1 and October 1 in the prior calendar year and 50% on each RSU Community's percentage of State valuation for the prior calendar year (hereinafter the "New Formula").

For operational years five through eight of the RSU (FY 2013/2014 through FY 2016/2017) the cost sharing formula for Additional Local Funds shall be the same as for operational year four except that the Maximum Base Amount shall be reduced to zero in four equal annual steps and the New Formula Amount shall include any Additional Local Funds raised in excess of the Maximum Base Amount for that year. For operational years nine (FY 2017/2018) and thereafter, each RSU Community's share of Additional Local Funds shall be calculated entirely on the basis of the New Formula.

The RSU Board of Directors shall conduct periodic re-evaluations of the formula and make suggested amendments as may be deemed appropriate to send to referendum. These periodic reviews shall occur no less often than every five years.

The following tables shows the RSU's budget and its assessments of the RSU Communities, for operating and capital costs, for the last two audited fiscal years, the current fiscal year (unaudited) and the proposed next fiscal year:

Annual Budget and Assessment for fiscal Year Ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
RSU Budget	\$41,485,515	\$42,472,785	\$43,621,835	\$43,384,129
Dayton	\$2,003,870	\$2,116,051	\$2,325,648	\$2,210,644
Old Orchard Beach	9,575,516	9,302,439	8,808,956	9,105,472
Saco	<u>16,228,121</u>	<u>16,153,547</u>	<u>16,712,550</u>	<u>19,487,961</u>
RSU 23 Assessment	\$27,807,507	\$27,572,037	\$27,847,154	\$30,804,078

Annual Assessment as % of Annual Budget for fiscal Year Ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Dayton	4.83%	4.98%	5.33%	5.10%
Old Orchard Beach	23.08%	21.90%	20.19%	20.99%
Saco	<u>39.12%</u>	<u>38.03%</u>	<u>38.31%</u>	<u>44.92%</u>
RSU 23	67.03%	64.92%	63.84%	71.00%

Effective on fiscal year 2012/2013 and after, the method of sharing additional local costs described in the amended Section 13-B are illustrated⁽¹⁾ as follows:

Example of Proposed Amendment to RSU 23 Cost Sharing Formula⁽²⁾

	<u>DAYTON</u>		<u>SACO</u>		<u>OOB</u>		<u>TOTAL</u>
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	
<u>FY 2012/2013</u>							
Base Amount	14.635%	\$355,735	45.563%	\$1,107,493	39.802%	\$967,454	\$2,430,682
New Formula Amount	<u>7.346%</u>	<u>44,641</u>	<u>62.577%</u>	<u>380,265</u>	<u>30.076%</u>	<u>182,765</u>	<u>607,671</u>
Total:	13.177%	\$400,377	48.966%	\$1,487,757	37.857%	\$1,150,219	\$3,038,353
<u>FY 2013/2014</u>							
Base Amount	14.635%	\$266,802	45.563%	\$830,619	39.802%	\$725,591	\$1,823,012
New Formula Amount	<u>7.346%</u>	<u>89,282</u>	<u>62.577%</u>	<u>760,530</u>	<u>30.076%</u>	<u>365,529</u>	<u>1,215,341</u>
Total:	11.720%	\$356,084	52.369%	\$1,591,149	35.912%	\$1,091,120	\$3,038,353
<u>FY 2014/2015</u>							
Base Amount	14.635%	\$177,868	45.563%	\$553,746	39.802%	\$483,727	\$1,215,341
New Formula Amount	<u>7.346%</u>	<u>133,923</u>	<u>62.577%</u>	<u>1,140,794</u>	<u>30.076%</u>	<u>548,294</u>	<u>1,823,012</u>
Total:	10.262%	\$311,791	55.772%	\$1,694,541	33.966%	\$1,032,021	\$3,038,353
<u>FY 2015/2016</u>							
Base Amount	14.635%	\$88,934	45.563%	\$276,873	39.802%	\$241,864	\$607,671
New Formula Amount	<u>7.346%</u>	<u>178,565</u>	<u>62.577%</u>	<u>1,521,059</u>	<u>30.076%</u>	<u>731,059</u>	<u>2,430,682</u>
Total:	8.804%	\$267,498	59.175%	\$1,797,932	32.021%	\$972,922	\$3,038,353
<u>FY 2016/2017</u>							
Base Amount	14.635%	\$0	45.563%	\$0	39.802%	\$0	\$0
New Formula Amount	<u>7.346%</u>	<u>223,206</u>	<u>62.577%</u>	<u>1,901,324</u>	<u>30.076%</u>	<u>913,823</u>	<u>3,038,353</u>
Total:	7.346%	\$223,206	62.577%	\$1,901,324	30.076%	\$913,823	\$3,038,353

NOTE: ⁽¹⁾These factors will presumably change over the four year period, therefore the above spreadsheet is an illustrative example only, showing how the new formula would be phased in over a four year period.

⁽²⁾ Assumptions: (1) Additional Local Funds remain constant at \$3,038,353; (2) State Valuations remain constant at 2010 levels; (3) Average Pupil Count remains constant at 2010 levels

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

The RSU's Debt Limitations

In accordance with Title 20-A, Section 1490(6) of the Maine Revised Statutes, as amended, "The aggregate principal amount of outstanding bonds or notes issued by a regional school unit for school construction purposes shall not exceed, at any one time, 10% of the total of the last preceding state valuation of all the municipalities within the regional school unit, plus an amount not to exceed 4% of that total regional school unit valuation set by the state board at the time of the initial approval of the school construction project."

The consolidated 2012 equalized State Valuation for the RSU Communities is \$3,748,450,000. The RSU's 10% debt limitation is \$374,845,000. As of June 30, 2011, the RSU's long-term debt outstanding is reported to be \$3,436,524 or 0.09% of the consolidated 2011 equalized State Valuation of the RSU Communities. The RSU will certify on the date of issue of the Bonds that the RSU has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the RSU to exceed the debt limit.

The RSU Communities' Debt Limitations

Although the indebtedness of the Bonds are the indebtedness of the RSU, and not directly of the RSU Communities, the tax base of the RSU is the same as the tax base of the RSU Communities. Therefore, the current indebtedness of the RSU Communities is included in the below discussions.

RSU Communities' Statutory Limitations

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, "No municipality may incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7 1/2% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sanitary sewer purposes to an amount outstanding at any time not exceeding 7 1/2% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set." Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply "... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under chapter 235 and Title 10, chapter 110, subchapter IV, obligations payable from revenues of the current municipal year from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt."

Dayton, Maine

On January 1, 2012 Dayton's equalized State Valuation is \$207,900,000. The Town's overall 15% debt limit is \$31,185,000. As of June 30, 2011 the Town's long term debt outstanding was \$393,325 or 0.19% of the 2012 equalized State Valuation.

Old Orchard Beach, Maine

On January 1, 2012 Old Orchard Beach's equalized State Valuation is \$1,508,700,000. The Town's overall 15% debt limit is \$226,305,000. As of June 30, 2011 the Town's long term debt outstanding was \$11,605,000 or 0.77% of the 2012 equalized State Valuation.

Saco, Maine

On January 1, 2012 Saco's equalized State Valuation is \$2,031,850,000. The Town's overall 15% debt limit is \$304,777,500. As of June 30, 2011 the Town's long term debt outstanding was \$20,904,507 or 1.03% of the 2012 equalized State Valuation.

RSU ASSUMPTION OF DEBT

Section 6 of the Reorganization Plan provided that the RSU would assume the liability for certain school indebtedness then outstanding of the RSU Communities, comprised of the following issues:

- Saco borrowed \$2,456,000, financed through the School Revolving Renovation Fund ("SRRF") administered through the Maine Municipal Bond Bank to provide funds to finance a portion of the School Projects, dated October 1, 2011.
- Saco issued \$5,940,000 2002 General Obligation Bonds, dated January 1, 2002 (see "THE BONDS – AUTHORIZATION AND PURPOSE – The 2002 Bonds" herein), to provide funds to finance a portion of the School Projects.
- Dayton borrowed \$251,750 through the SRRF to provide funds to finance improvements at the Dayton Consolidated School, dated March 31, 2009.

These loans are reported in the RSU's Debt Summary, herein.

DEBT SUMMARY

The RSU's general obligation debt payable at June 30, 2011 (audited) and projected for June 30, 2012 (unaudited), including the Bonds, are comprised of the following issues:

Year Issued	Purpose	Amount Issued	Date of Final Maturity	Balance as of June 30, 2011	(Paid or Refunded)	Balance as of June 30, 2012
2001	Saco Schools ⁽¹⁾	\$2,456,000	10/01/2011	\$115,979	(\$115,979)	\$0
2002	Saco Schools	5,940,000	01/01/2022	3,245,000	(3,245,000)	0
2009	Dayton School ⁽²⁾	251,750	09/01/2014	75,545	(18,886)	56,658
2011	RSU Schools ⁽³⁾	368,290	08/01/2016	0	0	235,006
	Sub-total			\$3,436,524	(\$3,479,865)	\$291,664
2012	Refunding Bonds	\$2,950,000	01/15/2022	0	2,950,000	2,950,000
	Total			\$3,436,524	(\$3,479,865)	\$3,241,664

NOTES: ⁽¹⁾ \$2,456,000 was borrowed under the SRRF Program to finance a portion of the costs of the School Projects. \$1,296,211 was forgiven by the State, and need not be repaid. The balance of \$1,159,789 was paid in ten equal annual installments at 0% interest.

⁽²⁾ \$251,750 was borrowed under the SRRF Program to finance the costs of eligible school projects. \$157,318.57 was forgiven by the State, and need not be repaid. The balance of \$94,431.43 is being paid in five annual installments of \$18,886.29, at 0% interest.

⁽³⁾ \$368,290 was borrowed under the SRRF Program to finance the costs of eligible school projects. \$133,284.15 was forgiven by the State, and need not be repaid. The balance of \$23,505.85 will be paid in five equal annual installments of \$47,001.17, at 0% interest.

Shaded rows (above) or columns (below) indicate issues that are expected to be impacted by the Refunding.

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

Fiscal Year	2001 (SRRF)	2002	2009 (SRRF)	2011 (SRRF)	2012	Total Debt
2011/2012	\$115,979	\$295,000	\$18,886	\$0	\$0	\$134,865
2012/2013		295,000	18,886	47,001	295,000	360,887
2013/2014		295,000	18,886	47,001	295,000	360,887
2014/2015		295,000	18,886	47,001	295,000	360,887
2015/2016		295,000		47,001	295,000	342,001
2016/2017		295,000		47,001	295,000	342,001
2017/2018		295,000			295,000	295,000
2018/2019		295,000			295,000	295,000
2019/2020		295,000			295,000	295,000
2020/2021		295,000			295,000	295,000
2021/2022		295,000			295,000	295,000
2022/2023						\$0
	\$115,979	\$3,245,000	\$75,544	\$235,005	\$2,950,000	\$3,376,528

DEBT RATIOS

The following table sets forth the ratios of bonded debt to equalized State Valuation and Per Capita Debt ratios by each RSU Community, and then consolidated, including the RSU:

Dayton, Maine

Fiscal Yr. End June 30,	Population	Equalized State Valuation	Debt	Debt as % Eq. Val.	Per Capita Debt
2011	1,965	\$207,900,000	\$393,325	0.19%	\$200.17
2010	1,965	208,700,000	428,731	0.21%	218.18
2009	1,805	213,200,000	366,850	0.17%	203.24
2008	1,805	213,350,000	33,700	0.02%	18.67
2007	1,805	207,250,000	80,550	0.04%	44.63

Old Orchard Beach, Maine

Fiscal Yr. End June 30,	Population	Equalized State Valuation	Debt	Debt as % Eq. Val.	Per Capita Debt
2011	8,624	\$1,508,700,000	\$11,605,000	0.77%	\$1,345.66
2010	8,624	1,531,150,000	13,200,000	0.86%	1,530.61
2009	8,856	1,533,750,000	12,290,000	0.80%	1,387.76
2008	8,856	1,575,350,000	8,280,000	0.53%	934.96
2007	8,856	1,565,250,000	9,430,000	0.60%	1,064.81

Saco, Maine

Fiscal Yr. End June 30,	Population	Equalized State Valuation	Debt	Debt as % Eq. Val.	Per Capita Debt
2011	18,482	\$2,031,850,000	\$20,904,507	1.03%	\$1,131.07
2010	18,482	2,099,800,000	23,100,552	1.10%	1,249.89
2009	16,822	2,128,450,000	16,143,598	0.76%	959.67
2008	16,822	2,121,100,000	18,105,643	0.85%	1,076.31
2007	16,822	2,170,350,000	15,492,688	0.71%	920.98

RSU Communities and the RSU

Fiscal Yr. End June 30,	Consolidated		Total Debt		Consolidated		
	Pop.	Eq. Val. (000)	RSU Communities	RSU 23	Total Debt	Debt % Eq. Val.	Debt Per Capita
2011	29,071	\$3,748,450	\$32,902,832	\$3,436,524	\$36,339,356	0.97%	\$1,250.02
2010	29,071	3,839,650	36,729,283	4,101,389	40,830,672	1.06%	1,404.52
2009	27,483	3,875,400	28,800,448	-	28,800,448	0.74%	1,047.94
2008	27,483	3,909,800	26,419,343	-	26,419,343	0.68%	961.30
2007	27,483	3,942,850	25,003,238	-	25,003,238	0.63%	909.77

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Current Debt				Projected Debt			Projected Total Debt
	Principal	Interest	(less Refunding)	Total Debt	Principal	Interest	Total Debt	
2012	\$429,865	\$78,101	\$0	\$507,966	\$0	\$0	\$0	\$507,966
2013	360,887	143,223	(438,223)	65,887	295,000	39,333	334,333	400,220
2014	360,887	129,948	(424,948)	65,887	295,000	53,100	348,100	413,987
2015	360,887	116,378	(411,378)	65,887	295,000	47,200	342,200	408,087
2016	342,001	102,513	(397,513)	47,001	295,000	41,300	336,300	383,301
2017	342,001	88,500	(383,500)	47,001	295,000	35,400	330,400	377,401
2018	295,000	73,750	(368,750)	0	295,000	29,500	324,500	324,500
2019	295,000	59,000	(354,000)	0	295,000	23,600	318,600	318,600
2020	295,000	44,250	(339,250)	0	295,000	17,700	312,700	312,700
2021	295,000	29,500	(324,500)	0	295,000	11,800	306,800	306,800
2022	295,000	14,750	(309,750)	0	295,000	5,900	300,900	300,900
2023	0	0	0	0	0	0	0	0
Totals	\$3,671,528	\$879,911	(\$3,751,810)	\$799,629	\$2,950,000	\$304,833	\$3,254,833	\$4,054,463

OVERLAPPING DEBT

The RSU does not have any obligations for which it is responsible for on an overlapping basis.

CONTINGENT DEBT

The RSU does not have any obligations for which it is responsible for on a contingent basis.

FUTURE FINANCING

Following the issuance of the Bonds of this financing, the RSU has no other authorized but unissued debt outstanding.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN – TEACHERS GROUP

Description of the Plan

Teachers, and other qualified RSU employees, participate in the Maine Public Employees Retirement System's ("MainePERS") through the Teachers Retirement Plan (the "Teachers Group"), an "Agent, Multiple-Employer, Defined Benefit Pension Plan". MainePERS is successor to the Maine State Retirement System ("MSRS"), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS as successor to the Maine State Retirement System ("MSRS"). MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. MainePERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to its members and which include employees of participating local districts. Information concerning the pension plan benefit obligation for public teachers is available from MSRS, which issues a publicly

available financial report. This report may be obtained by writing the Maine State Retirement System, 46 State House Station, Augusta, ME 04333-0046 or by calling 1 (800) 451-9800.

Funding Policy

Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by statute, to contribute the employer contribution, which amounts to \$2,823,175 (or 17.76%) for the fiscal year ended June 30, 2011. There is no contribution required by the RSU, except for federally funded teachers, for which the RSU contributed 17.76% of their compensation, or \$143,635. This cost is charged to the applicable grant.

B. DEFINED BENEFIT PENSION PLAN AND OTHER RETIREMENT - OTHERS

Non-teaching, eligible RSU employees are covered under Social Security, and may participate in the MSRS. The RSU's contribution to Social Security for this period ended June 30, 2011 was \$134,664.69.

C. OTHER POST EMPLOYMENT BENEFITS

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

The RSU's health insurance carrier is Anthem/Blue Shield for its active employees. The RSU is not obligated to, and does not, provide its retired employees with health care or other post employment benefits and, therefore, has no OPEB obligation or liability.

ENVIRONMENTAL MATTERS

Securities and Exchange Commission Regulation 229.103 (the "Regulation") requires that issuers subject to the disclosure requirements of the Securities Exchange Act of 1934 disclose, among other things, any material pending legal proceedings, including without limitation, legal proceedings involving environmental issues. That Regulation states that no information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of the current assets of the issuer, and, if a governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the issuer reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. Although the RSU, as an issuer of municipal securities, is not subject to the provisions of the Regulation or the Securities Exchange Act of 1934, the RSU is voluntarily making the disclosure required by the Regulation with respect to environmental liabilities: The RSU is not subject to any pending legal proceedings involving environmental matters that would require disclosure under the Regulation were the RSU subject to its provisions.

LITIGATION

In the opinion of RSU officials there is no litigation pending against the RSU which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the RSU's financial position or its ability to meet its debt service obligations.

APPENDIX A

**RSU 23
ANNUAL FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES
FOR THE
YEAR ENDED JUNE 30, 2011**

(With Report of Independent Auditors' Thereon)

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REGIONAL SCHOOL UNIT #23
Annual Financial Report
For the year ended June 30, 2011

REGIONAL SCHOOL UNIT #23
Annual Financial Report
For the Year Ended June 30, 2011

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Independent Auditor's Report

Board of Directors
Regional School Unit #23

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit #23, as of and for the year ended June 30, 2011, which collectively comprise the Unit's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Regional School Unit #23's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School Unit #23, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011 on our consideration of Regional School Unit #23's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Regional School Unit #23's financial statements as a whole. The exhibits and schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Runyon Kersteen Ouellette

December 19, 2011
South Portland, Maine

In this section of the Annual Financial Report, the managers of Regional School Unit #23 (RSU #23) discuss and analyze RSU #23's financial performance for the fiscal year ending June 30, 2011. Please read it in conjunction with the independent auditors' report and RSU #23's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Fiscal year 2010-2011 was the second year of operation for Regional School Unit #23 which consists of Saco, Dayton and Old Orchard Beach. During this fiscal year, the RSU was working on a five year strategic plan in which focuses on equalizing the resources between all three communities. Also, RSU #23 has all the teachers on one salary scale.

The total balance of RSU #23's cash and cash equivalents at June 30, 2011 was \$2,622,202. The net assets for FY 2011 were \$8,425,771, of which \$7,589,684 represents capital assets, net of related debt, \$1,967,541 represents restricted funds and \$(1,131,454) represents unrestricted funds.

During the year, RSU #23 had expenditures that were \$951,389 more than the \$39,941,053 generated in assessments and other revenue for the General Fund. RSU #23 had \$1,699,376 in beginning fund balance to support the year's operations. At June 30, 2011 the fund balance for RSU #23 is stated to be \$747,987.

Long-term debt, which includes building obligations, bonds, and capital leases payable, has decreased by \$526,124 during the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of RSU #23 as a whole and present a longer-term view of RSU #23's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report RSU #23's operations in more detail than the government-wide financial statements by providing information about RSU #23's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which RSU #23 acts solely as a trustee or agent for the benefit of those outside of RSU #23.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide financial statements or the fund financial statements.

The combining statements contain even more information about RSU #23's individual funds.

REPORTING ON THE UNIT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The analysis of RSU #23's overall financial condition and operations begins on this page. Its primary purpose is to show whether the financial position of RSU #23 is improving or not. The Statement of Net Assets includes all RSU #23's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by RSU #23's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. RSU #23's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students outside RSU #23 and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers (local appropriation) or by the State of Maine in the form of annual foundation allocations and debt service subsidies.

All of RSU #23's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report RSU #23's net assets and changes in them. RSU #23's net assets (the difference between assets and liabilities) provide one measure of RSU #23's financial health, or financial position. Over time, increases or decreases in RSU #23's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of RSU #23, however, you should consider non-financial factors as well, such as changes in RSU #23's average daily attendance or its property tax base and the condition of RSU #23's facilities.

REPORTING THE UNIT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

In the Governmental Funds Balance Sheet (Statement 3) and the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds (Statement 4), we divide RSU #23 into two kinds of activities:

General Fund - Most of RSU #23's basic services are reported here, including the instruction, counseling, co-curricular activities, transportation, maintenance of plant and equipment, community services, and general administration. Local assessments, state subsidies, tuition and fees finance most of these activities.

Other Governmental Funds - Special Revenues and Capital Project Funds are reported here.

- Special Revenues - Used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Accounts include the School Lunch Program, Federal and Other Special Revenue Funds, and Adult Education.
- Capital Project Funds - Funds which are used to account for financial resources segregated for the acquisition or construction of a major capital facility. Such resources are derived principally from proceeds of general obligation bond issues. The Loranger Middle School Window Wall Project was the only capital project fund.

The combining and individual fund financial statements provide detailed information about the most significant funds, not RSU #23 as a whole. Laws and contracts require RSU #23 to establish separate funds for grants such as received under the No Child Left Behind Act from the U.S. Department of Education. RSU #23's administration establishes many other funds to help it control and manage money for particular purposes (like school activities). RSU #23 has two types of funds as follows:

Governmental Funds - Most of RSU #23's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of RSU #23's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

REGIONAL SCHOOL UNIT #23
Management's Discussion and Analysis, Continued

Fiduciary Funds - RSU #23 is the trustee, or fiduciary, for money raised by student activities. All of RSU #23's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets (Statement 7). These resources are excluded from RSU #23's other financial statements because RSU #23 cannot use these assets to finance its operations. RSU #23 is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Statement 1) and changes in net assets (Statement 2) of the Unit's governmental activities.

NET ASSETS		
	2011	2010
Current and other assets	\$ 5,276,288	\$ 5,936,585
Capital assets	11,571,036	11,794,218
Total assets	16,847,324	17,730,803
Long-term liabilities	3,326,922	3,693,470
Other liabilities	5,094,631	4,559,672
Total liabilities	8,421,553	8,253,142
Net assets:		
Invested in capital assets, net of related debt	7,589,684	7,286,742
Restricted	1,967,541	-
Unrestricted	(1,131,454)	2,190,919
Total net assets	\$ 8,425,771	9,477,661
CHANGE IN NET ASSETS		
Revenues:		
Program revenues:		
Charges for services	\$ 636,431	\$ 702,914
Operating grants and contributions	7,673,403	7,713,118
Capital grants and contributions	-	-
General revenues:		
Local assessments	27,760,597	27,807,507
Intergovernmental	12,274,061	12,680,141
Investment earnings	101	209
Loss on disposal of assets	(14,717)	-
Miscellaneous	35,450	35,863
Total revenues	48,365,326	48,939,752
Expenses:		
Instructional	30,046,115	28,517,087
Administration	2,769,309	2,668,122
Student & Staff Support	2,452,255	2,617,273
Operations and maintenance	3,581,712	3,123,951
Student Transportation	1,664,799	1,630,264
Special State & Federal Funds	4,335,297	4,448,096
Maine PERS	2,823,175	2,903,200
Interest on debt	147,279	286,107
School lunch program	1,259,668	1,180,539
Adult education	337,607	318,963
Total expenses	49,417,216	47,693,602
Change in net assets	\$ (1,051,890)	1,246,150

RSU #23's combined net assets were \$8,425,771 at June 30, 2011 (Statement 1). The Statement of Activities (Statement 2) also shows the revenues from Local Assessments of \$27,760,597 and Intergovernmental of \$12,274,061.

REGIONAL SCHOOL UNIT #23
Management's Discussion and Analysis, Continued

GENERAL FUND BUDGETARY HIGHLIGHTS

As Statement 6 indicates, RSU #23 received \$173,103 less in revenues of what was budgeted due to the following:

1. The State of Maine paid \$199,565 less in Maine Care (Medicaid) and tuition (State Agency) than what was budgeted.

Expenses were \$297,603 less than anticipated due to the following:

1. Many replacements for teachers who either resigned or retired were hired in at a lesser salary than what was budgeted for those positions although the retirement incentive program reduced this savings.
2. Budgeted for an Assistant Technology Director that was not hired.
3. Nurse resigned part way through the school year. A replacement was not hired.

RSU #23 ended the year with a net general fund balance of \$747,987. GAAP dictates that summer pay for teachers must be booked the year they are earned. RSU #23 accrued the summer pay in June of 2011.

SPECIAL REVENUE FUNDS

School Lunch Program detail transactions related to resources obtained and used in providing student lunches. They include salaries for cafeteria personnel and the cost of food and supplies. Details of the School Lunch Program may be seen under the Governmental Funds section of the audit report.

Adult Education Funds detail activities and transactions relating to the adult education program. Revenues are obtained from State subsidies, Federal Grants, local appropriations and registration fees. The Adult Education program provides classes for GED students, Vocational education students and classes taken for enjoyment. Details of the Adult Education Program may be seen under the Governmental Funds section of the audit report.

Federal and Other Special Revenue Funds detail transactions related to resources obtained from Federal, State or Local Grants. They are often restricted in purpose and must be accounted for separately. A list of School Grants is also provided.

Capital Project Funds are used to detail financial resources segregated for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues.

FIDUCIARY AND AGENCY FUND BUDGET HIGHLIGHTS

RSU #23 acts as a custodian for Agency Funds – money raised by student activities. All of RSU #23's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these resources from RSU #23's other financial statements because RSU #23 cannot use these assets to finance its operations. RSU #23 is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

RSU #23's elected and appointed officials considered many factors when setting the FY 12 budget. On June 7, 2011, the voters within RSU #23 approved a 2011/2012 school budget that is a 2.71% increase over last year's budget but due to increased state and federal revenues, it is a 0.028% decrease at the local level.

This is the seventh year of school funding under the new Essential Programs and Services (EPS) Funding Law. This year, EPS is funded at 97% not 100%. Therefore, we are not receiving the entire subsidy that we should under this new formula.

In RSU #23, town assessments are determined by our cost sharing formula in the Reorganization Plan. Each town is responsible for its share of additional local funds up to the amount of its share of additional local funds in FY 2010. In FY 2010, additional local funds were calculated on the basis of the percentage of each municipality's additional local funds as calculated for FY 2008-09. Any additional local fund increase or decrease is broken down into two components: 50% of each municipality's percentage of the average number of pupils on April 1 and October 1 in the prior calendar year and 50% of each municipality's percentage of State valuation for the prior calendar year. This increase or decrease figure is added or subtracted from the municipality's FY 2011 share. This year each town is expected to raise a minimum of 7.47 mills for education with the exception of Old Orchard Beach (EPS Funding Model). Since Old Orchard Beach is a minimum receiver, they only have to raise a minimum of 4.63 mills for education.

The 2011/2012 budget that has been approved covers the essentials to run our programs. This is a very lean budget. Since RSU #23 has many contracts that have expired, a majority of the budget increase is for potential salary and benefit increases for RSU #23's 535 employees so RSU #23 can bargain in good faith. The remaining increase is due to health insurance expenses. All other expenses were kept at little or no increase. The School Board, Administrative Team and Staff have worked hard to present you with a budget that is educationally sound and fiscally responsible.

In spite of difficult financial times, RSU #23 continues to work towards the implementation of the Maine Learning Results and the No Child Left Behind initiatives.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of RSU #23's finances and to show RSU #23's accountability for the money it receives. If you have questions about this report or need additional financial information, contact RSU #23's business office, at RSU #23, 90 Beach Street, Saco, ME 04072.

BASIC FINANCIAL STATEMENTS

Statement 1

REGIONAL SCHOOL UNIT #23
Statement of Net Assets
June 30, 2011

		Governmental activities
ASSETS		
Cash and cash equivalents	\$	2,622,202
Accounts receivable		2,136,214
Due from State of Maine		406,917
Prepaid expenses		98,093
Inventory		12,862
Capital assets, not being depreciated		1,165,324
Capital assets, net of accumulated depreciation		10,405,712
Total assets		16,847,324
LIABILITIES		
Accounts payable		830,259
Accrued wages and benefits		3,198,511
Accrued compensated absences		333,761
Accrued interest		77,670
Noncurrent liabilities:		
Due within one year		654,430
Due in more than one year		3,326,922
Total liabilities		8,421,553
NET ASSETS		
Invested in capital assets, net of related debt		7,589,684
Restricted		1,967,541
Unrestricted		(1,131,454)
Total net assets	\$	8,425,771

See accompanying notes to financial statements.

Statement 2

REGIONAL SCHOOL UNIT #23
Statement of Activities
For the year ended June 30, 2011

Function/programs	Expenses	Program revenues		Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	
			Capital grants and contributions	Primary Governmental activities
Governmental activities:				
Regular instruction	\$ 23,615,343	-	-	(23,615,343)
Special education	6,430,772	-	-	(6,430,772)
Other instruction	472,345	-	-	(472,345)
Student and staff support	1,979,910	-	-	(1,979,910)
System administration	962,534	-	-	(962,534)
School administration	1,806,775	-	-	(1,806,775)
Transportation	1,664,799	62,945	-	(1,601,854)
Facilities maintenance	3,581,712	-	-	(3,581,712)
Adult education	337,607	90,290	80,680	(166,637)
Special State and Federal funds	4,335,297	-	3,978,431	(356,866)
School Lunch Program	1,259,668	483,196	791,117	14,645
MainePERS - on-behalf payments	2,823,175	-	2,823,175	-
Interest on debt	147,279	-	-	(147,279)
Total governmental activities	49,417,216	636,431	7,673,403	(41,107,382)
Total primary government	\$ 49,417,216	636,431	7,673,403	(41,107,382)
General revenues:				
Local assessments - K-12			\$	27,760,597
Intergovernmental				12,274,061
Investment earnings				101
Loss on disposal of assets				(14,717)
Miscellaneous				35,450
Total general revenues				40,055,492
Change in net assets				(1,051,890)
Net assets--beginning				9,477,661
Net assets--ending			\$	8,425,771

See accompanying notes to financial statements.

REGIONAL SCHOOL UNIT #23
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 2,457,619	164,583	2,622,202
Accounts receivable	109,375	22,524	131,899
Receivable from the City of Saco	1,262,333	266,380	1,528,713
Receivable from the Town of Dayton	117,796	-	117,796
Receivable from the Town of Old Orchard Beach	357,806	-	357,806
Due from State of Maine	35,185	371,732	406,917
Prepaid expenditures	98,093	-	98,093
Interfund loans receivable	-	441,833	441,833
Inventory	-	12,862	12,862
Total assets	\$ 4,438,207	1,279,914	5,718,121
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	509,119	321,140	830,259
Accrued wages and benefits	2,760,485	438,026	3,198,511
Interfund loans payable	420,616	21,217	441,833
Total liabilities	3,690,220	780,383	4,470,603
Fund balances:			
Nonspendable	1,409,475	279,242	1,688,717
Restricted	-	278,824	278,824
Assigned	3,753,459	-	3,753,459
Unassigned	(4,414,947)	(58,535)	(4,473,482)
Total fund balances	747,987	499,531	1,247,518
Total liabilities and fund balances	\$ 4,438,207	1,279,914	

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

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds. 11,571,036

Long-term liabilities that are not due and payable in the current
period and therefore are not reported in the funds:

Accrued compensated absences (333,761)
Accrued interest (77,670)
Capital leases (544,828)
Building obligations and bonds payable (3,436,524)

Net assets of governmental activities \$ 8,425,771

See accompanying notes to financial statements.

REGIONAL SCHOOL UNIT #23
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General	Other Governmental Funds	Totals
Revenues:			
Local assessments	\$ 27,568,597	192,000	27,760,597
Intergovernmental	15,097,236	4,815,311	19,912,547
Charges for services	-	572,762	572,762
Interest earned	-	101	101
Other revenues	98,395	35,641	134,036
Total revenues	42,764,228	5,615,815	48,380,043
Expenditures:			
Current:			
Regular instruction	23,432,672	-	23,432,672
Special education	6,429,464	-	6,429,464
Other instruction	472,345	-	472,345
Student and staff report	1,979,910	-	1,979,910
System administration	998,480	-	998,480
School administration	1,806,775	-	1,806,775
Transportation	1,761,331	-	1,761,331
Facilities maintenance	3,187,268	-	3,187,268
Adult education	-	337,607	337,607
Special State and Federal funds	-	4,335,297	4,335,297
School Lunch Program	-	1,259,668	1,259,668
MainePERS - on-behalf payments	2,823,175	-	2,823,175
Debt service	823,679	-	823,679
Capital outlay	491,031	22,823	513,854
Total expenditures	44,206,130	5,955,395	50,161,525
Excess (deficiency) of revenues over (under) expenditures	(1,441,902)	(339,580)	(1,781,482)
Other financing sources (uses):			
Capital lease proceeds	491,031	-	491,031
Transfers - in	-	518	518
Transfers - out	(518)	-	(518)
Total other financing sources (uses)	490,513	518	491,031
Net change in fund balances	(951,389)	(339,062)	(1,290,451)
Fund balances, beginning of year	1,699,376	838,593	2,537,969
Fund balances, end of year	\$ 747,987	499,531	1,247,518

See accompanying notes to financial statements.

REGIONAL SCHOOL UNIT #23
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2011

Net change in fund balances--total governmental funds (from Statement 4)	\$	(1,290,451)
Amounts reported for governmental activities in the statement of activities 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 as depreciation expense. This is the amount by which depreciation expense (\$855,358) exceeded capital outlay (\$646,893) in the current period plus the loss on disposal of assets (\$14,717).		(223,182)
Debt and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which principal repayments (\$1,017,155) exceeded lease proceeds (\$491,031) and funds received from the Maine Municipal Bond Bank (\$567).		525,557
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the decrease in accrued interest (\$12,102) and increase in accrued compensated absences (\$75,916).		(63,814)
Change in net assets of governmental activities (see Statement 2)	\$	(1,051,890)

See accompanying notes to financial statements.

REGIONAL SCHOOL UNIT #23
Statement of Revenues, Expenditures and Changes in Fund Balance--
Budget and Actual - Budgetary Basis
General Fund
For the year ended June 30, 2011

	General Fund			Variance with final budget positive (negative)
	Budget			
	Original	Final	Actual	
Revenues:				
Local assessments	\$ 27,572,036	27,572,036	27,568,597	(3,439)
Intergovernmental	12,462,120	12,462,120	12,274,061	(188,059)
Other revenues	80,000	80,000	98,395	18,395
Total revenues	40,114,156	40,114,156	39,941,053	(173,103)
Expenditures:				
Current:				
Regular instruction	23,432,754	23,432,754	23,432,672	82
Special education	6,475,983	6,475,983	6,429,464	46,519
Other instruction	493,117	493,117	472,345	20,772
Student and staff report	2,185,022	2,185,022	1,979,910	205,112
System administration	998,547	998,547	998,480	67
School administration	1,806,800	1,806,800	1,806,775	25
Transportation	1,761,410	1,761,410	1,761,331	79
Facilities maintenance	3,212,215	3,212,215	3,187,268	24,947
Debt service	823,679	823,679	823,679	-
Total expenditures	41,189,527	41,189,527	40,891,924	297,603
Excess (deficiency) of revenues over (under) expenditures	(1,075,371)	(1,075,371)	(950,871)	124,500
Other financing sources (uses):				
Transfers - in	-	-	-	-
Transfers - out	-	-	(518)	(518)
Utilization of prior year surplus	1,075,371	1,075,371	-	(1,075,371)
Total other financing sources (uses)	1,075,371	1,075,371	(518)	(1,075,889)
Net change in fund balance	-	-	(951,389)	(951,389)
Fund balances, beginning of year			1,699,376	
Fund balance, end of year			\$ 747,987	

See accompanying notes to financial statements.

REGIONAL SCHOOL UNIT #23
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private- purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	252,712
Investments	663,545	-
Total assets	663,545	252,712
LIABILITIES		
Amount held for student groups	-	252,712
Total liabilities	-	252,712
NET ASSETS		
Held in trust	\$ 663,545	-

See accompanying notes to financial statements.

REGIONAL SCHOOL UNIT #23
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2011

	Private- purpose Trust Funds
Additions:	
Donations	\$ 50,958
Investment earnings:	
Interest	33,552
Unrealized gain	64,412
Total additions	148,922
Deductions:	
Scholarships and other	32,887
Total deductions	32,887
Change in net assets	116,035
Net assets, beginning of year	547,510
Net assets, end of year	\$ 663,545

See accompanying notes to financial statements.

THE REPORTING ENTITY

Regional School Unit #23 was organized in 2009 under the laws of the State of Maine. The Unit is administered by a seven member Board of School Directors and encompasses the Towns of Old Orchard Beach and Dayton and the City of Saco.

This report includes all funds of the Unit. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the Unit's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that would be considered potential component units within the Unit that should be included as part of these financial statements.

The Unit provides a full range of educational services that includes instruction, transportation, operation and maintenance of plant and equipment, student and staff support services, school lunch program, and general administrative services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Regional School Unit #23 conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies:

A. Basis of Presentation

The School Unit's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School Unit as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School Unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School Unit's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School Unit. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School Unit.

2. Fund Financial Statements:

During the year, the School Unit segregates transactions related to certain School Unit functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School Unit at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

The School Unit uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School Unit's major governmental fund:

General Fund - The General Fund is the general operating fund of the School Unit. All revenues not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid through other funds.

2. Fiduciary and Agency Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension-trust funds, investment-trust funds, private-purpose trust funds and agency funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School Unit's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. **Measurement Focus**

1. **Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School Unit are included on the Statement of Net Assets.

2. **Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. **Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School Unit, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School Unit receives value without directly giving equal value in return, include local assessments, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School Unit must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School Unit on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: local assessments available as an advance, interest, grants, and student fees.

2. **Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

E. **Budgetary Accounting**

A budget is formally adopted for the General Fund each year by a referendum vote, and is prepared on a basis consistent with U.S. generally accepted accounting principles except for Maine Public Employees Retirement System (MainePERS) – on-behalf payments as described later in these notes. Other special revenue funds, school lunch fund and capital project funds do not have legally adopted budgets but have adopted budgets through formal authorizations by the Board of School Directors and through grant agreements.

Encumbrances - Encumbrance 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. The Unit voids all open encumbrances at year end.

Interfund Transactions - During the course of normal operations, the Unit has several transactions between funds including expenditures and transfers of resources to provide services. These transactions are reported as transfers.

Inventories - School Lunch inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventories include the value of the U. S. Department of Agriculture commodities donated to the School Lunch Program.

Compensated Absences - Under terms of personnel policies, vacation and sick leave are granted in varying amounts according to length of service. In some cases, employees are entitled to payment for unused vacation upon termination or retirement. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity - Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the School Unit is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the School Unit imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the School Unit's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The voters at the School Unit budget referendum have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the School Unit's practice 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 School Unit's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

Capital Assets - Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The School Unit does not possess any material infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated lives	Capitalization
Buildings and improvements	15-40 years	\$ 10,000
Furniture and equipment	5-10 years	3,000
Vehicles	5-10 years	3,000

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

Comparative Data/Reclassifications - Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Unit or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Unit's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

Capital assets	\$ 35,355,566
Accumulated depreciation	(23,784,530)
Building obligations and bonds payable	(3,436,524)
Capital leases	(544,828)

Total invested in capital assets, net of related debt \$ 7,589,684

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis vs. GAAP Basis – General Fund

The Unit's General Fund budget is prepared on a basis consistent with generally accepted accounting principles (U.S. GAAP) except for Maine Public Employees Retirement System (MainePERS) – on-behalf payments which is not budgeted. The Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Statement 6) is prepared on the budgetary basis.

Also, as required by generally accepted accounting principles (GAAP), the Unit has recorded a revenue and expenditure for MainePERS contributions made by the State of Maine on behalf of the Unit. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,823,175. These amounts have been included as intergovernmental revenue and an education expenditure on Statement 2 and in the General Fund on Statement 4 (GAAP basis). There is no effect on the fund balance at the end of the year.

B. Deficit Fund Balances

The following fund had a deficit at June 30, 2011:

Capital Projects Fund \$ 22,823

This deficit will be funded with future revenues anticipated in 2011-2012.

DEPOSITS AND INVESTMENTS

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the Unit's deposits may not be returned to it. The Unit does not have a deposit policy for custodial credit risk. As of June 30, 2011, the School Unit reported deposits of \$2,874,914, with a bank balance of \$3,064,438. As of June 30, 2011, none of the Unit's bank balance of \$3,064,438 was exposed to custodial credit risk whereas \$2,390,779 was collateralized by underlying securities held by the related bank in the Unit's name and the remaining \$673,659 was insured by the FDIC.

REGIONAL SCHOOL UNIT #23
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

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

Deposits have been reported as follows:

Reported in governmental funds	\$ 2,622,202
Reported in fiduciary funds	252,712
Total deposits	\$ 2,874,914

Investments – Maine statutes authorize the Unit to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stock and bonds. Generally, the Unit invests the excess funds of its trust funds and certain special revenue funds in stocks and money market accounts through an investment company. At June 30, 2011, the Unit investments consisted of stocks and mutual funds with a carrying amount (fair value) of \$663,545.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the Unit will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Unit currently does not have an investment policy for custodial credit risk.

At June 30, 2011, the Unit reported the following investments none of which have set maturities:

	Fair value
Cash/money funds	\$ 34,264
Equities/stocks	265,868
Mutual Funds	363,413
Total investments	\$ 663,545

Investments have been reported as follows:

Reported in fiduciary funds (Statement 7)	\$ 663,545
Total investments	\$ 663,545

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of normal operations the Unit has numerous transactions between funds including expenditures and transfers. Most actual cash transactions occur in the general fund; the use of interfund accounts ensures that activity is reflected in the proper fund. Individual fund interfund receivables and payables balances and interfund transfer at June 30, 2011 arising from these transactions were as follows:

Fund	Receivables	Payables	Transfers
General Fund	\$ -	420,616	(518)
School Lunch Program	187,236	-	-
Federal and Other Special Revenue Funds	151,188	-	518
Capital Fund	-	21,217	-
Adult Education Fund	103,409	-	-
Total	\$ 441,833	441,833	-

REGIONAL SCHOOL UNIT #23
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 7/1/10	Increases	Decreases	Balance 6/30/11
Governmental Activities				
Capital asset, not being depreciated:				
Land	\$ 1,165,324	-	-	1,165,324
Total capital assets, not being depreciated	1,165,324			
Capital assets, being depreciated:				
Buildings and improvements	31,434,194	144,943	-	31,579,137
Furniture and equipment	1,929,990	257,410	1,560,490	626,910
Vehicles	2,168,847	244,540	429,192	1,984,195
Total capital assets, being depreciated	35,533,031	646,893	1,989,682	34,190,242
Less accumulated depreciation:				
Buildings and improvements	21,314,322	601,061	-	21,915,383
Furniture and equipment	1,801,219	122,702	1,555,174	368,747
Vehicles	1,788,596	131,595	419,791	1,500,400
Total accumulated depreciation	24,904,137	855,358	1,974,965	23,784,530
Capital assets, being depreciated, net	10,628,894	(208,465)	14,717	10,405,712
Governmental activities capital assets, net	\$ 11,794,218	(208,465)	14,717	11,571,036

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 106,755
Special Education	1,308
System Administration	6,054
Facilities maintenance	615,146
Transportation	126,095
Total depreciation expense	\$ 855,358

During the year the Unit performed an inventory of capital assets and re-evaluated the usefulness of assets held. As a result, the Unit disposed of computer equipment and vehicles for which the Unit foresaw no future benefit.

LONG-TERM DEBT

A. Changes in Long-term Liabilities

The following is a summary of long-term liability transactions of the Unit for the year ended June 30, 2011:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Governmental activities:					
Building obligations payable	\$ 4,101,389	-	664,865	3,436,524	429,865
Capital leases	406,087	491,031	352,290	544,828	224,565
Accrued compensated absences	257,845	167,469	91,553	333,761	-
Governmental activities long-term liabilities	\$ 4,765,321	658,500	1,108,708	4,315,113	654,430

REGIONAL SCHOOL UNIT #23
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT - CONTINUED

B. Bonds and Building Obligations Payable

Bonds and building obligations payable at June 30, 2011 are comprised of the following individual issues:

	Date of <u>issue</u>	Amount <u>issued</u>	Interest <u>rate</u>	Maturity <u>date</u>	Balance <u>6/30/11</u>
Building obligations payable:					
2010 Dayton School Renovation (1)	2009	\$ 251,750	None	9/1/2014	75,545
2002 School Renovation *	2002	5,940,000	3.25%-5%	1/1/2022	3,245,000
2002 School Renovation (2) *	2003	2,456,690	None	10/1/2011	115,979
Total bonds and building obligations payable					\$ 3,436,524

(1) The original amount of this note was for \$251,750, of which \$157,319 has been forgiven by the State. The Unit's outstanding portion at June 30, 2011 was \$75,545.

(2) The original amount of this note was for \$2,456,690, of which \$1,296,901 has been forgiven by the State. The Unit's outstanding portion at June 30, 2011 was \$115,979.

* These were original bonds in the name of the City of Saco. They have not been refinanced or transferred in name to the Regional School Unit #23, so they are still bond obligations of the City of Saco. During the month that the debt service payments are due, the City of Saco reduces its monthly assessment by the amount of the debt service payment. Regional School Unit #23 records the full amount of the monthly assessment due as revenue and records a debt service payment for the amount that is deducted from the assessment.

C. Capital Leases

The Unit has entered into several lease agreements as lessee for financing the acquisition of equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception.

The amount capitalized under capital leases is \$1,213,781 and includes the central office building, photocopiers, and several school buses.

Capital lease obligations for the Unit at June 30, 2011, are comprised of the following:

School Bus: interest rate	
4.10%; maturity date: December 15, 2011	\$ 17,691
School Bus: interest rate	
4.10%; maturity date: December 15, 2011	14,470
School Bus: interest rate	
3.30%; maturity date: December 16, 2011	24,730
School Bus: interest rate	
3.30%; maturity date: December 16, 2011	24,730
School Bus: interest rate	
3.00%; maturity date: August 15, 2012	100,665
Copiers: interest rate 4.13%;	
Maturity date: August 1, 2015	278,542
Building: Interest rate 0%	
Maturity date: July 1, 2012	84,000
Total	\$ 544,828

REGIONAL SCHOOL UNIT #23
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT - CONTINUED

The annual requirements to amortize all long-term liabilities outstanding as of June 30, 2011 are as follows:

<u>Year ended June 30,</u>	<u>Bonds and Building Obligations</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 429,865	156,203	224,565	17,375
2013	313,886	143,222	146,426	10,916
2014	313,886	129,948	55,617	7,179
2015	313,887	116,377	57,914	4,883
2016	295,000	102,513	60,306	2,491
2017-2021	1,475,000	295,000	-	-
2022	295,000	14,750	-	-
Totals	\$ 3,436,524	958,013	544,828	42,844

SHORT-TERM DEBT

The Unit issued a revenue anticipation note to cover the cash shortfall during the fiscal year. The amount of the revenue anticipation note issued is \$2,000,000. The Unit paid off the revenue anticipation note in this fiscal year. Revenue anticipation note activity for the year ended June 30, 2011, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Revenue anticipation notes	\$ -	2,000,000	2,000,000	-

OPERATING LEASES

The Unit has leases for two classroom modulars, expiring in July of 2013 and two vehicles, expiring in September of 2013. Lease expenditures for the year ended June 30, 2011 amounted to \$44,136. Future minimum lease payments for these leases are as follows:

<u>Fiscal year ending June 30,</u>	
2012	\$ 44,136
2013	44,136
2014	4,246
Total	\$ 92,518

UNEMPLOYMENT COMPENSATION FUND

The Unit is self-insured for unemployment compensation, thereby retaining the full liability of these risks. The unemployment compensation fund consists of a reserve account held with the Maine Municipal Association. Contributions during the year are invested and held temporarily to administer unemployment benefits for the Unit, if any. As of the date of this report, there are no unpaid claims outstanding, nor is the Unit aware of potential claims which have been incurred yet remain unreported and which should be recorded at June 30, 2011.

REGIONAL SCHOOL UNIT #23
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The School contributes to the Maine Public Employees Retirement System (Maine PERS) Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. Maine PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. Maine PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan.

That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine, 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the School Unit is required to contribute an actuarially determined rate. These rates are designed to accumulate sufficient assets to pay benefits, when due. Normal cost employer contributions are calculated using the entry age normal actuarial cost method. Additionally, upon entering the Consolidated Retirement Plan, the School had its separate, individual existing unfunded actuarial liability calculated. The School Unit will pay this initial unpooled unfunded liability on a scheduled basis, in addition to making the normal contribution to the plan. The (IUUAL) is being amortized over nineteen years. The current rate is 3.5% of annual covered payroll for School Unit employees participating in the District Plan. The contribution rates of plan members and the School Unit are established and may be amended by the Maine Public Employees Retirement System Board of Trustees.

Teacher Group - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. Maine PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. Maine PERS issues a publicly available financial report that includes financial statements and required supplementary information for the teacher's group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,823,175 (17.76%) for the fiscal year 2011. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 17.76% of their compensation. This cost is charged to the applicable grant and amounted to \$143,635 (17.76%) for the year ended June 30, 2011.

RISK MANAGEMENT

The Unit 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 Unit either carries commercial insurance, is self insured or participates in a public entity risk pool. Currently, the Unit participates in a public entity risk pool for its workers compensation insurance sponsored by the Maine Municipal Association. Based on the coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the Unit is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2011.

REGIONAL SCHOOL UNIT #23
Notes to Basic Financial Statements, Continued

DUE FROM MEMBER COMMUNITIES

The Regional School Unit #23 Reorganization Plan was approved by the Commissioner of the State of Maine Department of Education. As part of the agreement, the fund balances of the various entities joining the District were to be paid to the School Unit, based on the audited financial statements of member communities for the year ended June 30, 2009. The RSU received a portion of these fund balances from its member communities during fiscal year 2010 and 2011. In addition, the School Unit has reported a long term receivable for the remaining balance due from the member communities.

The changes in long term receivables for the year ended June 30, 2011 is shown below:

	Beginning balance	Additions	Deletions	Ending balance
City of Saco, Maine – General fund	\$ 1,262,333	-	-	1,262,333
City of Saco, Maine – Special revenue funds	641,380	-	375,000	266,380
Town of Old Orchard Beach, Maine – General fund	571,128	-	213,322	357,806
Town of Old Orchard Beach, Maine – Special revenue funds	24,260	-	24,260	-
Town of Dayton, Maine – General fund	544,432	-	426,636	117,796
Governmental activities				
long-term receivables	\$ 3,043,533	-	1,039,218	2,004,315

FUND BALANCES

The General Fund unassigned fund balance total of (\$4,414,947) represents a negative 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. A negative unassigned fund balance totaling (\$58,535) is also reported for Other Governmental Funds as of June 30, 2011 (see Statement 3).

As of June 30, 2011 fund balance components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General fund:				
Long-term receivables	\$ 1,409,475	-	-	-
Subsequent budget	-	-	-	3,753,459
Other purposes	-	-	-	-
Other governmental funds:				
School Lunch	12,862	189,694	-	-
Federal and other special funds	266,380	-	-	-
Adult Education	-	89,130	-	-
Totals	\$ 1,688,717	278,824	-	3,753,459

SUBSEQUENT EVENTS

Subsequent to year end Regional School Unit #23 entered into a long term loan through the Maine Municipal Bond Bank Revolving Loan Fund for the replacement of the window wall at the Loranger Middle School. The total loan was for \$368,290 of which \$133,284 has been forgiven by the state. The loan matures in five years with annual payments starting August 1, 2012.

COMBINING AND INDIVIDUAL FUND STATEMENTS

These statements provide a more detailed view of the "basic financial statements" presented in the preceding subsection.

Combining statements are presented when there is more than one fund of a given fund type.

GENERAL FUND

The General Fund is the general operating fund of the School Unit. All revenues that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

REGIONAL SCHOOL UNIT #23
General Fund
Balance Sheet
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash	\$ 2,457,619	1,611,925
Accounts receivable	109,375	82,963
Receivable from the City of Saco	1,262,333	1,262,333
Receivable from the Town of Dayton	117,796	544,432
Receivable from the Town of Old Orchard Beach	357,806	571,128
Due from State of Maine	35,185	257,053
Prepaid expenditures	98,093	115,898
Interfund loans receivable	-	379,351
Total assets	\$ 4,438,207	4,825,083
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	509,119	996,253
Accrued wages and benefits	2,760,485	2,129,454
Interfund loans payable	420,616	-
Total liabilities	3,690,220	3,125,707
Fund balance:		
Nonspendable	1,409,475	2,377,893
Assigned	3,753,459	675,371
Unassigned	(4,414,947)	(1,353,889)
Total fund balance	747,987	1,699,376
Total liabilities and fund balance	\$ 4,438,207	4,825,083

REGIONAL SCHOOL UNIT #23
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual
For the year ended June 30, 2011
(with comparative actual amounts for the year ended June 30, 2010)

	2011		Variance	2010
	Budget	Actual	positive (negative)	Actual
Revenues:				
Local assessments:				
Local allocation	\$ 23,306,650	23,303,211	(3,439)	21,980,821
Non-State funded debt service	-	-	-	597,466
Additional local allocation	4,265,386	4,265,386	-	5,067,220
Total local assessments	27,572,036	27,568,597	(3,439)	27,645,507
Intergovernmental:				
State subsidy - operating costs	11,882,120	11,893,626	11,506	11,114,137
State agency clients	260,000	188,519	(71,481)	146,901
Medical reimbursement	320,000	191,916	(128,084)	1,413,189
Other	-	-	-	5,914
Total intergovernmental	12,462,120	12,274,061	(188,059)	12,680,141
Other revenues:				
Tuition fees	20,000	-	(20,000)	-
Rentals	-	6,070	6,070	3,686
Interest	50,000	5,876	(44,124)	7,555
Transportation	-	62,945	62,945	111,263
Miscellaneous	10,000	23,504	13,504	24,622
Total other revenues	80,000	98,395	18,395	147,126
Total revenues	40,114,156	39,941,053	(173,103)	40,472,774
Expenditures:				
Current:				
Regular instruction	23,432,754	23,432,672	82	21,693,533
Special education	6,475,983	6,429,464	46,519	6,519,157
Other instruction	493,117	472,345	20,772	389,334
Student and staff report	2,185,022	1,979,910	205,112	2,227,939
System administration	998,547	998,480	67	1,065,162
School administration	1,806,800	1,806,775	25	1,690,242
Transportation	1,761,410	1,761,331	79	1,612,969
Facilities maintenance	3,212,215	3,187,268	24,947	3,441,404
Debt service	823,679	823,679	-	858,904
Total expenditures	41,189,527	40,891,924	297,603	39,498,644

REGIONAL SCHOOL UNIT #23
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual, Continued

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Excess (deficiency) of revenues over (under) expenditures	\$ (1,075,371)	(950,871)	124,500	974,130
Other financing sources (uses):				
Transfers in	-	-	-	113,358
Transfers out	-	(518)	(518)	(68,640)
Utilization of prior year surplus	1,075,371	-	(1,075,371)	-
Total other financing sources (uses)	1,075,371	(518)	(1,075,889)	44,718
Net change in fund balance	-	(951,389)	(951,389)	1,018,848
Fund balance, beginning of year		1,699,376		680,528
Fund balance, end of year	\$	747,987		1,699,376

OTHER GOVERNMENTAL FUNDS

REGIONAL SCHOOL UNIT #23
Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	Special Revenue Funds				Totals
	School Lunch Program	Federal and Other Special Revenue Funds	Adult Education Fund	Capital Projects	
ASSETS					
Cash and cash equivalents	\$ 180	164,203	200	-	164,583
Accounts receivable	-	22,524	-	-	22,524
Receivable from the City of Saco	-	266,380	-	-	266,380
Due from State of Maine	42,725	329,007	-	-	371,732
Interfund loans receivable	187,236	151,188	103,409	-	441,833
Inventory	12,862	-	-	-	12,862
Total assets	\$ 243,003	933,302	103,609	-	1,279,914
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	38,703	277,714	3,117	1,606	321,140
Accrued wages and benefits	1,744	424,920	11,362	-	438,026
Interfund loans payable	-	-	-	21,217	21,217
Total liabilities	40,447	702,634	14,479	22,823	780,383
Fund balances:					
Nonspendable	12,862	266,380	-	-	279,242
Restricted	189,694	-	89,130	-	278,824
Unassigned	-	(35,712)	-	(22,823)	(58,535)
Total fund balances	202,556	230,668	89,130	(22,823)	499,531
Total liabilities and fund balances	\$ 243,003	933,302	103,609	-	1,279,914

REGIONAL SCHOOL UNIT #23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the year ended June 30, 2011

	Special Revenue Funds			Capital Projects	Totals
	School Lunch Program	Federal and Other Special Funds	Adult Education Fund		
Revenues:					
Local assessments	\$ -	-	192,000	-	192,000
Intergovernmental	791,117	3,943,514	80,680	-	4,815,311
Charges for services	483,196	-	89,566	-	572,762
Interest earned	-	-	101	-	101
Other revenues	-	34,917	724	-	35,641
Total revenues	1,274,313	3,978,431	363,071	-	5,615,815
Expenditures:					
Current:					
Adult education	-	-	337,607	-	337,607
Special State and Federal funds	-	4,335,297	-	-	4,335,297
School Lunch Program	1,259,668	-	-	-	1,259,668
Capital outlay	-	-	-	22,823	22,823
Total expenditures	1,259,668	4,335,297	337,607	22,823	5,955,395
Excess (deficiency) of revenues over (under) expenditures	14,645	(356,866)	25,464	(22,823)	(339,580)
Other financing sources (uses):					
Transfers in	-	518	-	-	518
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	518	-	-	518
Net change in fund balances	14,645	(356,348)	25,464	(22,823)	(339,062)
Fund balances (deficit), beginning of year	187,911	587,016	63,666	-	838,593
Fund balances (deficit), end of year	\$ 202,556	230,668	89,130	(22,823)	499,531

REGIONAL SCHOOL UNIT #23
Federal and Other Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Fund balances (deficits) beginning of year	Revenues Federal/ State revenues	Other revenues	Expenditures Program expenditures	Transfers in (out)	Fund balances (deficits) end of year
Federal programs:						
020 State Stabilization Fund	\$ 4,701	1,283,258	-	1,287,959	-	-
030 Title IA - ARRA	93,571	-	-	93,571	-	-
050 Local Entitlement-ARRA	-	611,799	-	611,799	-	-
051 Preschool-ARRA	-	8,813	-	8,813	-	-
230 Title IA	(5)	775,246	-	775,241	-	-
231 CIPS - FF	-	16,487	-	16,487	-	-
247 Local Entitlement	237,333	835,165	-	1,072,498	-	-
251 Preschool	-	16,589	-	16,589	-	-
263 Title IVA - Drug Free	2,011	-	-	-	(2,011)	-
268 Title III	-	7,497	-	7,497	-	-
270 Title IIA - Teacher Quality	5,912	206,224	-	214,147	2,011	-
271 Reap Grant	881	-	-	881	-	-
295 Adult Education Basic Ed Grant (FLA)	-	22,967	-	22,967	-	-
Total federal programs	344,404	3,784,045	-	4,128,449	-	-
Other programs:						
200 2020 Grant	13,749	-	-	-	-	13,749
203 Community for Children	3,334	-	-	3,334	-	-
203 H1N1	9,785	-	-	9,785	-	-
205 Medicaid	(1)	-	1	-	-	-
205 Special Olympics	677	-	-	164	-	513
205 Parking Fund	10,347	-	-	-	-	10,347
206 Health & Wellness Committee	100	-	1,000	-	-	1,100
207 Nutrition Backpack Program	2,511	-	-	-	-	2,511
222 Adult Education Maine College Transition	-	30,000	-	30,000	-	-
223 Mental Health Grant	4,000	-	-	4,000	-	-
224 Unemployment Compensation Fund	166,072	-	33,916	35,785	-	164,203
226 OOB-Dental Grant	660	855	-	1,074	(12)	429
226 Dayton-Dental Grant	-	332	-	344	12	-
227 Health Coordinator Grant	1,914	71,321	-	73,153	-	82
228 Cal-ME Grant	8,911	7,000	-	9,882	-	6,029
290 E-Rate Funds	28,617	26,926	-	26,566	-	28,977
790 SMS Laptop Program	(8,064)	23,035	-	12,243	-	2,728
952 Title IIB Math & Science	-	-	-	518	518	-
Total other programs	242,612	159,469	34,917	206,848	518	230,668
Total	\$ 587,016	3,943,514	34,917	4,335,297	518	230,668

REGIONAL SCHOOL UNIT #23
Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Minor Capital Projects
Revenues:	
Other revenues	\$ -
Total revenues	-
Expenditures:	
Capital outlay	22,823
Total expenditures	22,823
Excess (deficiency) of revenues over (under) expenditures	(22,823)
Other financing sources:	
Bond proceeds	-
Transfers in	-
Total other financing sources	-
Net change in fund balances	(22,823)
Fund balance (deficit), beginning of year	-
Fund balances (deficit), end of year	\$ (22,823)

REGIONAL SCHOOL UNIT #23
Statement of Changes in Cash Balances
Fiduciary Funds
Agency Funds
For the Year Ended June 30, 2011

		Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Fiduciary Fund:					
Old Orchard Beach High School Scholarships (Sch 2)	\$	547,510	148,922	32,887	663,545
Activity Fund:					
Old Orchard Beach High School (Sch 3)		91,647	199,989	216,873	74,763
Saco Middle School (Sch 4)		108,829	114,546	113,741	109,634
Loranger Middle School (Sch 5)		32,435	75,196	80,291	27,340
Young School (Sch 6)		34,459	11,781	6,760	39,480
Jameson School (Sch 7)		1,151	10,659	10,315	1,495
Total	\$	816,031	561,093	460,867	916,257

SCHEDULES

REGIONAL SCHOOL UNIT #23
Private-purpose Trust Funds
Combining Statement of Revenues, Expenditures and Changes in Fiduciary Net Assets
For the year ended June 30, 2011

	Net Assets beginning of year			Unrealized gains and losses			Contributions and other receipts			Net Assets end of year		
	Unexpended		Investment income	Total		Income	Expenditures		Principal	Unexpended income		Total
	Principal	Income		Principal	Income		Principal	Income		Principal	Income	
Old Orchard Beach High School Scholarship	\$	279,293	268,217	547,510	33,552	33,552	32,887	279,293	384,252	663,545		
Totals	\$	279,293	268,217	547,510	33,552	33,552	32,887	279,293	384,252	663,545		

REGIONAL SCHOOL UNIT #23
Old Orchard Beach High School Student Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2011

	Balances July 1, 2010	Receipts	Disbursements	Balances June 30, 2011
09-10 Scholarship Drive	\$ 52	1,175	1,220	7
Operation Seagull Pride	1,502	10,574	10,432	1,644
Football Memories	1,647	9	-	1,656
Kerry Scholarship	-	50	50	-
Sports Pass	-	25	-	25
Jazz Choir	26	-	-	26
Chorus	607	-	592	15
Athletic Fields	3,042	-	67	2,975
Retirement Party	12	955	822	145
Hockey	731	-	-	731
Saco and Biddeford Savings	2,123	1,000	2,000	1,123
Girls Soccer	558	1,843	2,108	293
Chas. Greer Sch.	111	115	226	-
PSAT	222	-	138	84
Boys Soccer	73	707	777	3
Band Show	1,424	2,962	2,647	1,739
Civil Rights Team	334	-	-	334
Dance Class	18	262	142	138
Todd Newton Memorial Fund	30	-	30	-
Football Playoffs	1,087	-	-	1,087
AP Exam	-	1,347	1,343	4
#5210	750	-	614	136
Sign Board	10,400	-	10,400	-
Summer School	1,080	750	258	1,572
Powerful Youth	-	350	350	-
Health Services	-	1,032	484	548
GBB Playoffs	-	781	581	200
Summer BB	-	50	-	50
Monthly interest	-	151	52	99
Paul Robillard Scholarship	-	250	250	-
Foul Shots - Alumni	181	388	350	219
Alumni Scholarship	565	2,210	2,100	675
Ola Brownrigg Scholarship	200	195	395	-
Trull Scholarship	111	40	151	-
Graduation Invitations	366	-	228	138
Athletics	11,574	13,672	18,270	6,976
Special Projects	789	1,635	2,157	267
Student Activities	1,046	1,011	1,410	647
Transcript	607	54	86	575
Class of 2007	2,030	-	1,000	1,030
Class of 2008	777	-	93	684
Class of 2011	1,624	3,872	4,598	898
Class of 2012	2,117	11,435	8,228	5,324
Class of 2013	1,828	4,734	3,042	3,520
Class of 2014	-	1,731	(85)	1,816
Golf	5	462	157	310
National Honor Society	1,648	854	750	1,752
Natural Helpers	1,008	1,018	1,049	977
Drama	1,528	655	723	1,460
Student Council	1,696	4,463	4,146	2,013

Continued

REGIONAL SCHOOL UNIT #23
Old Orchard Beach High School Student Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Continued
For the year ended June 30, 2011

	Balances July 1, 2010	Receipts	Disbursements	Balances June 30, 2011
Interact Club	\$ 434	180	552	62
Yearbook	1,223	8,575	8,902	896
Shirt Sale - Football	479	120	116	483
Band	1,341	2,578	3,330	589
Class Night	2,130	9,058	8,459	2,729
Girls Tennis	246	684	847	83
Gate	9,073	7,500	6,806	9,767
Technology	937	-	130	807
McGrath Scholarship	-	2,000	1,000	1,000
Culinary Arts	(39)	1,039	999	1
Vending Machines	355	863	876	342
Quebec Trip	7	-	-	7
Book/Library	1,331	71	73	1,329
Melmac Scholarship	-	1,000	1,000	-
Graphic Arts	24	-	-	24
Band Fees	125	2,775	1,969	931
Cheerleaders	3	1,390	1,380	13
Student Activity Fee	1,720	3,334	1,874	3,180
Jr. Ach	270	-	50	220
D Spencer Scholarship	37	-	37	-
Softball	3,493	700	2,617	1,576
OOB Scholarships	4,000	72,435	75,779	656
Outdoor Track	248	-	-	248
Josh Bolduc Scholarship	3	1,095	98	1,000
Baseball	212	750	952	10
Sunshine Club	136	585	610	111
Art Room	1,514	128	489	1,153
Girls Basketball	3,553	805	4,261	97
Weight Room	713	-	-	713
Boys Basketball	-	2,850	2,831	19
Lost Books	619	162	100	681
Field Hockey	1,820	2,083	2,065	1,838
New York	14	-	-	14
Football	86	4,412	4,240	258
International Club	11	-	-	11
Totals	\$ 91,647	199,989	216,873	74,763

Note: The total balance is represented by cash in bank.

REGIONAL SCHOOL UNIT #23
Saco Middle School Student Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2011

	Balances July 1, 2010	Receipts	Disbursements	Balances June 30, 2011
Principals Account	\$ 10,927	8,622	16,931	2,618
Augusta Field Trip	51	-	-	51
Athletic Director's Account	3,267	3,681	867	6,081
Bookstore/School Store Account	500	-	-	500
Boston Field Trip	12,866	14,885	13,332	14,419
Bottle Brigade	-	1,884	1,882	2
Humanities Team	425	1,916	306	2,035
Civil Rights Team Account	681	-	-	681
Grade 8 - Eagles	1,135	689	566	1,258
Grade 8 - Phoenix	1,730	567	628	1,669
Grade 8 - End of Year	932	-	-	932
Grade 8 - Falcons	2,089	484	150	2,423
Grade 8 - books (lost-damaged)	2,944	435	-	3,379
Grade 7 - Ravens	2,335	7,707	6,372	3,670
Grade 7 - Condors	1,730	4,154	1,420	4,464
Grade 7 - books (lost-damaged)	1,765	206	19	1,952
Grade 7 - Herons	1,168	3,754	5,328	(406)
Grade 6 - Seahawks	2,038	1,513	917	2,634
Grade 6 - Loons	2,672	5,033	4,946	2,759
Grade 6 - Toucans	3,248	801	875	3,174
Grade 6 - books (lost-damaged)	2,065	-	-	2,065
Contingent Account	6,192	2,967	3,310	5,849
Drama Club Account	686	804	429	1,061
Good Earth Project (Ecology Club)	1,267	131	48	1,350
French Club	206	-	-	206
Promotion Awards Account	-	285	285	-
Higgins Armory Museum	10	-	-	10
Family and Consumer Science Account	370	-	-	370
Science Fair	138	337	328	147
Robotics Lab	520	97	474	143
Library Account	2,993	5,919	5,715	3,197
Lorraine G. Riley Poetry	22	-	-	22
Miscellaneous/Sunshine Fund	1,075	397	218	1,254
Band Activities	2,909	5,182	6,153	1,938
Physical Education	3,153	2,397	2,648	2,902
School Newspaper	28	-	-	28
Special Ed	3,837	-	199	3,638
Student Council	754	-	-	754
Washington DC Account	576	-	576	-
New York Trip	140	15,309	15,285	164
BAM Day (Cabin Fever Day)	11,269	9,932	11,134	10,067
Yearbook Account	13,757	12,903	10,397	16,263
P. Huff Fund Trans.	828	-	-	828
Maine Coalition	636	-	-	636
Sam's Club Teacher of the Year	500	-	500	-
SAT Team	397	-	-	397
Art Club	1,149	75	-	1,224
Unified Arts Team	163	-	-	163
Teacher of the Year (Pribish)	1	-	1	-
Gifted & Talented Program	685	1,480	1,502	663
Totals	\$ 108,829	114,546	113,741	109,634

Note: The total balance is represented by cash in bank.

REGIONAL SCHOOL UNIT #23
Loranger Middle School Student Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2011

	Balances July 1, 2010	Receipts	Disbursements	Balances June 30, 2011
Athletic Extra-Curricular	\$ 59	9,281	8,973	367
Athletic Fund	651	827	1,408	70
Books Account	1,853	1,005	2,796	62
Building Account	(3)	8,052	8,193	(144)
Camp Kieve Fund	5,094	8,417	12,212	1,299
Chorus Account	237	3,840	4,069	8
Class Funds Grade 4	1,122	520	794	848
Class Funds Grade 5	658	353	420	591
Class Funds Grade 6	357	838	300	895
Class Funds Grade 7	1,179	1,134	1,203	1,110
Class Funds Grade 8	1,264	1,559	1,630	1,193
Coca-Cola Account	(687)	2,394	2,457	(750)
Family Consumer Science	1,200	-	322	878
Jean/Hat Fund	603	240	55	788
C.A.T.C.H.	1,411	2,035	3,351	95
Library Account	495	3,843	3,678	660
Music Extracurricular	133	1,100	1,233	-
Music Fund	3,017	20,060	20,343	2,734
Student Council	72	1,506	1,475	103
Student Activity Fees	2,345	2,187	3,368	1,164
Laptop Insurance	9,397	3,155	1,152	11,400
Janet King Memorial Fund	1,146	-	-	1,146
Agendas Account	140	25	-	165
French Club	308	547	197	658
Grade 8 DVD's	384	-	-	384
Nurses Account	-	1,678	662	1,016
Field Trips Grade 8	-	600	-	600
Totals	\$ 32,435	75,196	80,291	27,340

Note: The total balance is represented by cash in bank.

REGIONAL SCHOOL UNIT #23
Young School Student Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2011

	Balances July 1, 2010	Receipts	Disbursements	Balances June 30, 2011
General	\$ 2,458	1,609	1,957	2,110
RIF	4,996	8,000	3,994	9,002
Coca Cola	259	-	259	-
Altrusa Fund	79	-	79	-
Backpacks	13	-	13	-
Weston Pierson Fund	22	-	22	-
Library Fund	741	213	41	913
Library Restoration	22,491	-	-	22,491
Responsive School Team	500	-	-	500
5210 Fitness Program	2,120	-	-	2,120
Michelle Perreault	580	-	-	580
Fairfield/Young H1N1	-	1,959	395	1,564
Petty Cash	200	-	-	200
Totals	\$ 34,459	11,781	6,760	39,480

Note: The total balance is represented by cash in bank.

REGIONAL SCHOOL UNIT #23
Jameson School Student Activity Funds
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
For the year ended June 30, 2011

	Balances July 1, 2010	Receipts	Disbursements	Balances June 30, 2011
Grade 1	\$ 86	-	-	86
5210	2	-	-	2
Library	3	3,228	3,087	144
Soda	347	1,304	1,559	92
Building	(54)	4,817	4,350	413
Nutrition-RN	327	661	757	231
Jeans	245	645	562	328
Sped	1	-	-	1
Title 1	145	-	-	145
RR	44	-	-	44
Interest	5	4	-	9
Totals	\$ 1,151	10,659	10,315	1,495

Note: The total balance is represented by cash in bank.

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APPENDIX B

**TOWN OF DAYTON, MAINE
ANNUAL FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES
FOR THE
YEAR ENDED JUNE 30, 2011**

(With Report of Independent Auditors' Thereon)

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TOWN OF DAYTON, MAINE

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JUNE 30, 2011

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

September 29, 2011

Board of Selectmen
Town of Dayton
Dayton, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Dayton, Maine, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Dayton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Dayton, Maine as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dayton, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RHR Smith & Company

Certified Public Accountants

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.thrsmith.com

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

(UNAUDITED)

The following management's discussion and analysis of the Town of Dayton financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government - Wide Financial Statements

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

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

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

Both of the above mentioned financial statements have one column for the one type of town activity. The type of activity presented for the Town of Dayton is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, education, health and sanitation, recreation and culture and other unclassified.

Fund Financial Statements

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

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

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

The Town of Dayton presents one column in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the General Fund.

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

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Dayton. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets increased by \$283,891 from \$1,172,466 to \$1,456,357.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$150,205 to a balance of \$429,701 at the end of this year.

Table 1
Town of Dayton, Maine
Net Assets
June 30,

	2011	2010
Assets:		
Current and Other Assets	\$ 1,011,233	\$ 1,285,510
Capital Assets	1,021,506	892,849
Total Assets	<u>\$ 2,032,739</u>	<u>\$ 2,178,359</u>
Liabilities:		
Current Liabilities	\$ 217,086	\$ 612,568
Long-term Debt Outstanding	359,296	393,325
Total Liabilities	<u>\$ 576,382</u>	<u>\$ 1,005,893</u>
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	\$ 1,021,506	\$ 892,849
Restricted Net Assets: General Fund	5,150	4,238
Other Net Assets	429,701	279,496
Total Net Assets	<u>\$ 1,456,357</u>	<u>\$ 1,172,466</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 13.80%, while total expenses decreased by 9.20%. The increase in revenues is largely due to taxes and miscellaneous revenue. Most of the Town's expenses were consistent with the previous year. The biggest decrease in expenses was in education.

Table 2
Town of Dayton, Maine
Change in Net Assets
For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Taxes:		
Property	\$ 2,624,993	\$ 2,329,480
Excise	334,849	327,751
Intergovernmental	266,024	264,920
Licenses, permits & fees	20,844	-
Miscellaneous	<u>100,177</u>	<u>22,949</u>
Total Revenues	<u>3,346,887</u>	<u>2,945,100</u>
Expenses		
Current:		
General government	213,256	230,223
Public safety	185,756	158,558
Health and sanitation	159,264	153,079
Recreation and culture	2,029	2,523
Education	2,116,051	2,438,301
Public works	234,939	260,896
County tax	108,116	102,051
Unclassified	15,243	13,266
Unallocated Depreciation	14,267	-
Debt service:		
Interest	<u>16,003</u>	<u>16,443</u>
Total Expenses	<u>3,064,924</u>	<u>3,375,340</u>
Transfer to RSU No. 23	-	(879,664)
Transfer in from fiduciary fund	1,928	-
Change in Net Assets	281,963	(430,240)
Net Assets - July 1 Restated	<u>1,172,466</u>	<u>2,482,370</u>
Net Assets - June 30	<u>\$ 1,456,357</u>	<u>\$ 1,172,466</u>

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Dayton, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2011</u>	<u>2010</u>
Major Funds:		
General Fund:		
Restricted	\$ 5,150	\$ 4,238
Committed	220,013	224,439
Assigned	154,931	82,861
Unassigned	<u>450,140</u>	<u>396,810</u>
	<u>\$ 830,234</u>	<u>\$ 708,348</u>

The general fund total fund balance increased by \$121,886 over the prior fiscal year.

Budgetary Highlights

There were no significant differences between the original and final budget for the general fund.

The general fund actual revenues exceeded the budget by \$169,375. This was a result of other many revenues being receipted for without being budgeted.

The general fund actual expenditures were under the budget by \$123,583. All expenditures were under budget with the exception of general government and recreation.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2011, the net book value of capital assets recorded by the Town increased by \$128,657 over the prior year. This is the result of current year additions of \$155,609 less current year depreciation of \$26,952.

Table 4
Town of Dayton, Maine
Capital Assets (Net of Depreciation)
June 30,

	2011	2010
Land and Buildings	\$ 125,192	\$ 125,192
Equipment & Vehicles	638,361	573,246
Furniture and Fixtures	30,068	33,924
Works of Art & Historical Treasures	7,122	8,012
Infrastructure	<u>220,763</u>	<u>152,475</u>
Total	<u>\$ 1,021,506</u>	<u>\$ 892,849</u>

Debt

At June 30, 2011, the Town had \$393,325 bonds payable outstanding versus \$428,731 last fiscal year, a decrease of 8.26%, as shown in Note 4 of the financial statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

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

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at 33 Clarks Mills Rd., Dayton, Maine 04055.

TOWN OF DAYTON, MAINE
STATEMENT OF NET ASSETS
JUNE 30, 2011

STATEMENT A

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 923,598
Accounts receivable (net of allowance for uncollectibles):	
Taxes	2,465
Liens	41,811
Gravel pit escrow collateral	43,359
Total current assets	<u>1,011,233</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	125,192
Buildings and equipment, net of accumulated depreciation	896,314
Total noncurrent assets	<u>1,021,506</u>
TOTAL ASSETS	<u>\$ 2,032,739</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ -
Prepaid taxes	8,325
Other liabilities	129,315
Gravel pit escrow deposits	43,359
Current portion of long-term obligations	36,087
Total current liabilities	<u>217,086</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations:	
Bonds payable	357,238
Accrued compensated absences	2,058
Total noncurrent liabilities	<u>359,296</u>
TOTAL LIABILITIES	<u>576,382</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,021,506
Restricted: General Fund	5,150
Unrestricted	429,701
TOTAL NET ASSETS	<u>1,456,357</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,032,739</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

TOWN OF DAYTON, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities					
Current:					
General government	\$ 213,256	\$ 15,698	\$ -	\$ -	\$ (197,558)
Public safety	185,756	-	-	-	(185,756)
Health and sanitation	159,264	-	-	-	(159,264)
Recreation and culture	2,029	5,146	-	-	3,117
Education	2,116,051	-	-	-	(2,116,051)
Public works	234,939	-	31,308	-	(203,631)
County tax	108,116	-	-	-	(108,116)
Unclassified	15,243	-	-	-	(15,243)
Unallocated Depreciation	14,267	-	-	-	(14,267)
Debt service:					
Interest	16,003	-	-	-	(16,003)
	<u>3,064,924</u>	<u>20,844</u>	<u>31,308</u>	<u>-</u>	<u>(3,012,772)</u>

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STATEMENT B (CONTINUED)
TOWN OF DAYTON, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Activities
Changes in net assets:	
Net (expense) revenue	<u>(3,012,772)</u>
General revenue:	
Taxes	
Property taxes	2,624,993
Excise taxes	334,849
Grants and contributions not restricted to specific programs	234,716
Miscellaneous	<u>100,177</u>
Total general revenue	<u>3,294,735</u>
Transfer in from fiduciary fund	1,928
Change in net assets	281,963
NET ASSETS - JULY 1, 2010 RESTATED	<u>1,172,466</u>
NET ASSETS - JUNE 30, 2011	<u>\$ 1,456,357</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF DAYTON, MAINE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2011

STATEMENT C

	General Fund
ASSETS	
Cash	\$ 923,598
Receivables (net of allowance):	
Taxes	2,465
Liens	41,811
Gravel pit escrow collateral	43,359
TOTAL ASSETS	<u>\$ 1,011,233</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$ -
Accrued expenses	8,325
Other liabilities	12,240
Due to RSU 23	117,075
Gravel pit escrow deposits	43,359
TOTAL LIABILITIES	<u>180,999</u>
Fund Equity	
Fund Balance:	
Nonspendable	-
Restricted	5,150
Committed	220,013
Assigned	154,931
Unassigned	450,140
TOTAL FUND EQUITY	<u>830,234</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,011,233</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF DAYTON, MAINE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

STATEMENT D

	Total Governmental Funds
Total Fund Equity	\$ 830,234
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	1,021,506
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	-
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(393,325)
Accrued compensated absences	(2,058)
Net assets of governmental activities	<u>\$ 1,456,357</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF DAYTON, MAINE
STATEMENT E

STATEMENT F

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Totals Governmental Funds
REVENUES		
Property taxes	\$ 2,624,993	\$ 2,624,993
Excise taxes	334,849	334,849
Permit and fees	20,844	20,844
Intergovernmental revenues	266,024	266,024
Miscellaneous revenues	100,177	100,177
TOTAL REVENUES	<u>3,346,887</u>	<u>3,346,887</u>
EXPENDITURES		
Current:		
General government	313,441	313,441
Public safety	185,756	185,756
Health and sanitation	159,264	159,264
Recreation and culture	2,029	2,029
Education	2,116,051	2,116,051
Public works	295,326	295,326
County tax	108,116	108,116
Unclassified	15,243	15,243
Debt service:		
Principal	15,700	15,700
Interest	16,003	16,003
TOTAL EXPENDITURES	<u>3,226,929</u>	<u>3,226,929</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>119,958</u>	<u>119,958</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	1,928	1,928
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,928</u>	<u>1,928</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	121,886	121,886
FUND BALANCES - JULY 1, RESTATED	<u>708,348</u>	<u>708,348</u>
FUND BALANCES - JUNE 30	<u>\$ 830,234</u>	<u>\$ 830,234</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF DAYTON, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds (Statement E)	\$ 121,886
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	155,609
Depreciation expense	<u>(26,952)</u>
	128,657
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>-</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	<u>-</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>35,406</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(2,058)</u>
Change in net assets of governmental activities (Statement B)	<u>\$ 283,891</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF DAYTON, MAINE
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2011

STATEMENT G

	<u>Private Purpose Trusts</u>
ASSETS	
Cash	\$ -
Investments	-
TOTAL ASSETS	<u>\$ -</u>
LIABILITIES	
Accounts payable	\$ -
Deposits held for others	-
TOTAL LIABILITIES	<u>-</u>
Net Assets	
Held in trust for special purposes	-
TOTAL FUND EQUITY	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF DAYTON, MAINE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

STATEMENT H

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ -
Net increase (decrease) in the fair value of investments	-
Miscellaneous	-
Total additions	<u>-</u>
DEDUCTIONS	
Distributions	-
Miscellaneous	-
Total deductions	<u>-</u>
Transfer (out)	<u>(1,928)</u>
CHANGE IN NET ASSETS	(1,928)
NET ASSETS - JULY 1	<u>1,928</u>
NET ASSETS - JUNE 30	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF DAYTON, MAINE

NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Dayton was incorporated under the laws of the State of Maine. The Town operates under the selectmen form of government and provides the following services: general government services, public safety, public works, health and sanitation, education, and recreation and culture.

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

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

Government –Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town activities are categorized as governmental.

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

TOWN OF DAYTON, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, 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:

1. Governmental Funds:

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

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

TOWN OF DAYTON, MAINE
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

TOWN OF DAYTON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

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

Deposits and Investments

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

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

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

TOWN OF DAYTON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Interfund Receivables and Payables

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2011.

Capital Assets

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

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

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

TOWN OF DAYTON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives are as follows:

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

Long-term Obligations

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

All long-term debt to be repaid from governmental resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and compensated absences.

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

Compensated Absences

The Town's policies regarding vacation time do permit employees to accumulate earned but unused vacation leave up to one scheduled work week. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2011 the Town's liability for compensated absences is \$2,058.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserves listed in the balance sheet and statement of net assets. It is the Town's policy to first use restricted assets for restricted programs and only unrestricted assets after the restricted assets have been exhausted.

TOWN OF DAYTON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Fund Equity

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

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

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

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

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

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

TOWN OF DAYTON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 18, 2010 on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. Taxes were due on in one installment on October 21, 2010. Interest on unpaid taxes commenced on October 22, 2010, at 7% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$43,582 for the year ended June 30, 2011.

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

Program Revenues

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

TOWN OF DAYTON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2011, the Town's deposits amounting to \$1,147,779 were comprised of \$295,000 which were insured by federal depository insurance or by additional insurance purchased on behalf of the Town by the respective banking institutions and consequently were not exposed to custodial credit risk, and \$851,979 that was in excess of federal depository insurance and collateralized with securities in the town's name.

TOWN OF DAYTON, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - DEPOSITS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 250,000
Money markets	489,487
Sweep account	362,493
Savings account	45,800
	<u>\$ 1,147,779</u>

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2011:

	<u>Balance, 7/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 6/30/11</u>
Non-depreciated assets:				
Land	<u>\$ 125,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,192</u>
	125,192	-	-	125,192
Depreciated assets:				
Buildings & improvements	644,789	81,615	-	726,404
Machinery & equipment	36,433	922	-	37,355
Furniture & fixtures	8,903	-	-	8,903
Infrastructure	<u>176,704</u>	<u>73,072</u>	<u>-</u>	<u>249,776</u>
	866,829	155,609	-	1,022,438
Less: accumulated depreciation	<u>(99,172)</u>	<u>(26,952)</u>	<u>-</u>	<u>(126,124)</u>
	767,657	128,657	-	896,314
Net capital assets	<u>\$ 892,849</u>	<u>\$ 128,657</u>	<u>\$ -</u>	<u>\$ 1,021,506</u>
Current year depreciation:				
Public Works				\$ 12,685
Town-wide				14,267
Total depreciation expense				<u>\$ 26,952</u>

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – GENERAL LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2011:

	Balance, 7/1/10	Additions	Deletions	Balance, 6/30/11	Due Within One Year
Bonds payable	\$ 428,731	\$ -	\$ (35,406)	\$ 393,325	\$ 36,087
Accrued compensated absences	-	2,058	-	2,058	-
Totals	<u>\$ 428,731</u>	<u>\$ 2,058</u>	<u>\$ (35,406)</u>	<u>\$ 395,383</u>	<u>\$ 36,087</u>

The following is a summary of outstanding bonds payable:

\$350,000, 2009 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2024. Interest is charged at a rate from 2.075% to 5.575% per annum. Annual installments are varying from \$15,700 to \$29,787. \$ 317,780

\$251,750, 2009 General Obligation Bond due in annual principal installments through September 2014. Interest is charged at a rate of 0% per annum. Annual installments are \$18,886. 75,545

\$ 393,325

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

	Principal	Interest	Total Debt Service
2012	\$ 36,087	\$ 14,595	\$ 50,682
2013	36,739	14,232	50,971
2014	37,386	13,586	50,972
2015	37,980	12,587	50,567
2016	19,665	11,507	31,172
2017-2021	114,886	42,588	157,474
2022-2026	110,582	12,706	123,288
	<u>\$ 393,325</u>	<u>\$ 121,801</u>	<u>\$ 515,126</u>

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – OVERLAPPING DEBT

The Town's proportionate share of debt of the County of York and RSU #23 has not been recorded in the financial statement of the Town of Dayton. It is not required to be recorded in order for the financial statements to conform with generally accepted accounting principles. As of June 30, 2011, the Town's share was as follows:

	Outstanding Debt	Town's Percentage	Total Share
RSU #23	\$ 4,629,542	1.63%	\$ 75,462
York County	12,821,105	0.68%	86,799
			<u>\$ 162,260</u>

NOTE 6 – RESTRICTED NET ASSETS

For the year ended June 30, 2011 the following net assets were reserved:

<u>Governmental Funds:</u>	
Reserved for general fund	\$ 5,150
	<u>\$ 5,150</u>

NOTE 7 – RESTRICTED FUND EQUITY

The following accounts have been restricted in the general fund at June 30, 2011:

Town Dogs	\$ 5,150
	<u>\$ 5,150</u>

NOTE 8 – COMMITTED FUND EQUITY

The following accounts have been committed in the general fund at June 30, 2011:

Fire Truck	\$ 31,626
Municipal Capital Improvement	64,387
Land Account	124,000
	<u>\$ 220,013</u>

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – ASSIGNED FUND BALANCE

The following accounts have been assigned in the general fund at June 30, 2011:

Highway Account	\$ 149,863
Recreation	2,760
PB Maps	1,500
Ballfield	681
Town fuel assistance	127
	<u>\$ 154,931</u>

NOTE 11 – RISK MANAGEMENT

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial company's reinsurance contracts, individual stop loss coverage for member Town's for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The Town uses Maine Municipal Association – Property and Casualty insurance. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

NOTE 12 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures exceeded appropriations:

Municipal Building	\$ 75,767
Recreation	629
Franklin School	201
Town fuel assistance	1,399
	<u>\$ 77,996</u>

NOTE 13 – GRAVEL PIT ESCROW COLLATERAL

The Town has instituted a policy of requiring collateral from Shaw's Brothers desiring to build from the Town. The amount of the collateral is 150% of the estimated cost of the gravel pit to be built.

TOWN OF DAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13 – GRAVEL PIT ESCROW COLLATERAL (CONTINUED)

Under this agreement Shaw's Brothers are required to deposit into a bank account the required amount of the collateral. Only the Treasurer of the Town has the authority to withdraw funds, and is required to release the funds back to the developer upon receiving confirmation from the Code Enforcement Officer that the Town's consulting engineer has approved the refund payment based upon a site inspection, and has certified that a certain percentage of the required work has been performed by the developer. At June 30, 2011, the Town held such collateral for Shaw's Brothers in the amount of \$43,359.

NOTE 14 – RESTATEMENT

As of July 1, 2010, a restatement was made to the general fund in the amount of (\$4,117). This amount represents a liability due to RSU No. 23 that should have been recorded. The fund balance in this fund and the net assets for the governmental activities both have been decreased by \$4,117 as of July 1, 2010.

Required Supplementary Information

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

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

TOWN OF DAYTON, MAINE

SCHEDULE 1

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1 Restated	\$ 708,348	\$ 708,348	\$ 708,348	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	2,657,936	2,657,936	2,624,993	(32,943)
Excise taxes	300,000	300,000	334,849	34,849
Intergovernmental revenues:				
State revenue sharing	135,094	135,094	107,392	(27,702)
MDOT Block Grant	31,308	31,308	31,308	-
Efficiency Maine Grant	-	-	73,656	73,656
Homestead Exemptions	33,537	33,537	25,169	(8,368)
Other revenues	15,120	15,120	28,499	13,379
Permits and fees	-	-	20,844	20,844
Miscellaneous				
Interest on investments	-	-	2,563	2,563
Interest on taxes	-	-	7,568	7,568
Lien charges and fees	-	-	5,751	5,751
Other	4,517	4,517	84,295	79,778
Transfers from other funds	-	-	1,928	1,928
Amounts Available for Appropriation	3,885,860	3,885,860	4,057,163	169,375
Charges to Appropriations (Outflows):				
Current:				
General government	258,154	258,154	313,441	(55,287)
Public safety	234,142	234,142	185,756	48,386
Health and sanitation	160,000	160,000	159,264	736
Recreation	1,400	1,400	2,029	(629)
Education	2,117,290	2,117,290	2,116,051	1,239
Overlay	43,582	43,582	-	43,582
Public works	379,675	379,675	295,326	84,349
County tax	108,116	108,116	108,116	-
Unclassified	16,450	16,450	15,243	1,207
Debt service:				
Principal	15,700	15,700	15,700	-
Interest	16,003	16,003	16,003	-
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	3,350,512	3,350,512	3,226,929	123,583
Budgetary Fund Balance, June 30	\$ 535,348	\$ 535,348	\$ 830,234	\$ 292,958
Utilization of undesignated fund balance	\$ 173,000	\$ 173,000	\$ -	\$ (173,000)
Utilization of designated fund balance	-	-	-	-
	\$ 173,000	\$ 173,000	\$ -	\$ (173,000)

See accompanying independent auditors' report.

Other Supplementary Information

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

- Schedule of Departmental Operations – General Fund
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF DAYTON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
General Government -					
Salaries	\$ 154,193	\$ -	\$ 154,193	\$ 149,627	\$ 4,566
Utilities	6,600	-	6,600	4,626	1,974
Professional fees	18,700	-	18,700	18,618	82
Insurance	38,300	-	38,300	35,524	2,776
Software/Licensing	6,690	-	6,690	5,608	1,082
Municipal Building	23,671	-	23,671	99,438	(75,767)
Contingency	10,000	-	10,000	-	10,000
	<u>258,154</u>	<u>-</u>	<u>258,154</u>	<u>313,441</u>	<u>(55,287)</u>
Public Safety -					
GMFD Contract	89,615	-	89,615	89,615	-
GMFD Personnel	51,627	-	51,627	51,627	-
PASP Services	12,500	-	12,500	11,732	768
Animal shelter	2,400	-	2,400	2,288	112
Municipal conversion	13,000	-	13,000	5,494	7,506
Fire Chief/Additional firefighter	40,000	-	40,000	-	40,000
GMFD Matching Grant	25,000	-	25,000	25,000	-
	<u>234,142</u>	<u>-</u>	<u>234,142</u>	<u>185,756</u>	<u>48,386</u>
Health & Sanitation					
Waste Management	160,000	-	160,000	159,264	736
	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>159,264</u>	<u>736</u>
Recreation	1,400	-	1,400	2,029	(629)
Debt Service -					
Principal	15,700	-	15,700	15,700	-
Interest	16,003	-	16,003	16,003	-
	<u>31,703</u>	<u>-</u>	<u>31,703</u>	<u>31,703</u>	<u>-</u>

TOWN OF DAYTON, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Public Works -					
Street Lights	3,900	-	3,900	3,058	842
Plowing	175,775	-	175,775	165,771	10,004
Road resurfacing	200,000	-	200,000	126,497	73,503
	379,675	-	379,675	295,326	84,349
Education	2,117,290	-	2,117,290	2,116,051	1,239
Unclassified					
General Assistance	5,000	-	5,000	2,193	2,807
York County Community Action	700	-	700	700	-
Veterans Flags	100	-	100	100	-
Lyman Dayton Food Pantry	4,000	-	4,000	4,000	-
Community Library	800	-	800	800	-
Hollis Library	800	-	800	800	-
Franklin School	1,800	-	1,800	2,001	(201)
VNA Home Health & Hospice	500	-	500	500	-
Biddeford Free Clinic	100	-	100	100	-
York County Shelter Programs	650	-	650	650	-
Visiting Nurses	1,500	-	1,500	1,500	-
Southern Maine Agency on Aging	300	-	300	300	-
Caring Unlimited	200	-	200	200	-
Town fuel assistance	-	-	-	1,399	(1,399)
	16,450	-	16,450	15,243	1,207
County Tax	108,116	-	108,116	108,116	-
Overlay	43,582	-	43,582	-	43,582
TOTAL DEPARTMENTAL OPERATIONS	\$ 3,350,512	\$ -	\$ 3,350,512	\$ 3,226,929	\$ 123,583

See accompanying independent auditors' report.

General Capital Assets

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

TOWN OF DAYTON, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2011

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Public Works	\$ -	\$ 206,682	\$ -	\$ 249,776	\$ 456,458
Transfer Station	9,500	-	-	-	9,500
Town-Wide	115,692	519,722	46,258	-	681,672
Total General Capital Assets	125,192	726,404	46,258	249,776	1,147,630
Less: Accumulated Depreciation		(88,043)	(9,068)	(29,013)	(126,124)
Net General Capital Assets	\$ 125,192	\$ 638,361	\$ 37,190	\$ 220,763	\$ 1,021,506

See accompanying independent auditors' report.

TOWN OF DAYTON, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2011

	General Capital Assets 7/1/10	Additions	Deletions	General Capital Assets 6/30/11
Public Works	\$ 383,386	\$ 73,072	\$ -	\$ 456,458
Transfer Station	9,500	-	-	9,500
Town-Wide	599,135	82,537	-	681,672
Total General Capital Assets	992,021	155,609	-	1,147,630
Less: Accumulated Depreciation	(99,172)	(26,952)	-	(126,124)
Net General Capital Assets	\$ 892,849	\$ 128,657	\$ -	\$ 1,021,506

See accompanying independent auditors' report.

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APPENDIX C

**TOWN OF OLD ORCHARD BEACH, MAINE
ANNUAL FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES
FOR THE
YEAR ENDED JUNE 30, 2011**

(With Report of Independent Auditors' Thereon)

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TOWN OF OLD ORCHARD BEACH, MAINE
Annual Financial Report
For the year ended June 30, 2011

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TOWN OF OLD ORCHARD BEACH, MAINE
Annual Financial Report
For the year ended June 30, 2011

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Town Council
Town of Old Orchard Beach, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Orchard Beach, Maine as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Old Orchard Beach, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Old Orchard Beach, Maine, as of June 30, 2011, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011, on our consideration of the Town of Old Orchard Beach, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Town Council
Page 2

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Old Orchard Beach, Maine's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting records and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

October 31, 2011
South Portland, Maine

TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Our discussion and analysis of the Town of Old Orchard Beach's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements and accompanying footnotes, which begin on page 15.

FINANCIAL HIGHLIGHTS

- Despite the nationwide financial downturn that has adversely affected the State of Maine and many municipalities in our area, the Town's financial results were strong and the outlook continues to be positive beyond the end of the fiscal year;
- General Fund Revenues and Transfers In were less than estimates by \$280,353;
- General Fund Expenditures and Transfers Out were more than budgeted by \$1,094,520;
- Changes to other items conforming to accounting principles generally accepted in the United States of America were positive;
- General Fund Surplus (Reduction) was (\$244,249) (budgetary basis).

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

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

THE TOWN AS A WHOLE

The Town is providing condensed financial information for fiscal year 2011 with comparative information for fiscal year 2010. The analysis below focuses on the net assets of the Town's Governmental and Business-type Activities.

	Primary Government	
	2011 Total	2010 Total
Current & other assets	\$ 9,791,063	13,385,640
Capital assets	<u>17,597,910</u>	<u>14,808,058</u>
Total assets	<u>27,388,973</u>	<u>28,193,698</u>
Long-term debt	12,446,553	14,184,488
Other liabilities	<u>1,282,294</u>	<u>1,753,606</u>
Total liabilities	<u>13,728,847</u>	<u>15,938,094</u>
Net assets:		
Invested in capital assets	8,378,369	7,646,351
Restricted	3,022,951	5,075,020
Unrestricted	<u>2,258,808</u>	<u>(465,767)</u>
Total net assets	<u>\$ 13,660,128</u>	<u>12,255,604</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,804,415	1,858,208
Operating grants & contributions	102,996	99,811
Capital grants & contributions	120,819	102,059
General Revenues:		
Property taxes	19,961,399	19,341,270
Payments in lieu of taxes	25,016	26,155
Excise taxes	1,253,525	1,270,284
Interest and costs on taxes	122,642	100,720
Franchise fees	211,016	203,408
Homestead exemption	126,196	157,471
State revenue sharing	596,045	575,841
Other State & Federal aid	10,616	10,518
Investment earnings	20,662	104,417
Loss on disposal of assets	-	(8,421)
Miscellaneous revenues	<u>50,654</u>	<u>38,687</u>
Total revenues	<u>\$ 24,406,001</u>	<u>23,880,428</u>

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

Program expenditures:		
General government	\$ 2,025,670	2,190,616
Public Safety	4,752,353	4,698,660
Public Works	1,986,440	2,108,662
Sanitation	1,972,926	1,885,014
Recreation, culture & agencies	776,253	799,999
Health & welfare	106,693	107,822
Education	9,399,388	9,555,828
County tax	777,785	753,529
Unclassified	81,483	486,401
Interest on debt	543,841	534,981
Capital outlays	561,512	891,949
Ballpark	<u>17,134</u>	<u>20,805</u>
Total expenditures	<u>23,001,478</u>	<u>24,034,266</u>
Change in net assets, positive or (negative)	<u>\$ 1,404,523</u>	<u>(153,838)</u>

GOVERNMENTAL ACTIVITIES

The cost of all Governmental Activities this year was \$23,001,478. Of that amount, those who directly benefited from the programs paid \$1,804,415 and subsidies for specific programs were received from other governments and organizations totaling \$102,996 in operating expenses and \$120,819 in capital expenses. General purpose grants, aid and earnings on investments brought in a further \$804,173. Taxpayers were asked to contribute \$21,573,598 through property and excise taxes, interest and costs on delinquent taxes, and franchise fees. The Town had total revenues of \$24,406,001 available to fund its Governmental Activities programs.

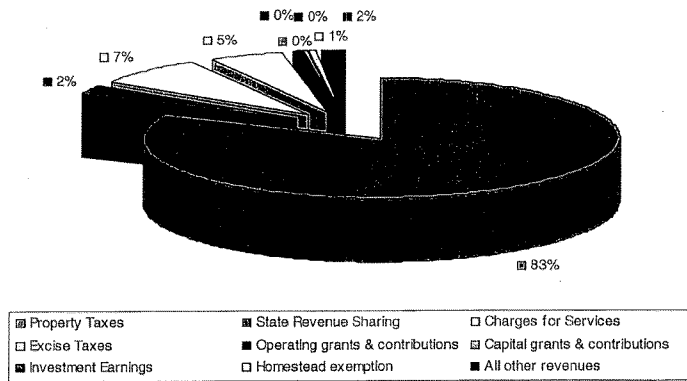
The Town's Governmental Activities programs are listed below with this year's net cost (total cost less revenues generated by the programs). Last year's net costs are shown for comparison purposes.

Governmental Activities:	2011 Net (Expenses)	2010 Net (Expenses)
General government	\$ (1,582,131)	(1,770,903)
Public safety	(3,935,017)	(4,006,158)
Public works	(1,915,453)	(2,037,332)
Sanitation	(1,812,446)	(1,482,599)
Recreation, culture & agencies	(355,383)	(455,468)
Health & welfare	(75,419)	(79,341)
Education	(9,399,388)	(9,555,828)
County tax	(777,785)	(753,529)
Unclassified	(81,483)	(486,401)
Interest on debt	(543,841)	(534,981)
Capital outlays	<u>(477,768)</u>	<u>(790,843)</u>
Total governmental activities	<u>\$ (20,956,114)</u>	<u>(21,953,383)</u>

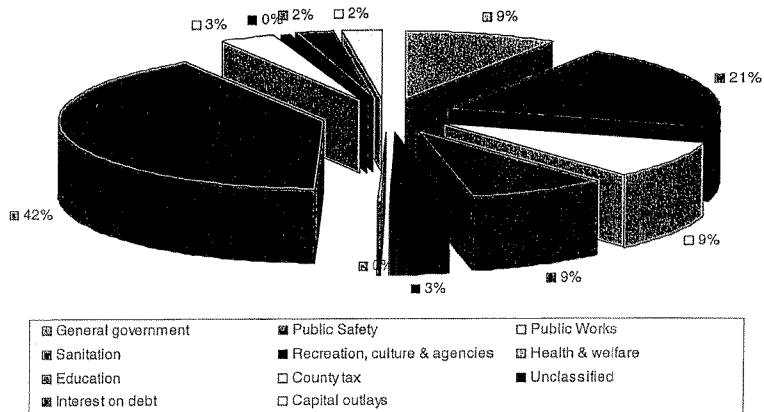
Total resources available during the year to finance governmental operations were \$36,340,159, consisting of Net Assets at July 1, 2010 of \$11,934,158, program revenues of \$2,028,230 and general revenues of \$22,377,771. The total cost of Governmental Activities and Business-type Activities during the year was \$23,025,861. Net Assets were increased by \$1,404,523 to \$13,660,127.

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

2011 Governmental Activities Revenue



2011 Governmental Program Expenditures



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

BUSINESS-TYPE ACTIVITIES

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

The expenses for the Facility were annual depreciation of capital assets of \$17,134. Compare this figure to \$20,805 for the same purpose in the prior fiscal year.

Net Assets for the Proprietary (Business-type) Activity decreased \$17,134, from \$321,446 to \$304,312.

THE TOWN'S FUNDS

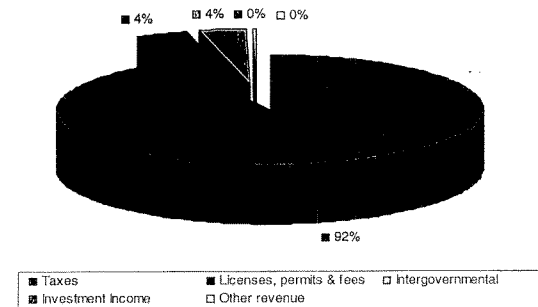
The following is an analysis of balances in the Town's major individual funds. Comparative information is provided for fiscal year 2011.

GENERAL FUND

Comparison of revenues of the General Fund for 2011 and 2010, respectively:

Revenues by source	2011	2010
Taxes	\$ 21,412,144	20,703,379
Licenses, permits & fees	920,275	1,165,597
Intergovernmental	835,118	843,641
Investment income	20,662	104,417
Other revenue	50,654	38,687
Total revenues	\$ 23,238,853	22,855,421

2011 Revenues by Source

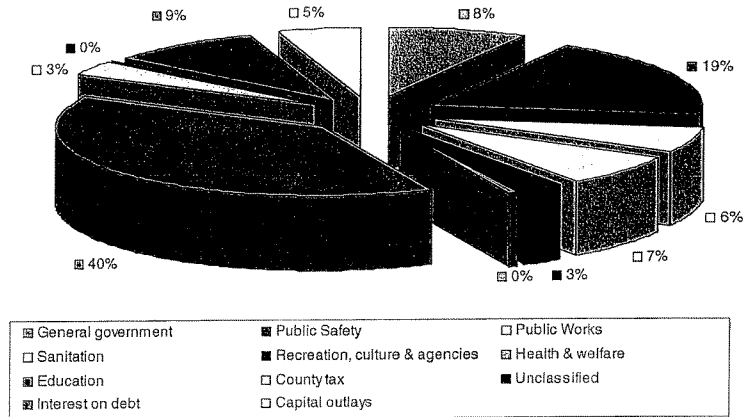


**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Comparison of expenditures of the General Fund for 2011 and 2010, respectively:

Expenditures by function:	2011	2010
General government	\$ 1,964,273	2,023,867
Public safety	4,528,474	4,439,823
Public works	1,455,600	1,547,039
Sanitation	1,707,176	1,661,658
Recreation, culture & agencies	625,376	642,190
Health & welfare	106,693	107,822
Education	9,399,388	9,556,818
County tax	777,785	753,529
Unclassified	25,736	50,831
Debt service	2,154,389	2,127,481
Capital outlays	1,218,334	1,150,753
Total expenditures	\$ 23,963,224	24,061,811

2011 Expenditures by Program



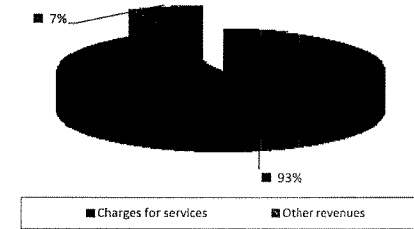
**TOWN OF OLD ORCHARD BEACH, MAINE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

RESCUE CALL FEES FUND

Comparison of revenues of the Rescue Call Fees Fund for 2011 and 2010, respectively:

Revenues by source:	2011	2010
Other revenues	\$ 34,556	-
Charges for services	444,487	370,744
Total revenues	\$ 479,043	370,744

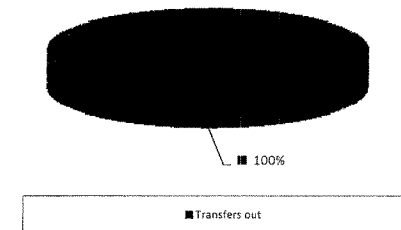
2011 Revenues by Source



Comparison of expenditures of the Rescue Call Fees Fund for 2011 and 2010, respectively:

Expenditures by function:	2011	2010
Public safety	\$ -	41,680
Transfers out	519,000	325,000
Total expenditures and transfers	\$ 519,000	366,680

2011 Expenditures by Function



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

BALLPARK FUND

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

DEBT ADMINISTRATION

Debt, considered a liability of Governmental Activities, decreased during fiscal year 2011 by \$1,595,000. Per capita debt decreased from \$1,500 to \$1,319 as a result of the payment of \$1,595,000 in annual General Obligation Bond principal.

The Governmental Activity debt summary for fiscal year 2011 is as follows:

Debt payable at June 30, 2010	\$ 13,200,000
Less: debt retired	<u>1,595,000</u>
Debt payable at June 30, 2011	\$ 11,605,000

The debt payable does not include capital leases of \$113,211, the long-term portion of compensated absences of \$620,342, the long-term accrual for landfill monitoring of \$108,000 or other post employment benefits of \$286,166.

CAPITAL ASSETS

The capital assets of the Town are those assets that are used in the performance of the Town's functions, including infrastructure assets (roads, sidewalks, sewers, etc.). At June 30, 2011, net capital assets of the Governmental Activities totaled \$17,272,359 and net capital assets of the Business-type Activities totaled \$325,549. Annual depreciation on capital assets is recognized in the Government-wide financial statements as an expense of the appropriate program in the Statement of Activities.

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

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

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

BUDGETS AND BUDGETARY ACCOUNTING

Comparing the fiscal year 2011 original (adopted) General Fund budget to the final (amended) budget on Statement 6 shows that there was an increase in the adopted budget for capital outlays for the fiscal year.

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

Comparing the fiscal year 2011 actual results to the final budget shows that there was a negative variance for revenues and a positive variance for expenditures. Management's policy has been to estimate revenues conservatively but realistically, based on historical amounts and trends and on future economic forecasts. This approach has resulted in small amounts of extra revenue each year in the recent past. This year due to a reduction in interest rates and state revenues we had a negative variance in revenues.

Two areas of expenditure went beyond their amended budget amounts. Education exceeded their budget due to the inadvertent omission of the Adult Education subsidy in the Education budget and General Assistance due to the increased number of requests for financial help, due to the downturn in the economy. It is Management's practice not to make budget amendments simply to cover unavoidable shortfalls in Department allocations, but rather to let these negative variances show into the future in order to highlight items that deserve closer scrutiny during the budget process. The basic philosophy of managing budgeted expenditures is to require the Department Head to monitor spending levels, to inform Management of anticipated problems and to hold down discretionary spending as much as possible while maintaining public services at an acceptable level. Management reports anticipated problems to the Town Council as they are identified.

Under other financing sources and uses, actual amounts for transfers in and out are funds transferred from Rescue Billing and Special Dog Fund to help fund public safety equipment and operations. The utilization of prior year fund balance amount shown in the budget columns is an offset to the amounts shown as budgeted expenditures from assigned and unassigned fund balance within capital outlays. The budgetary figures for these expenditures are listed and then reversed as they are not part of the budget adoption process but rather are authorized by the Town Council as separate appropriations from either assigned or unassigned fund balance.

THE CLIMATE, THE PAST AND THE FUTURE

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

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

Fund Balance

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

<u>Year</u>	<u>Unassigned F.B.</u>	<u>Excess Amt.</u>
2002	2,621,161	320,489
2003	2,891,132	545,716
2004	4,355,690	1,826,671
2005	4,954,874	2,277,667
2006	4,988,706	2,259,878
2007	4,949,578	2,097,414
2008	4,964,498	2,057,162
2009	5,379,907	2,368,530
2010	4,611,394	1,600,017
2011	4,358,693	1,346,738

Next Year Budget

The Town Council approved a budget for fiscal year 2012 of \$23,990,795 a 2.2% decrease over 2011's budget. Total property tax revenue to be raised was \$19,987,195, a 0.003% increase from the previous year. The tax rate remained the same at 13.40 mils. This allowed the Town to reduce the use of the available excess Fund Balance to \$400,000 as compared to \$1,058,416 for FY 2011.

Further Historical Comparisons

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Statement 1

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,392,844	-	4,392,844
Investments	3,383,517	-	3,383,517
Receivables:			
Taxes receivable	997,925	-	997,925
Tax liens	630,347	-	630,347
Accounts receivable	337,096	-	337,096
Prepaid items	3,891	-	3,891
Inventory	45,443	-	45,443
Internal balances	21,237	(21,237)	-
Nondepreciable capital assets	635,404	-	635,404
Capital assets, net	16,636,957	325,549	16,962,506
Total assets	27,084,661	304,312	27,388,973
LIABILITIES			
Accounts payable and payroll withholdings	343,842	-	343,842
Accrued expenses	211,091	-	211,091
Refundable deposits	142,328	-	142,328
Due to Regional School Unit #23	357,806	-	357,806
Other postemployment benefits liability	227,227	-	227,227
Noncurrent liabilities:			
Due within one year	1,810,390	-	1,810,390
Due in more than one year	10,636,163	-	10,636,163
Total liabilities	13,728,847	-	13,728,847
NET ASSETS			
Invested in capital assets, net of related debt	8,052,820	325,549	8,378,369
Restricted	3,022,951	-	3,022,951
Unrestricted	2,280,044	(21,237)	2,258,808
Total net assets	\$ 13,355,815	304,312	13,660,128

See accompanying notes to financial statements.

Statement 2

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Activities
For the Year Ended June 30, 2011

Functions/programs	Net (expense) revenue and changes in net assets				
	Program Revenues		Net (expense) revenue and changes in net assets		
	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Governmental activities	Business-type activities
Primary government:					
Governmental activities:					
General government	\$ 2,025,670	443,539	-	(1,582,131)	(1,582,131)
Public safety	4,752,353	782,780	-	(3,935,017)	(3,935,017)
Public works	1,986,440	-	34,556	(1,915,453)	(1,915,453)
Sanitation	1,972,926	180,480	-	(1,812,446)	(1,812,446)
Recreation, culture and agencies	776,253	735	2,519	(355,383)	(355,383)
Health and welfare	106,693	417,616	-	(75,419)	(75,419)
Education	9,399,388	31,274	-	(9,399,388)	(9,399,388)
County tax	777,785	-	-	(777,785)	(777,785)
Unclassified	81,483	-	-	(81,483)	(81,483)
Interest on debt	543,841	-	-	(543,841)	(543,841)
Capital outlays	561,512	-	83,744	(477,768)	(477,768)
Total governmental activities	22,994,344	1,804,415	120,819	(20,956,114)	(20,956,114)
Business-type activities:					
Ballpark	17,134	-	-	(17,134)	(17,134)
Total business-type activities	17,134	-	-	(17,134)	(17,134)
Total primary government	\$ 23,001,478	1,804,415	120,819	(20,956,114)	(20,973,248)
General revenues:					
Property taxes, levied for general purposes				19,961,399	19,961,399
Payment in lieu of taxes				25,016	25,016
Excise taxes				1,253,525	1,253,525
Interest and costs on taxes				122,642	122,642
Franchise fees				211,016	211,016
Grants and contributions not restricted to specific programs:					
Homestead exemption				126,196	126,196
Other State and Federal aid				10,616	10,616
State Revenue Sharing				596,045	596,045
Unrestricted investment earnings				20,662	20,662
Miscellaneous revenues				50,654	50,654
Total general revenues				22,377,771	22,377,771
Change in net assets				1,421,657	1,404,523
Net assets - beginning				11,934,158	12,255,604
Net assets - ending	\$	\$	\$	13,355,815	13,660,127

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	Rescue Call Fees	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 4,392,844	-	-	4,392,844
Investments	3,383,517	-	-	3,383,517
Receivables:				
Taxes receivable	997,925	-	-	997,925
Tax liens	630,347	-	-	630,347
Accounts receivable	184,886	152,210	-	337,096
Prepaid items	3,891	-	-	3,891
Inventory	45,443	-	-	45,443
Interfund loans receivable	-	51,590	3,380,236	3,431,826
Total assets	\$ 9,638,853	203,800	3,380,236	13,222,889
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and payroll withholdings	300,171	176	43,495	343,842
Accrued wages	100,284	-	-	100,284
Interfund loans payable	2,912,757	-	497,831	3,410,588
Due to RSU #23	357,806	-	-	357,806
Deferred tax revenue	1,398,377	-	-	1,398,377
Refundable deposits	142,328	-	-	142,328
Total liabilities	5,211,723	176	541,326	5,753,225
Fund balances:				
Nonspendable	45,443	-	-	45,443
Restricted	-	-	3,022,951	3,022,951
Assigned	22,994	203,624	319,977	546,595
Unassigned	4,358,693	-	(504,018)	3,854,675
Total fund balances	4,427,130	203,624	2,838,910	7,469,664
Total liabilities and fund balances	\$ 9,638,853	203,800	3,380,236	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				17,272,361
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				1,398,377
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.				
General obligation bonds		11,605,000		
Capital leases		113,211		
Landfill closure		108,000		
Other postemployment benefits liability		227,227		
Accrued vacation and sick leave		620,342		
Accrued interest		110,807		
				(12,784,587)
Net assets of governmental activities				\$ 13,355,815

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General	Rescue Call Fees	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 21,412,144	-	-	21,412,144
Licenses, permits and fees	920,275	-	127,267	1,047,542
Intergovernmental	835,118	-	83,744	918,862
Charges for services	-	444,487	-	444,487
Program income	-	-	228,646	228,646
Investment income	20,662	-	-	20,662
Other revenues	50,654	34,556	86,994	172,204
Total revenues	23,238,853	479,043	526,651	24,244,547
Expenditures:				
Current:				
General government	1,964,273	-	-	1,964,273
Public safety	4,528,474	-	-	4,528,474
Public works	1,455,600	-	-	1,455,600
Sanitation	1,707,176	-	-	1,707,176
Recreation, culture and agencies	625,376	-	162,077	787,453
Health and welfare	106,693	-	-	106,693
Education	9,399,388	-	-	9,399,388
Intergovernmental - County tax	777,785	-	-	777,785
Unclassified	25,736	-	143,835	169,571
Debt service	2,154,389	-	-	2,154,389
Capital outlays	1,218,334	-	3,278,902	4,497,236
Total expenditures	23,963,224	-	3,584,814	27,548,038
Excess (deficiency) of revenues over (under) expenditures	(724,371)	479,043	(3,058,163)	(3,303,491)
Other financing sources (uses):				
Transfers - in	522,000	-	25,000	547,000
Transfers - out	(25,000)	(519,000)	(3,000)	(547,000)
Proceeds from general obligation bonds	-	-	1,200,000	1,200,000
Total other financing sources (uses)	497,000	(519,000)	1,222,000	1,200,000
Net change in fund balances	(227,371)	(39,957)	(1,836,163)	(2,103,491)
Fund balances, beginning of year	4,654,501	243,581	4,675,073	9,573,155
Fund balances, end of year	\$ 4,427,130	203,624	2,838,910	7,469,664

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$	(2,103,491)
Amounts reported for governmental activities in the statement of activities (Statement 2) 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 as depreciation expense. More specifically, this is the amount by which capital outlays exceeded depreciation expense in the current period.		2,806,986
Statement 4 Capital outlays	4,497,236	
Statement 2 Capital outlays	561,512	
Variance	3,935,724	
Less: depreciation	1,128,738	
To reconciliation	2,806,986	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.		161,454
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. More specifically, this represents the net amount of principal increases (decreases) in debt service during the year.		443,847
New debt incurred		
Change in cash held in escrow	1,200,000	
Lease payments	(48,847)	
Retired debt	(1,595,000)	
Net debt service	(443,847)	
Long-term debt accrues interest between payments that is a liability in the statement of net assets. However, this accrual is not recorded in the governmental funds as a current liability. More specifically, this represents the change in the amount of accrued interest on long-term debt.		15,548
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in all non-debt long-term liabilities.		97,313
Change in landfill reserve	6,000	
Other postemployment benefits	3,225	
Change in long-term accrued vacation and sick	88,088	
To reconciliation	97,313	
Change in net assets of governmental activities (see Statement 2)	\$	1,421,657

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted amounts			Variance with final budget positive (negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 21,554,106	21,554,106	21,412,144	(141,962)
Licenses, permits and fees	909,100	909,100	920,275	11,175
Intergovernmental	936,000	936,000	835,118	(100,882)
Investment income	100,000	100,000	20,662	(79,338)
Other revenue:				
Municipal	20,000	20,000	50,654	30,654
Total revenues	23,519,206	23,519,206	23,238,853	(280,353)
Expenditures:				
Current:				
General government	2,051,095	2,068,205	1,961,463	106,742
Public works	1,546,329	1,546,329	1,460,841	85,488
Sanitation	1,739,670	1,739,670	1,708,383	31,287
Public safety	4,537,640	4,538,001	4,530,704	7,297
Recreation, culture and agencies	629,849	629,849	626,326	3,523
Health and welfare	102,990	102,990	106,693	(3,703)
Education	9,303,600	9,303,600	9,399,388	(95,788)
Intergovernmental	777,785	777,785	777,785	-
Other expenditures	100,000	100,000	25,736	74,264
Debt service	2,314,495	2,314,495	2,154,389	160,106
Capital outlays	1,437,753	1,978,698	1,228,394	750,304
Total expenditures	24,541,206	25,099,622	23,980,102	1,119,520
Excess (deficiency) of revenues over (under) expenditures	(1,022,000)	(1,580,416)	(741,249)	839,167
Other financing sources (uses):				
Transfers - in	522,000	522,000	522,000	-
Transfers - out	-	-	(25,000)	(25,000)
Utilization of prior year fund balance	500,000	1,058,416	-	(1,058,416)
Total other financing sources (uses)	1,022,000	1,580,416	497,000	(1,083,416)
Net change in fund balance - budgetary basis	-	-	(244,249)	(244,249)
Reconciliation to GAAP:				
Less: Prior year encumbrances			(6,116)	
Add: Current year encumbrances			22,994	
Fund balance, beginning of year			4,654,501	
Fund balance, end of year	\$		4,427,130	

See accompanying notes to financial statements.

Statement 7

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Net Assets
June 30, 2011

Business-type Activities - Enterprise Funds		
ASSETS		
Noncurrent assets:		
Capital assets	\$	993,250
Accumulated depreciation		(667,701)
Total noncurrent assets		325,549
Total assets		325,549
LIABILITIES		
Interfund loans payable		21,237
Total liabilities		21,237
NET ASSETS		
Invested in capital assets, net of related debt		325,549
Unrestricted		(21,237)
Total net assets	\$	304,312

See accompanying notes to financial statements.

Statement 8

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

Business-type Activities - Enterprise Funds		
Operating revenues:		
Other revenues	\$	-
Total operating revenues		-
Operating expenses:		
Maintenance		-
Depreciation		17,134
Total operating expenses		17,134
Operating loss		(17,134)
Nonoperating revenues (expenses):		
Interest expense		-
Total nonoperating expense		-
Change in net assets		(17,134)
Net assets, beginning of year		321,446
Net assets, end of year	\$	304,312

See accompanying notes to financial statements.

TOWN OF OLD ORCHARD BEACH, MAINE
Proprietary Fund - Ballpark Facility
Statement of Cash Flows
For the Year Ended June 30, 2011

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

See accompanying notes to financial statements.

THE REPORTING ENTITY AND ITS SERVICES

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

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

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

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

Biddeford-Saco-Old Orchard Beach Transit Committee - The Town is a member of the Biddeford-Saco-Old Orchard Beach Transit Committee, which is a jointly governed organization. The Committee operates a public mass transit passenger bus service within and between the three municipalities under a voluntary interlocal agreement. The Town of Old Orchard Beach's contribution to the committee for the year ended June 30, 2011 was \$80,000. The Transit Committee does not meet the definition of a component unit or a joint venture because there is no ongoing financial interest or responsibility by the participating governments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary fund:

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

C. Investments

Investments are stated at fair value, unless otherwise indicated.

D. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government is depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 60 years.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Vacation and Sick Leave

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

F. Long-term Obligations

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

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

G. Inventory

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

H. Interfund Transactions

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

I. Fund Balances

Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Encumbrance 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 used during the year by the Town. All encumbrances lapse at year end except those authorized to be carried forward. These amounts are reported as assigned fund balance. The voters at the Town budget meeting have 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 government's intent 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 government's practice to use committed or assigned resources first, and then unassigned resources as they are needed.

J. Use of Estimates

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

K. Encumbrances

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

L. Comparative Data/Reclassifications

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the following department/categories:

Legal	\$ 3,218
Tax collector	269
Code enforcement	15,393
Miscellaneous	100
Insurances	4,790
Solid waste	26,100
Parking enforcement	5,165
Communications	82,893
Lifeguards	6,573
Fire/rescue	41,193
Conservation	945
General assistance	3,703

C. Deficit Fund Balance

The Recreation Fund deficit of \$15,192 is due to the timing of purchases for the Summer Playground Program and will be repaid from program revenues collected next year. The CDBG Grant Fund has a deficit of \$4,156 and will be funded by future grants or a transfer from the General Fund. The Ocean/Seaview Sewer has a deficit of \$484,670 that will be repaid with future bond proceeds. These obligations are accounted for as an interfund liability in the Recreation Fund, the CDBG Grant Fund, and the Ocean/Seaview Sewer, and an interfund asset in the General Fund.

D. Ballpark Update

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

DEPOSITS AND INVESTMENTS

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

A. Deposits

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

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

DEPOSITS AND INVESTMENTS, CONTINUED

At year end, the carrying amount of the Town's deposits was \$4,392,844 and the bank balance was \$4,610,880, of which \$361,052 was covered by Federal Depository Insurance or collateral securities.

Deposits have been reported as follows:

Reported in governmental funds	\$ 4,392,844
Total deposits	\$ 4,392,844

B. Investments

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

At June 30, 2011, the Town reported investments with the following maturities:

	Fair value	Less than 1 year	1-5 years	6-10 years	More than 10 years
Money funds/sweep options	\$ 2,663,517	2,663,517	-	-	-
Certificate of deposits	720,000	720,000	-	-	-
Total investments	\$ 3,383,517	3,383,517	-	-	-

Investments have been reported as follows:

Reported in the general fund	\$ 3,383,517
Total deposits	\$ 3,383,517

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town currently does not have an investment policy for custodial credit risk. Of the Town's \$2,663,517 investment in money funds/sweep options, \$2,319,336 was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the Town's \$720,000 in certificates of deposits, \$720,000 was insured by the FDIC.

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

PROPERTY TAX

Property taxes for the current year were committed on July 20, 2010 on the assessed value listed as of April 1, 2010 for all real and personal property located in the Town. All real property taxes were due in two installments, 50% on September 7, 2010 and 50% on March 4, 2011. All personal property taxes were due in full on September 7, 2010. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value. The assessed value was 100% of the estimated market value and 97.4% of the 2011 state valuation of \$1,531,150,000.

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

PROPERTY TAX, CONTINUED

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 \$182,977 for the year ended June 30, 2011.

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

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

The following summarizes the 2011 and 2010 levies:

	<u>2011</u>	<u>2010</u>
Valuation:		
Land	\$ 533,116,200	533,580,400
Buildings	988,168,600	976,917,540
Personal property	26,354,500	25,890,720
Less - Exemptions and tax-exempt property	(56,229,800)	(57,869,400)
Total assessed valuation	\$ 1,491,409,500	1,478,519,260
Total assessed valuation	1,491,409,500	1,478,519,260
Tax rate (per \$1,000)	13.40	12.94
Commitment	19,984,887	19,132,039
Supplemental taxes assessed	2,688	19,861
	19,987,575	19,151,900
Less - collections and abatements	19,277,170	18,452,763
Receivable at end of year	\$ 710,405	699,137
Consisting of:		
Taxes	\$ 710,405	699,137
Liens	-	-
Receivable at end of year	\$ 710,405	699,137
Collection rate	96.45%	96.35%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,604,547	-	1,604,547	-
Land	635,404	-	-	635,404
Total capital assets, not being depreciated	2,239,951	-	1,604,547	635,404
Capital assets, being depreciated:				
Buildings and improvements	5,887,074	2,226,985	-	8,114,059
Equipment, furniture and fixtures	3,318,270	255,871	-	3,574,141
Vehicles	4,867,554	202,244	12,221	5,057,577
Infrastructure	18,188,372	2,855,169	-	21,043,541
Total capital assets being depreciated	32,261,270	5,540,269	12,221	37,789,318
Less accumulated depreciation for:				
Buildings and improvements	2,777,496	145,025	-	2,922,521
Equipment, furniture and fixtures	2,123,091	172,027	-	2,295,118
Vehicles	2,984,453	353,062	12,221	3,325,294
Infrastructure	12,150,807	458,624	-	12,609,431
Total accumulated depreciation	20,035,846	1,128,738	12,221	21,152,363
Total capital assets being depreciated, net	12,225,424	4,411,531	-	16,636,955
Governmental activities capital assets, net	\$ 14,465,375	4,411,531	1,604,547	17,272,359
Business-type activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 993,250	-	-	993,250
Less accumulated depreciation for:				
Buildings and improvements	650,567	17,134	-	667,701
Total capital assets being depreciated, net	342,683	(17,134)	-	325,549
Business-type activities capital assets, net	\$ 342,683	(17,134)	-	325,549
Depreciation expense was charged to functions/programs of the primary government as follows:				
Governmental activities:				
General government				\$ 64,622
Public safety				223,879
Public works, including depreciation of general infrastructure assets				568,487
Sanitation				271,750
Total depreciation expense – governmental activities				\$ 1,128,738
Business-type activities:				
Ballpark Fund				17,134
Total depreciation expense - business activities				\$ 17,134

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

PENSION PLANS

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

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

Funding Policy - All plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The rate for the year ended June 30, 2011 and 2010 was 3.5% and 2.8% respectively, of covered payroll for the regular plan, 5% and 4% of covered payroll for the 2C special plan which covers firefighters, 8.1% and 6.5% of covered payroll for the 1C special plan which covers police officers hired before October 12, 1992 and 8.1% and 6.8% for the 3C special plan which covers police officers hired on or after October 12, 1992. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended June 30, 2011 and 2010 were \$165,041 and \$129,616, respectively.

Deferred Compensation Plan

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

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

LONG-TERM DEBT

The Town is in compliance with all significant limitations and restrictions contained in the various bond indentures.

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2011:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 12,060,000	-	1,535,000	10,525,000	1,705,000
Sewer Revolving Loan	1,140,000	-	60,000	1,080,000	60,000
Capital leases	162,058	-	48,847	113,211	39,390
Landfill closure	114,000	-	6,000	108,000	6,000
Accrued vacation and sick	708,430	-	88,088	620,342	-
Other post employment benefits	230,452	60,513	63,738	227,227	-
Governmental activities					
long-term liabilities	\$ 14,414,940	60,513	1,801,673	12,673,780	1,810,390

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

LONG-TERM DEBT, CONTINUED

Long-term debt payable at June 30, 2011 is comprised of the following:

	Original amount issued	Interest rate	Final maturity date	Balance end of year
Governmental activities:				
1998 General obligation refunding bond	5,975,000	4.15 - 5.20%	2018	1,500,000
2003 General obligation refund bond	7,520,000	2.00 - 4.5%	2023	2,835,000
2009 General obligation bond	4,100,000	4.965%	2028	3,690,000
2009 Sewer Revolving Loan Fund (1)	1,200,000	1.9%	2028	1,080,000
2010 General obligation bond	2,500,000	3.405%	2030	2,500,000

Total governmental activities **\$ 11,605,000**

(1) This bond is being drawn down as construction work is being completed. As of June 30, 2011, the Town has drawn down \$1,200,000.

The annual requirements to amortize all debt outstanding as of June 30, 2011 are as follows. Such amounts exclude overlapping debt requirements but include school debt requirements to be reimbursed by the State of Maine (currently there are none). The general fund pays all governmental activities long-term debt service requirements.

Year ended June 30,	Governmental activities		Total
	Principal	Interest	
2012	\$ 1,765,000	427,240	2,192,240
2013	1,145,000	368,390	1,513,390
2014	615,000	333,645	948,645
2015	625,000	311,479	936,479
2016	635,000	285,903	920,903
2017-2021	3,170,000	1,061,413	4,231,413
2022-2026	2,405,000	486,215	2,891,215
2027-2031	1,245,000	107,218	1,352,218
Totals	\$ 11,605,000	3,381,503	14,986,503

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

OBLIGATIONS UNDER CAPITAL LEASES

The Town has entered into three lease agreements. These leases qualify as capital leases for accounting purposes, and therefore have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of inception. These assets are recorded as capital assets in the government-wide financial statements. The amount of assets capitalized as equipment and vehicles under capital leases for the year ended June 30, 2011 and 2010, was \$300,432 with accumulated depreciation of \$119,648 and \$51,638, respectively, for a net book value of \$180,784 and \$248,794, respectively.

Minimum future lease payments under capital leases are:

<u>Year ended June 30,</u>	
2012	\$ 44,757
2013	44,757
2014	34,235
Thereafter	-
Total minimum lease payments	123,749
Less amount representing interest	10,538
Present value of future	
minimum lease payments	\$ 113,211

STATUTORY DEBT LIMIT

In accordance with Maine law, no municipality shall incur debt for specified purposes in excess of certain percentages of State valuation of such municipality. At June 30, 2011, the Town was in compliance with these limitations.

OVERLAPPING DEBT

The Town is subject to an annual assessment of its proportional share of York County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation. At June 30, 2011, the Town's State valuation of \$1,531,150,000 was 4.88% of the County's State valuation of \$30,462,150,000. The Town's share is 4.88% or \$530,828 of York County's \$10,877,627 long-term debt outstanding as of June 30, 2011.

The Biddeford-Saco Old Orchard Beach Transit Committee had long-term debt of \$473,206 outstanding on June 30, 2011. Under the Interlocal Agreement that governs this entity, the communities of Biddeford, Saco and Old Orchard Beach would become jointly responsible for this debt should the Transit Committee be dissolved. The Town's share is 33.33%, or \$157,735.

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

FUND BALANCE

The General Fund unassigned fund balance total of \$4,358,693 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. Unassigned fund balance totaling (\$504,018) are also reported for several special revenue and capital project funds that have negative fund balances as of June 30, 2011 as shown on Statement 3.

As of June 30, 2011 other fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund:				
Inventory	\$ 45,443	-	-	-
Encumbrances	-	-	22,994	-
Unassigned	-	-	-	4,358,693
Special Revenue Funds:				
Rescue Call Fees	-	-	203,624	-
Recreation Fund	-	-	-	(15,192)
Special Dog Fund	-	-	6,755	-
Police Grant Fund	-	5,750	-	-
Sewer Fund	-	-	286,013	-
Community Garden Fund	-	-	266	-
Memorial Bench Fund	-	1,942	-	-
Conservation Tree Grant	-	3,283	-	-
Ballpark Restoration Fund	-	21,625	-	-
Memorial Day Parade Fund	-	7,008	-	-
CDBG Grant Fund	-	-	-	(4,156)
Smithwheel Impact Fees	-	-	26,138	-
Capital Project Funds:				
Landfill Closure	-	-	805	-
New Police Station	-	273,013	-	-
West Grand Stormwater	-	1,783,687	-	-
Summit St. Sewer	-	751,770	-	-
Ross Rd. Culvert	-	81,526	-	-
Ocean/Seaview Sewer	-	-	-	(484,670)
Halfway Roundabout	-	93,347	-	-
Total	\$ 45,443	3,022,951	546,595	3,854,675

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

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 38,424,724	993,250
Accumulated depreciation	(21,152,363)	(667,701)
Bonds payable	(11,605,000)	-
Capital leases	(113,211)	-
Add back unspent bond proceeds	2,498,670	-
Total invested in capital assets net of related debt	\$ 8,052,820	325,549

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual interfund receivables, payables (due from/to other funds) and transfers at June 30, 2011, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Net Transfers In (Out)</u>
General Fund	\$ -	2,912,757	497,000
Special revenue funds:			
Rescue call fees fund	51,590	-	(519,000)
Sewer special revenue fund	286,013	-	-
Police grants fund	5,750	-	-
Recreation fund	-	13,161	-
Community garden fund	375	-	-
CDBG grant fund	11,996	-	-
Conservation tree grant fund	3,317	-	-
Special dog fund	6,818	-	(3,000)
Memorial bench fund	1,942	-	-
Memorial day parade fund	7,008	-	-
Ballpark restoration fund	28,609	-	25,000
Smithwheel impact fees fund	26,138	-	-
Total special revenue funds	429,556	13,161	(497,000)

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

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, CONTINUED

Capital project funds:			
FY 09 Bond Projects	\$ 2,726,731	484,671	-
New Police Station	273,013	-	-
Landfill closure fund	2,526	-	-
Total capital project funds	3,002,270	484,671	-
Enterprise funds:			
Ballpark facility	-	21,237	-
Totals	\$ 3,431,826	3,431,826	-

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

Transfers were budgeted transfers to and from the General Fund.

RISK MANAGEMENT

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

Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2011.

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Under existing state law, Maine communities are required to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town presently has two landfills that have been closed under an approved plan and one additional landfill whose closure was completed during fiscal year 1998. The only additional costs that remain are postclosure care costs on all three of the landfills. The estimated remaining postclosure care costs at June 30, 2011 are \$108,000, which would include two mowings of each site during the year and well monitoring. This amount has been accrued in the entity-wide financial statements and is being amortized over 30 years at \$6,000 per year, as it is not expected that any of these costs will be funded with current financial resources. The actual cost of postclosure care may be higher due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

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

OTHER POST EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Old Orchard Beach, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town of Old Orchard Beach is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October 2011.

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

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 24,729	51,815	51,815
Amortization of unfunded	37,662	40,831	40,831
Adjustment to ARC	(10,099)	(5,466)	-
<u>Interest</u>	<u>8,221</u>	<u>5,656</u>	<u>1,875</u>
Annual required contribution	\$ 60,513	92,836	94,521

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

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPEB liability, July 1, 2010	\$ 174,627	94,521	-
Annual required contribution	60,513	92,836	94,521
<u>Less: Actual contributions</u>	<u>(7,913)</u>	<u>(12,730)</u>	<u>-</u>
OPEB liability, June 30, 2011	\$ 227,227	174,627	94,521

Funding Status and Funding Progress – The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2011 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 60,513	92,836	94,521
Actual contribution	7,913	12,730	-
Percent contributed	13.1%	13.71%	0%
Actuarial accrued liability	677,300	734,823	734,823
<u>Plan assets</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	677,300	734,823	734,823
Covered payroll	4,704,377	4,340,177	4,409,525
Unfunded actuarial accrued liability as a percentage of covered payroll	14.4%	16.9%	16.7%

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

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

Actuarial valuation date	1/1/11
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 8.7%

TOWN OF OLD ORCHARD BEACH, MAINE
Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

Retiree Healthcare Plan

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2009	1/1/09	\$ -	734,823	734,823	0.00%	4,409,525	16.7%
2010	1/1/09	-	734,823	734,823	0.00%	4,340,177	16.9%
2011	1/1/11	-	677,300	677,300	0.00%	4,704,377	14.4%

GENERAL FUND

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Comparative Balance Sheet
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 4,392,844	4,900,618
Investments	3,383,517	5,365,948
Receivables:		
Taxes receivable	997,925	978,805
Tax liens	630,347	532,889
Accounts receivable	184,886	242,460
Prepaid items	3,891	3,302
Inventory	45,443	36,991
Total assets	\$ 9,638,853	12,061,013
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and payroll withholdings	300,171	228,934
Accrued wages	100,284	214,842
Interfund loans payable	2,912,757	5,003,928
Due to RSU #23	357,806	595,388
Deferred tax revenue	1,398,377	1,236,923
Refundable deposits	142,328	126,497
Total liabilities	5,211,723	7,406,512
Fund balance:		
Nonspendable	45,443	36,991
Assigned	22,994	6,116
Unassigned	4,358,693	4,611,394
Total fund balance	4,427,130	4,654,501
Total liabilities and fund balance	\$ 9,638,853	12,061,013

TOWN OF OLD ORCHARD BEACH, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2011
(with comparative actual amounts for the year ended June 30, 2010)

	2011		Variance	2010
	Budget	Actual	positive (negative)	Actual
Revenues:				
Taxes:				
Property taxes	\$ 19,928,106	19,961,399	33,293	19,341,270
Change in deferred property tax revenue	-	(161,454)	(161,454)	(238,758)
Excise taxes	1,300,000	1,253,525	(46,475)	1,270,284
Interest and costs on taxes	100,000	122,642	22,642	100,720
Cable television franchise taxes	200,000	211,016	11,016	203,408
Contributions in lieu of taxes	26,000	25,016	(984)	26,155
Total taxes	21,554,106	21,412,144	(141,962)	20,703,079
Licenses, permits and fees:				
Business licenses	120,000	201,159	81,159	143,281
Building, plumbing and electrical permits	70,000	77,328	7,328	80,943
Town Clerk fees	12,800	17,368	4,568	15,708
Town Agent fees	31,500	28,251	(3,249)	28,845
Parking fees	136,000	111,778	(24,222)	91,757
Parking meters and fines	350,000	327,428	(22,572)	317,127
Sewer impact fees	31,500	31,500	-	331,500
Sewer user and dumping fees	4,000	6,030	2,030	5,500
Other permits and fees	153,300	119,433	(33,867)	150,936
Total licenses, permits and fees	909,100	920,275	11,175	1,165,597
Intergovernmental:				
State Revenue Sharing	675,000	596,045	(78,955)	575,841
Homestead exemption	155,000	126,196	(28,804)	157,471
M.D.O.T. block grant	75,000	70,987	(4,013)	71,330
Human services reimbursement	22,000	31,274	9,274	28,481
Other state revenue	9,000	10,616	1,616	10,518
Total intergovernmental	936,000	835,118	(100,882)	843,641
Investment income	100,000	20,662	(79,338)	104,417
Other revenues:				
Miscellaneous	20,000	50,654	30,654	38,687
Total other revenues	20,000	50,654	30,654	38,687
Total revenues	23,519,206	23,238,853	(280,353)	22,855,421

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Town Council	\$ 62,017	56,543	5,474	46,024
Administration	262,351	248,899	13,452	368,282
Legal	100,000	103,218	(3,218)	158,634
Tax collector	79,154	79,423	(269)	96,091
Finance Director/Treasurer	160,058	157,628	2,430	169,520
Assessor	189,494	183,162	6,332	182,278
Town Clerk	155,635	154,841	794	152,674
Elections	16,250	12,425	3,825	15,467
Planning	150,992	88,888	62,104	144,422
Code enforcement	185,850	201,243	(15,393)	190,262
Building maintenance	112,577	107,782	4,795	101,444
Planning, Zoning and Registration Boards	11,685	4,963	6,722	6,663
Miscellaneous	10,000	10,100	(100)	4,877
Contingency	25,000	14,242	10,758	13,567
Insurances	385,600	390,390	(4,790)	373,662
Information Technology	161,542	147,716	13,826	-
Total general government	2,068,205	1,961,463	106,742	2,023,867
Public works:				
General	1,546,329	1,460,841	85,488	1,547,039
Total public works	1,546,329	1,460,841	85,488	1,547,039
Sanitation:				
Treatment plant	1,074,670	1,017,283	57,387	1,019,434
Solid waste	665,000	691,100	(26,100)	637,530
Comfort station	-	-	-	4,694
Total sanitation	1,739,670	1,708,383	31,287	1,661,658
Public safety:				
Police department	2,102,960	2,032,617	70,343	1,952,280
New Police Building	32,500	20,717	11,783	-
Parking enforcement	59,548	64,713	(5,165)	63,072
Communication center	295,674	378,567	(82,893)	450,355
Emergency management	1,215	-	1,215	778
Animal control	24,415	14,863	9,552	7,400
Public safety complex	93,000	82,942	10,058	69,033
Lifeguards	129,600	136,173	(6,573)	129,298
Fire/rescue department	1,438,089	1,479,282	(41,193)	1,443,375
Hydrants	133,000	126,591	6,409	125,251
Street lights	228,000	194,239	33,761	198,981
Total public safety	4,538,001	4,530,704	7,297	4,439,823

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Recreation, culture and agencies:				
Recreation	\$ 251,924	247,975	3,949	243,961
Conservation Commission	30,000	30,945	(945)	42,821
Donations to provider agencies	28,575	28,575	-	38,495
Memorial Library	224,780	224,780	-	227,773
Historical Society	14,570	14,051	519	13,140
Transit Committee subsidy	80,000	80,000	-	76,000
Total recreation, culture and agencies	629,849	626,326	3,523	642,190
Health and welfare:				
General assistance	102,990	106,693	(3,703)	107,822
Total health and welfare	102,990	106,693	(3,703)	107,822
Education	9,303,600	9,399,388	(95,788)	9,556,818
Intergovernmental - county tax	777,785	777,785	-	753,529
Abatements, overlay and write offs	100,000	25,736	74,264	50,831
Debt service:				
Principal	1,768,850	1,653,860	114,990	1,636,683
Interest	545,645	500,529	45,116	490,798
Total debt service	2,314,495	2,154,389	160,106	2,127,481
Capital outlays:				
Comprehensive plan update	52,600	121	52,479	-
Computer system upgrade	2,945	-	2,945	59,059
Historical Society Roof	8,500	7,700	800	4,174
Town Clerk records archive	6,000	-	6,000	15,614
Town Hall improvements	74,000	2,570	71,430	12,252
Train Station Boiler	20,000	-	20,000	-
Ballpark Improvements	-	-	-	32,453
Police equipment and vehicles	52,000	51,260	740	-
Police cell block improvements	-	-	-	23,440
Cardiac Monitor	-	-	-	20,000
Dispatch Consolidation	-	112,525	(112,525)	16,108
Fire Rescue Vehicle	160,000	157,083	2,917	41,842
Road maint./improvements	508,653	331,820	176,833	295,558
Sidewalk maint./improvements	145,000	55,695	89,305	20,060
Public works Vehicles	180,000	156,566	23,434	96,669
Public works building improvement	50,000	44,905	5,095	46,956
Public works stormwater maintenance	143,000	64,568	78,432	29,090
Sewer maintenance/improvement	106,000	29,726	76,274	43,788
Treatment plant equipment	440,000	183,855	256,145	376,190
Recreation building improvements	-	-	-	5,000
Skate Park	30,000	30,000	-	-
Expenditures from undesignated fund balance	-	-	-	12,500
Total capital outlays	1,978,698	1,228,394	750,304	1,150,753
Total expenditures	25,099,622	23,980,102	1,119,520	24,061,811

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Excess (deficiency) of revenues over (under) expenditures	\$ (1,580,416)	(741,249)	839,167	(1,206,390)
Other financing sources (uses):				
Transfers - in	522,000	522,000	-	328,000
Transfers - out	-	(25,000)	(25,000)	-
Utilization of prior year fund balance	1,058,416	-	(1,058,416)	-
Total other financing sources (uses)	1,580,416	497,000	(1,083,416)	328,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	(244,249)	(244,249)	(878,390)
Reconciliation to GAAP (Statement 4):				
Less: Prior year encumbrances		(6,116)		(5,126)
Add: Current year encumbrances		22,994		6,116
Net change in fund balance before special item		(227,371)		(877,400)
Special Item:				
Transfer of funds to Regional School Unit #23		-		110,720
Net change in fund balance		-		(766,680)
Fund balance, beginning of year		4,654,501		5,421,181
Fund balance, end of year	\$	4,427,130		4,654,501

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF OLD ORCHARD BEACH, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Other Governmental Funds
ASSETS			
Accounts receivable	\$ -	-	-
Interfund loans receivable	377,966	3,002,270	3,380,236
Total assets	\$ 377,966	3,002,270	3,380,236
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and payroll withholdings	25,373	18,122	43,495
Interfund loans payable	13,161	484,670	497,831
Total liabilities	38,534	502,792	541,326
Fund balances:			
Restricted	39,608	2,983,343	3,022,951
Assigned	319,172	805	319,977
Unassigned	(19,348)	(484,670)	(504,018)
Total fund balances	339,432	2,499,478	2,838,910
Total liabilities and fund balances	\$ 377,966	3,002,270	3,380,236

TOWN OF OLD ORCHARD BEACH, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the Year Ended June 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Other Governmental Funds
Revenues:			
Taxes	\$ -	-	-
Licenses, permits and fees	127,267	-	127,267
Intergovernmental	83,744	-	83,744
Program income	228,646	-	228,646
Other revenues	86,994	-	86,994
Total revenues	526,651	-	526,651
Expenditures:			
Current:			
Recreation, culture and agencies	162,077	-	162,077
Unclassified	143,835	-	143,835
Capital outlays	90,392	3,188,510	3,278,902
Total expenditures	396,304	3,188,510	3,584,814
Excess (deficiency) of revenues over (under) expenditures	130,347	(3,188,510)	(3,058,163)
Other financing sources (uses):			
Transfers - in	25,000	-	25,000
Transfers - out	(3,000)	-	(3,000)
Proceeds from general obligation bonds	-	1,200,000	1,200,000
Total other financing sources (uses)	22,000	1,200,000	1,222,000
Net change in fund balances	152,347	(1,988,510)	(1,836,163)
Fund balances, beginning of year	187,085	4,487,988	4,675,073
Fund balances, end of year	\$ 339,432	2,499,478	2,838,910

NONMAJOR SPECIAL REVENUE FUNDS

Exhibit C-1

TOWN OF OLD ORCHARD BEACH, MAINE Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2011
(with comparative totals for June 30, 2010)

	Recreation Fund	Special Dog Fund	Police Grants Fund	Sewer Special Revenue	Community Garden Fund	Canopy Grant Fund	Memorial Beach Fund	Conservation Tree Grant	Ballpark Restoration Fund	Memorial Day Parade Fund	CDRG Grant Fund	Smithwheel Impact Fees	Totals
													2011 2010
ASSETS													
Assets:													
Interfund loans receivable	\$ -	6,818	5,750	286,013	375	-	1,942	3,317	28,609	7,008	11,596	26,138	377,966 274,024
Total assets	\$ -	6,818	5,750	286,013	375	-	1,942	3,317	28,609	7,008	11,596	26,138	377,966 274,024
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable and payroll withholdings	2,031	63	-	-	109	-	-	34	6,984	-	16,152	-	25,373 8,640
Interfund loans payable	13,161	-	-	-	-	-	-	-	-	-	-	-	13,161 78,299
Total liabilities	15,192	63	-	-	109	-	-	34	6,984	-	16,152	-	38,534 86,939
Fund balances:													
Restricted	-	-	5,750	-	-	-	1,942	5,283	21,625	7,008	-	-	39,608 30,237
Assigned	-	6,755	-	286,013	266	-	-	-	-	-	-	26,138	319,172 238,609
Unassigned	(15,192)	-	-	-	-	-	-	-	-	-	(4,56)	-	(19,348) [81,761]
Total fund balances (deficit)	(15,192)	6,755	5,750	286,013	266	-	1,942	3,283	21,625	7,008	(4,56)	26,138	339,432 387,085
Total liabilities and fund balances	\$ -	6,818	5,750	286,013	375	-	1,942	3,317	28,609	7,008	11,596	26,138	377,966 274,024

TOWN OF OLD ORCHARD BEACH, MAINE
Normal Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	Special Recreation Fund	Police Dog Fund	Police Grants Fund	Sewer Special Revenue Fund	Community Garden Fund	Canopy Grant Fund	Memorial Bench Fund	Conservation Tree Grant Fund	Ballpark Restoration Fund	Memorial Day Parade Fund	CDRG Grant Fund	Smithwheel Impact Fees	Totals
													2011
													2010
Revenues:													
Licenses and permits:													
Dog fees	-	4,317	-	-	-	-	-	-	-	-	-	-	4,317
Ordinance fees and assessments	-	-	-	122,950	-	-	-	-	-	-	-	-	122,950
Total licenses and permits	-	4,317	-	122,950	-	-	-	-	-	-	-	-	127,267
Intergovernmental:													
Federal grants and commodities	-	-	8,086	-	-	-	-	-	-	-	76,658	-	83,744
Total intergovernmental	-	-	8,086	-	-	-	-	-	-	-	76,658	-	83,744
Other revenues:													
Recreation programs	228,646	-	6,548	-	735	-	-	-	76,804	3,000	-	-	228,646
Other	228,646	-	6,548	-	735	-	(2,612)	2,519	76,804	3,000	-	-	465,994
Total other revenues	228,646	-	6,548	-	735	-	(2,612)	2,519	76,804	3,000	-	-	465,994
Total revenues	228,646	4,317	14,634	122,950	735	-	(2,612)	2,519	76,804	3,000	76,658	-	526,651
Expenditures:													
Recreation	162,077	-	-	-	-	-	-	-	-	-	-	-	162,077
Unclassified	-	-	21,454	35,500	469	3,000	108	-	82,758	2,470	76	-	143,835
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	162,077	-	21,454	35,500	469	3,000	108	-	82,758	2,470	76	-	186,970
Excess (deficiency) of revenues over (under) expenditures	66,569	4,317	(6,820)	88,450	266	(3,000)	(2,720)	2,519	(5,954)	530	(4,340)	(10,470)	139,347
Other financing sources (uses):													
Transfers in	-	(3,000)	-	-	-	-	-	-	25,000	-	-	-	22,000
Transfers out	-	(3,000)	-	-	-	-	-	-	25,000	-	-	-	(3,000)
Total other financing sources (uses)	-	(3,000)	-	-	-	-	-	-	25,000	-	-	-	19,000
Net change in fund balances	66,569	1,317	(6,820)	88,450	266	(3,000)	(2,720)	2,519	(5,954)	530	(4,340)	(10,470)	152,347
Fund balances (deficit), beginning of year	(81,761)	5,438	12,570	196,563	-	3,000	4,662	764	2,579	6,478	184	96,608	187,085
Fund balances (deficit), end of year	\$ (15,192)	6,755	5,750	285,013	266	-	1,942	3,283	21,625	7,008	(4,156)	26,138	399,432
													187,085

NONMAJOR CAPITAL PROJECT FUNDS

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		[with comparative totals for the year ended June 30, 2010]							Totals
	Landfill Closure	New Police Station	West Grand Stormwater	Sunmit St Sewer	Ross Rd Culvert	Ocean/Saview Sewer	Halfway Roundabout	West Grand Pump Station	
Revenues:									
Intergovernmental	-	-	-	-	-	-	-	-	-
Total revenues	\$ -	-	-	-	-	-	-	-	-
Expenditures:									
Capital improvements:									
Engineering costs	-	2,467	1,390	-	1,774	2,772	-	27,282	35,685
Construction costs	-	1,590,066	-	111,330	16,387	166,652	-	930,364	1,585,484
Equipment and associated expenses	-	338,086	-	-	-	-	-	-	338,086
Miscellaneous	-	-	-	-	-	-	-	-	106,018
Total expenditures	-	1,930,559	1,390	111,330	18,161	169,424	-	957,646	3,188,510
Excess (deficiency) of revenues over (under) expenditures	-	(1,930,559)	(1,390)	(111,330)	(18,161)	(169,424)	-	(957,646)	(1,962,079)
Other financing sources (uses):									
Transfers - in	-	-	-	-	-	-	-	-	-
Transfers - out	-	-	-	-	-	-	-	-	-
Proceeds from general obligation bonds	-	-	-	-	-	-	-	1,200,000	1,200,000
Total other financing sources (uses)	-	-	-	-	-	-	-	1,200,000	1,200,000
Net change in fund balances	-	(1,930,559)	(1,390)	(111,330)	(18,161)	(169,424)	-	242,354	(1,988,510)
Fund balances (deficit), beginning of year	805	2,203,272	1,785,077	863,100	99,687	(315,246)	93,347	(242,354)	4,487,988
Fund balances (deficit), end of year	\$ 805	\$ 273,013	\$ 1,783,687	\$ 751,770	\$ 81,526	\$ (484,670)	\$ 93,347	\$ -	\$ 2,499,478

TOWN OF OLD ORCHARD BEACH, MAINE
Capital Project Funds
Cumulative Statement of Revenues and Expenditures
Beginning of project to June 30, 2011

	Landfill Closure	New Police Station	West Grand Stormwater	Summit St Sewer	Ross Rd Culvert	Ocean/Seawiew Sewer	Halfway Roundabout	West Grand Pump Station
Revenues:								
Grant proceeds	\$ 186,681	-	-	-	-	44,432	-	-
Investment income	3,624	-	-	-	-	-	-	-
Other revenues	150	-	-	-	-	-	-	-
Total revenues	190,455	-	-	-	-	44,432	-	-
Expenditures:								
Capital improvements:								
Engineering costs	2,282	7,342	62,313	35,579	38,113	166,150	-	162,194
Consultant costs	18,900	-	-	440	230,069	-	-	-
Construction costs	122,513	1,881,559	-	111,331	-	1,162,660	-	1,015,202
Equipment and associated expenses	41,631	338,086	-	-	-	-	-	22,513
Town labor and equipment	61,231	-	-	-	-	-	-	-
Miscellaneous	4,746	-	4,000	880	292	292	106,653	91
Total expenditures	251,303	2,226,987	66,313	148,230	268,474	1,329,102	106,653	1,200,000
Deficiency of revenues under expenditures	(60,848)	(2,226,987)	(66,313)	(148,230)	(268,474)	(1,284,670)	(106,653)	(1,200,000)
Other financing sources:								
Transfers - in	61,653	-	-	-	-	-	-	-
Proceeds of general obligation bonds	-	2,500,000	1,850,000	900,000	350,000	800,000	200,000	1,200,000
Total other financing sources	61,653	2,500,000	1,850,000	900,000	350,000	800,000	200,000	1,200,000
Cumulative excess (deficiency) of revenues and other sources over (under) expenditures	\$ 805	273,013	1,783,687	751,770	81,526	(484,670)	93,347	-

LONG-TERM DEBT

TOWN OF OLD ORCHARD BEACH, MAINE
Statement of Changes in Long-term Debt
For the Year Ended June 30, 2011

For the Year Ending June 30, 2021									
	Interest rate	Final maturity date	Annual principal payments	Amounts authorized	Issued previous years	Retired previous years	Balance		Balance end of year
							beginning of year	Current Period Issued Retired	
General Obligation Bonds									
Town Issues:									
1998 General obligation - refunding bond	4.15 - 5.2%	2018	Various	5,975,000	5,975,000	3,940,000	2,035,000	-	1,500,000
2003 General obligation - refunding bond	2.0 - 4.5%	2023	Various	7,520,000	7,520,000	3,890,000	3,630,000	-	2,835,000
2009 General obligation bond	4.955%	2028	Various	4,100,000	4,100,000	205,000	3,895,000	-	3,690,000
2009 Sewer revolving loan fund	1.900%	2028	60,000	1,200,000	1,200,000	60,000	1,140,000	-	1,080,000
2010 General obligation bond	3.405%	2030	125,000	2,500,000	2,500,000	-	2,500,000	-	2,500,000
Total general obligation bonds					21,295,000	8,095,000	13,200,000	-	11,605,000
Total long-term debt									
				\$	21,295,000	8,095,000	13,200,000	-	11,605,000

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

Exhibit F-1

TOWN OF OLD ORCHARD BEACH, MAINE
Capital Assets Used in the Operation of Governmental Funds - By Source
June 30, 2011

Capital assets:		
Land and buildings	\$	8,749,465
Equipment		3,574,141
Vehicles		5,057,577
Infrastructure		21,043,541
Total governmental fund capital assets	\$	38,424,724
Investments in capital assets by source:		
General Fund		38,424,724
Capital Project Funds		-
Total governmental fund capital assets by source	\$	38,424,724

Exhibit F-2

TOWN OF OLD ORCHARD BEACH, MAINE
Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity
June 30, 2011

Function and Activity	Land and Buildings	Construction In Progress	Equipment	Vehicles	Infrastructure	Total
Town Hall	\$ 1,011,923	-	289,566	102,964	-	1,404,453
Public Works	1,312,100	-	423,564	2,207,355	14,142,207	18,085,226
Waste Water	2,925,331	-	2,154,718	289,370	6,901,334	12,270,753
Compost/Transfer Facility	304,550	-	-	-	-	304,550
Comfort Station	167,277	-	-	-	-	167,277
Police Department	2,316,025	-	414,023	540,712	-	3,270,760
Fire and Rescue	350,186	-	292,270	1,917,176	-	2,559,632
Tidal Gates	54,394	-	-	-	-	54,394
Animal Facility	826	-	-	-	-	826
Train Platform	306,853	-	-	-	-	306,853
Total governmental fund capital assets	\$ 8,749,465	-	3,574,141	5,057,577	21,043,541	38,424,724

Exhibit F-3

Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the Year Ended June 30, 2011

Function and Activity	Balance 2010	Additions	Deletions	Balance 2011
Town Hall	\$ 1,404,453	-	-	1,404,453
Public Works	17,688,908	396,318	-	18,085,226
Waste Water	10,964,053	2,615,417	1,308,717	12,270,753
Compost/Transfer Facility	304,550	-	-	304,550
Comfort Station	167,277	-	-	167,277
Police Department	1,292,825	2,273,765	295,830	3,270,760
Fire and Rescue	2,317,083	254,769	12,220	2,559,632
Tidal Gates	54,394	-	-	54,394
Animal Facility	826	-	-	826
Train Platform	306,853	-	-	306,853
Totals	\$ 34,501,222	5,540,269	1,616,767	38,424,724

TABLES

Table 1

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Last Ten Fiscal Years										
Revenues:										
Property taxes	\$ 13,199,080	14,676,830	15,043,333	15,535,851	16,265,640	17,208,689	17,749,257	18,682,705	19,102,512	19,799,945
Other taxes	1,481,602	1,535,620	1,658,127	1,787,674	1,649,581	1,684,326	1,691,863	1,887,245	1,600,567	1,612,199
Licenses and permits	575,411	657,588	787,862	1,120,948	1,164,742	1,132,286	940,062	963,141	1,165,597	920,275
Intergovernmental revenues	3,420,726	3,104,603	2,744,653	2,378,948	2,470,827	2,174,858	2,210,043	1,486,209	843,641	833,118
Investment income	160,005	89,177	97,957	134,125	224,977	343,844	352,740	150,912	104,417	20,662
Other revenues	51,589	37,752	183,408	232,794	92,151	195,742	134,061	354,015	38,687	50,654
Total revenues	18,888,413	20,101,570	20,515,340	21,190,340	21,867,918	22,739,745	23,078,026	23,524,227	22,855,421	23,238,853
Expenditures:										
General government	2,242,861	1,523,897	1,842,364	1,855,934	1,797,347	1,761,598	1,913,524	1,851,871	2,021,057	1,964,273
Public works	714,867	941,985	1,005,234	1,059,881	1,127,144	1,482,509	1,618,224	1,595,363	1,547,039	1,455,600
Sanitation	1,400,267	1,684,667	1,576,873	1,455,194	1,677,526	1,496,170	1,542,780	1,644,676	1,661,658	1,707,176
Public safety	2,662,228	3,383,987	3,543,140	3,670,572	3,844,767	4,044,087	4,178,862	4,429,964	4,439,462	4,528,474
Recreation, culture and agencies	274,752	287,190	332,191	386,875	443,249	471,937	503,462	686,550	642,190	625,376
Health and welfare	55,649	56,515	62,202	80,503	70,732	76,463	74,298	101,475	107,822	105,693
Education	8,717,626	8,821,298	8,614,579	8,965,400	9,032,509	9,212,617	9,632,841	9,973,975	9,561,944	9,399,388
Debt service (excluding education)	1,635,917	1,621,046	1,561,729	1,238,346	1,616,746	1,543,678	1,521,034	1,726,929	2,127,481	2,154,389
Capital outlays	533,291	778,051	1,149,814	1,937,383	2,710,375	2,242,068	1,914,839	1,228,471	1,147,808	1,218,334
Other	444,627	494,758	367,993	527,990	595,307	621,893	646,342	789,444	804,360	803,521
Total expenditures	18,682,085	19,593,394	20,056,119	21,178,078	22,915,702	22,953,020	23,548,206	24,129,718	24,060,821	23,963,224
Other financing sources	304,869	299,374	7,826,334	309,334	434,334	434,334	459,334	434,334	328,000	522,000
Other financing uses	(356,000)	(75,638)	(7,342,491)	(56,180)	(59,680)	(65,680)	(74,180)	(86,620)	-	(25,000)
Net change in fund balances	155,197	731,912	943,064	265,416	(677,130)	155,379	(85,026)	(459,777)	(877,400)	(227,371)
Special Item:										
Transfer of funds to RSU #23	-	-	-	-	-	-	-	-	110,720	-
Fund balances, beginning	4,249,071	4,404,268	5,136,180	6,222,319	6,487,735	5,810,605	5,965,984	5,880,958	5,421,181	4,654,501
Fund balances, ending	\$ 4,404,268	5,136,180	6,079,244	6,487,735	5,810,605	5,965,984	5,880,958	5,421,181	4,654,501	4,427,130

++ Includes a prior period adjustment.

Table 2

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

Year	Current		Collection		Total current		Total collections as a percent of total tax levy	Total outstanding June 30,	Percent of delinquent taxes and liens to tax levy
	tax levy	tax levy	Delinquent tax	Total	year collections as a percent of total tax levy				
2002	\$ 13,296,446	12,876,295	504,220	13,380,515	96.84%	100.63%	898,153	6.75%	
2003	14,955,562	14,335,676	484,339	14,820,015	95.86%	99.09%	1,050,437	7.02%	
2004	15,356,300	14,975,298	681,477	15,656,775	97.52%	101.96%	833,776	5.43%	
2005	15,707,863	15,320,115	429,348	15,749,463	97.53%	100.26%	842,318	5.36%	
2006	16,606,072	16,183,713	455,240	16,638,953	97.46%	100.20%	905,428	5.45%	
2007	17,503,035	16,997,147	455,329	17,452,476	97.11%	99.71%	1,016,033	5.80%	
2008	18,118,387	17,505,853	391,071	17,896,924	96.62%	98.78%	1,237,496	6.83%	
2009	18,959,656	18,453,482	338,884	18,792,366	97.33%	99.12%	1,188,126	6.27%	
2010	19,151,900	18,452,763	375,569	18,828,332	96.35%	98.31%	1,511,694	7.89%	
2011	19,987,575	19,277,170	593,827	19,870,997	96.45%	99.42%	1,628,272	8.15%	

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Table 3

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

Year	Assessed Value			Estimated actual value	Ratio of total assessed value to total estimated actual value	State equalized valuation	Ratio of total assessed value to state equalized value
	Real	Personal	Total				
2002	\$ 560,259,200	18,432,350	578,691,550	609,149,000	95.00%	623,600,000	92.80%
2003	776,373,600	19,692,966	796,066,566	796,066,566	100.00%	697,300,000	114.16%
2004	779,156,600	20,500,743	799,657,343	799,657,343	100.00%	786,450,000	101.68%
2005	812,166,500	20,816,750	832,983,250	832,983,250	100.00%	969,950,000	85.88%
2006*	1,206,181,200	21,605,000	1,227,786,200	1,227,786,200	100.00%	1,150,850,000	106.69%
2007	1,289,869,400	23,392,100	1,313,261,500	1,313,261,500	100.00%	1,368,350,000	95.97%
2008	1,418,164,600	23,691,240	1,441,855,840	1,441,855,840	100.00%	1,565,250,000	92.12%
2009	1,439,858,170	25,294,968	1,465,153,138	1,465,153,138	100.00%	1,575,350,000	93.00%
2010	1,452,628,540	25,890,720	1,478,519,260	1,478,519,260	100.00%	1,533,750,000	96.40%
2011	1,465,055,000	26,354,500	1,491,409,500	1,491,409,500	100.00%	1,531,150,000	97.40%

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

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Table 4

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

Year	Total	Town	School	County	Water quality control
2002*	\$ 24.40	8.68	11.87	0.68	3.17
2003	20.10	7.65	9.33	0.65	2.47
2004	20.10	6.67	9.64	0.59	3.20
2005	20.10	7.57	9.71	0.59	2.23
2006**	13.50	5.10	6.26	0.44	1.70
2007	13.32	5.20	6.09	0.44	1.59
2008	12.56	4.73	5.94	0.43	1.46
2009	12.94	4.85	6.40	0.40	1.29
2010	12.94	4.45	6.76	0.51	1.22
2011	13.40	5.10	6.24	0.52	1.54

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

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

Table 5

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

	Estimated population	Assessed value (in thousands)	Gross bonded debt (1)	Ratio of		Gross bonded debt per capita	Estimated average population (2)	Gross bonded debt per estimated average population
				gross bonded debt to	assessed value			
2002	8,800	\$ 578,692	13,904,562	2.40%		1,580	25,467	546
2003	8,800	796,067	13,034,440	1.64%		1,481	25,467	512
2004	8,800	799,657	12,420,000	1.55%		1,411	25,467	488
2005	8,800	832,983	11,740,000	1.41%		1,334	25,467	461
2006	8,800	1,227,786	10,565,000	0.86%		1,201	25,467	415
2007	8,800	1,313,262	9,430,000	0.72%		1,072	25,467	370
2008	8,800	1,441,856	8,280,000	0.57%		941	25,467	325
2009	8,800	1,465,153	12,290,000	0.84%		1,397	25,467	483
2010	8,800	1,478,519	13,200,000	0.89%		1,500	25,467	518
2011	8,624	1,491,410	11,605,000	0.78%		1,346	25,291	459

(1) Includes all long-term general obligation debt excluding accrued vacation and sick leave. Certain school debt is reimbursed by the State of Maine.

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

Table 6

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

Year	Principal	Interest	Total debt service	Total General Fund expenditures	Ratio of debt service to total General Fund expenditures
2002	\$ 836,630	799,287	1,635,917	18,509,600	8.84%
2003	870,122	750,924	1,621,046	19,596,364	8.27%
2004	880,000	681,729	1,561,729	20,153,706	7.75%
2005	680,000	558,346	1,238,346	21,154,646	5.85%
2006	1,175,000	441,746	1,616,746	22,807,881	7.09%
2007	1,135,000	408,678	1,543,678	22,850,277	6.76%
2008	1,150,000	371,034	1,521,034	23,512,985	6.47%
2009	1,299,946	426,983	1,726,929	24,106,607	7.16%
2010	1,636,683	490,798	2,127,481	24,066,937	8.84%
2011	1,653,861	500,529	2,154,390	23,986,218	8.98%

Table 7

TOWN OF OLD ORCHARD BEACH, MAINE
Ten Largest Taxpayers
For the year ended June 30, 2011

Name	Type of Operation	Taxes	% of Net Tax Levy
Palace Playland Association	Amusements	\$ 95,604	0.48%
Lafayette Old Orchard LLC	Resort	90,291	0.45%
Seagate Limited Partnership	Mobile Home Park	81,637	0.41%
Central Maine Power	Utility	77,629	0.39%
MHC Pinehurst LLC	Resort	71,883	0.36%
Wild Acres LLC	Resort	71,559	0.36%
Birch Ridge Limited	Apartments	66,944	0.33%
Powderhorn Family Camping Resort	Resort	66,914	0.33%
Alouette Atlantic Resorts LLC	Resort	59,969	0.30%
Portland Ave Associates	Hotel	58,449	0.29%

APPENDIX D

**CITY OF SACO BEACH, MAINE
ANNUAL FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES
FOR THE
YEAR ENDED JUNE 30, 2011**

(With Report of Independent Auditors' Thereon)

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City of Saco, Maine
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

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City of Saco, Maine
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

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City of Saco, Maine
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



City of Saco

Finance Office

Cheryl Fournier, Finance Director
Saco City Hall
300 Main Street, Saco, ME 04072

Tel: (207) 282-1032
Fax: (207) 282-8209
Email: cheryl.fournier@sacomaine.org

November 30, 2011

Honorable Roland L. Michaud, Mayor
and Distinguished Members of the City Council
300 Main Street
Saco, Maine 04072

The comprehensive annual financial report of the City of Saco, Maine for the fiscal year ended June 30, 2011, is hereby submitted in accordance with the requirements of both our City Charter and state statutes. The Charter and statutes require that the City of Saco issue annually a report of its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with the City of Saco. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Saco on a government-wide and fund basis. All disclosures necessary to enable the reader to gain the maximum understanding of the City's activities have been included.

The comprehensive annual financial report is prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Accounting Principles Generally Accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Saco, Maine's MD&A can be found immediately following the report of the independent auditors.

Governmental Structure, Local Economic Condition and Outlook

The City of Saco, Maine, incorporated in 1867, is located at the mouth of the Saco River on the southerly side of Saco Bay in the Gulf of Maine, in the southern coastal section of the State and is the eleventh largest city by population in the State of Maine. The City of Saco continues to be a key area within the state for residential growth, as well as a key area where industrial and commercial companies are investing. The City of Saco was ranked among the top five cities within the State of Maine for this growth. Saco has a land area of 38.5 square miles and an estimated population of 18,482 based on the most recent census. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the Mayor-Council – City Administrator form of government. Policy making and legislative authority is vested in the seven member City Council. The Council is elected on a non-partisan basis. The mayor and all council members are elected to two-year terms from seven districts (wards). The City Council is responsible, among other things, for passing ordinances, adopting the budget, confirming mayoral nominations of committees and the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments, some with City Council confirmation.

The City of Saco, Maine provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; waste water treatment plant; solid waste collection; health and social welfare; recreation; general administration and economic development.

The annual budget serves as the foundation for the City of Saco's financial planning and control. All departments of the City of Saco are required to submit requests for appropriation to the Finance Director in January of each year. The City's Finance Director uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the City Council for review in March of each year. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Both transfers of appropriations within a department and between various departments require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds.

Major Initiatives Fiscal Year 2010-2011

After much work, financial planning and commitment to our vision of making Saco a community with a high quality of life for all its citizens, the City again ends the year in a solid financial position. Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future. The people of Saco have brought this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity.

Economic Development. The City has worked for decades to improve the economic development climate in Saco, and the proof of those efforts is the steady increase in the City's assessed valuation, which is due to growth in the industrial and commercial sector, as well as strong residential growth. Notable additions to the City's economic development base are due to the City's continually expanding business parks, which now includes several new businesses. Some recent projects are a new Amtrak Station and an IMAX 3-D digital movie theater.

Assessed Valuation. For the 20th consecutive year, the City's valuation has steadily increased, with the exception of fiscal year June 30, 1999, where the valuation slightly decreased due to the State mandated homestead exemption of approximately \$25 million. This exemption reduced the taxable valuation for the taxpayers of the City but was substituted by a reimbursement from the State. Since fiscal year 1991, the assessed valuation has risen from \$729,675,000, to this year's \$2,099,800,000. This equates to a 187.8% increase over this 20-year period. However, this increase has not been reflected proportionately between residential and commercial growth. In 1990, residential property accounted for 68% of the City's valuation. This year, residential property taxes will also account for approximately 76.1% of the taxes paid, while business/industry will account for 23.9%.

Financial Management. The City is committed to ensuring sound financial management of public funds. This includes monitoring goals and objectives through the Strategic Plan, maintaining sufficient fund balances in major governmental funds, and adhering to the highest management standards. The Strategic plan was last adopted by the City Council in fiscal year 2010 with the election of our current Council, and will be updated again in fiscal year 2012 after our next election.

Capital Improvements and Debt Service. The City has prepared a five-year Capital Improvement Plan Policy. This policy outlines all of the capital assets currently owned by the City, their historical costs, their estimated useful lives, and their estimated replacement years and costs. With this information, the City will be better able to plan for replacements which will aid in our budget preparation in future years as we will have a better idea of fiscal impacts due to replacement being projected. In the current fiscal year, approximately \$165,000 was budgeted to fund various capital improvement projects, including numerous capital asset additions and infrastructure maintenance projects. The City continues to remain significantly below state mandated thresholds for allowable debt liability.

Comprehensive Plan. A comprehensive plan for the City's development was adopted in October of 1999. This plan sets out development policies and goals for the next decade and is updated frequently. A new Comprehensive Plan was completed in fiscal year 2011.

Interlocal service efforts with the City of Biddeford and the Town of Old Orchard Beach. Saco, Biddeford and Old Orchard Beach continue to build among the many services we provide jointly, including the harbor river patrol efforts, various training efforts for employees, combined purchasing to take advantage of economies of scale, and combined negotiations of cable franchise agreements, to name just a few. Interlocal agreements are also in place for fire, police and emergency management services. Joint employees with neighboring towns cover such areas as recycling and GIS mapping.

Biddeford-Saco-Old Orchard Beach Transit Committee. The City is a member of the Biddeford-Saco-Old Orchard Beach Transit Committee which is a jointly governed organization. The Committee has operated a public mass transit passenger bus service within and between the three municipalities under a voluntary interlocal agreement since 1977. The City of Saco's contribution to the committee for the year ended June 30, 2011 was \$85,000. The Transit Committee does not meet the definition of a component unit or a joint venture because there is no ongoing financial interest or responsibility by the participating governments.

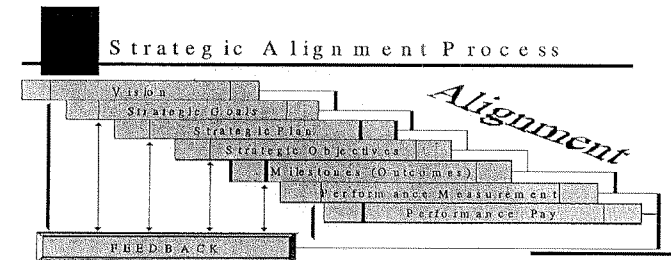
Major Initiatives - 2010-2011 Goals

During the coming year, the City will build upon our past successes. The City will continue to focus its efforts on economic development, fiscal accountability, expanding Saco's tax base and reaffirming our commitment to the public to improve service delivery and enhance the quality of life in our community. In March of 2004 the City completed its first strategic plan. This plan was then updated again in 2006, 2008, and 2010. This task began with the review of each department's strengths, weaknesses, opportunities and threats (SWOT). This SWOT analysis was then distilled into the nine strategic goals noted below and presented within the City's strategic plan. In addition to the development of the strategic goals, each department was requested to develop strategic objectives to advance these goals. Each objective contained in this plan is aligned with one or more of the nine strategic goals. Each of the objectives contains milestones that identify major accomplishments that will need to be completed to finish the objective.

A critical piece of this plan is that the time horizon has been expanded to consider financial and resource capabilities. An objective may span a number of years depending on the goal's complexity and financing. This plan will allow the City to track progress on all goals and objectives over time. The intent of this plan is to provide strategic direction for the management of the City and to align departmental objectives with this direction. Each year the plan will be reviewed and updated with the Mayor, City Council and staff.

From the use of this strategic plan, performance measurements will be established to provide better operational accountability. The City is working towards ensuring that services are provided in the most efficient and effective way. The City is currently formulating a mixture of performance measurements and comparable statistics between other Maine communities. This will be presented in the form of output measures, outcome measures and efficiency measures for each City department. These measures will be reported in the current year's report. In 2004, the City received a \$30,000 grant through the National Center for Innovative Technology to further this effort and to publish a performance information report on this data. The City was successful at completing its performance measurement reports and received a national Certificate of Excellence for Service Efforts and Accomplishments Reporting from the Association of Governmental Accountants (AGA) for all seven years of the published reports. This report substantially complied with the Governmental Accounting Standards Board's sixteen suggested criteria for these types of reports. In the current fiscal year, the City was the first community in the country to publish and disseminate a citizen centric prototype report through the AGA. This report specifically aimed to communicate financial, budget and performance information to citizens in a concise user friendly format. In fiscal year 2009 and 2011, the City received another smaller grant award of \$5,000 from the National Center for Civic Innovation to complete the City's citizen satisfaction survey. The results were included in the City's fiscal year 2009 performance measurement report. The City is getting ready to complete the next citizen satisfaction survey in 2012.

The City has linked the achievement of each department's milestones to the performance based pay system already in place, which rewards employees for the achievement of these objectives, thus creating a complete alignment and strategic focus for the entire City. The last integral piece of this process will be to solicit feedback from the citizen's within the City of Saco on our progress to assure that our strategic goals and objectives are aligned with the service needs of our community. Each year they will be revisited for this purpose an updated based on the feedback received. Both grant awards provided the City with the funding to pursue further outreach to the citizens of our community.



The following represents the City Council vision statement and the strategic goals within the City's Strategic Plan. Strategic goals are general statements of purpose that pertain to how the City achieves its mission and vision. The strategic goal generally addresses end results rather than specific actions. A goal provides a framework and direction for City departments to align their objectives and plans to achieve their goals.

Vision – Values – Philosophy – Ethics

The City has three perspective vision statements, which are referred to regularly as a basis for discerning and justifying appropriate decisions and actions. The first one represents the global perspective of the elected officials; the second one represents the vision of constituents residing within the City of Saco. This citizen vision was vetted through a series of citizen focus group meetings; the third one represents the perspective of the City management in the delivery of City services.

1. City Council Vision: *"Our vision is a high quality of life for Saco citizens. Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future. The people of Saco bring this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity."*
2. Citizens' statement that symbolizes the City of Saco: *"Saco is a city that provides families of all kinds with a community that values its heritage, cherishes its environment, balances its growth, and offers a concerned and caring spirit"*.
3. Staff's statement of vision for the City: *"To Enhance Our Community through Exceptional Service"*.

Strategic Goals

Downtown Revitalization

 The City recognizes the downtown's significance as the economic and community center. The City will continue to promote the revitalization of the downtown and will support groups like Saco Spirit.

Infrastructure and Capital Development and Maintenance

 The City is committed to maintaining and improving the City's infrastructure, facilities, and equipment by maintaining the existing infrastructure and planning for future needs.

Growth Management

 The City will encourage sustainable growth and development in appropriate areas while protecting natural resources and rural character, in order to maximize the efficient use of municipal services.

Environmental Protection and Sustainable Development

 The City will protect the environment and natural resources, and will employ the concept of sustainability in order to enhance the well being of future generations.

Technological Innovation and Implementation

 The City will develop and implement technologies to improve services.

Human Resource Investment

 The City recognizes that employees are a valuable resource that requires investment to ensure that staff will attain the knowledge, skills, and abilities necessary to meet community needs.

Leisure Services Investment

 The City understands the need for recreational and cultural opportunities for its citizens' and will continue to explore, upgrade, and develop new outlets to meet these needs.

Meeting the Financial Needs for City Services

 The City will support and adequately plan for the financial needs of the community.

Public Safety



The City will provide a safe environment for its citizens and visitors.

Traffic



The City will endeavor to provide safe, reliable and unfettered movement of people and freight through the City.

Significant Accomplishments of Fiscal Year 2011

- Medical Director employed to provide oversight, education, and guidance to our Emergency Medical Technicians and Paramedics
- Construction completed on the Central Fire Station -- Occupied April 7, 2011 and Grand Opening April 30, 2011
- Service Enhancement -- now licensed by Maine Emergency Medical Services to perform Paramedic Inter-Facility Transports
- Installed fiber optic network to reduce annual ISP costs and enhance service
- Renegotiated with Time Warner to lower main ISP costs by \$300/month
- Changed telephone providers, reducing monthly costs by \$300-400 while getting more features and long distance talk time
- Replaced 500' of sewer on Cleveland Street
- Slip-lined and increased capacity on 950 feet of sewer on Oak St/Franklin Street using pipe bursting technology
- Replaced and increased capacity on 3 major cross culverts on Lafayette, Grant, Nye Streets
- Constructed permanent restroom facilities and boat pump out station at Camp Ellis Pier with MDOT grant funding
- Installed .5 miles of sidewalk on Bayview Road
- Installed 36 LED retrofits on Main Street, Pepperell Square, and the Amtrak Station
- 1600 feet of New Drain Line. Berry Road, Ferry Road, Hillview, Brenda Circle, and Wildwood.
- Upgraded Clark Street drainage to 18" pipe and installed a cross over structure to equalize water flow. 700 ft
- Construction of Saco portion of the Eastern Trail begins
- Comprehensive Plan completed and adopted by City Council
- Tri-community Transportation Plan completed
- Economic Development Plan completed and adopted by City Council
- Municipal Literacy Project created and field tested with Thorton Academy and three other high schools. Expanding to 50 more high schools in 2012
- Baldrige Application submitted
- Trail called Trout Pond Loop of the Cascade Falls Trail system was completed
- Tree City USA recognition by National Arbor Day Foundation
- Solar heating system of the Community Center gym completed with grant funding
- Implementation of online registration/payment software for our Recreation Programs
- Regional Traffic Management System Plan completed
- Our neighborhood blight program has continued with the removal of one two-family residence without replacement and six single family residences with three of them being replaced.

Financial Information

The City's Finance Department is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that the adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls being used are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control procedures are weighed against the expected benefits to be derived, and that the evaluation of costs and benefits requires educated estimates and professional judgments by management. All of the City's internal accounting control evaluations occur within this framework.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluations by the management and finance department staff of the City.

The City adopts fiscal year budgets that are established in accordance with the various laws that govern the City's operations as authorized by the Council. Per City Charter the legal level of budgetary control is at the department level. This means that management cannot overspend departmental budgets without the approval of the governing body. The budget is divided into monthly budget allocations based on expenditure expectations and on historical trends, whenever possible. These allocations are reviewed quarterly against actual expenditures, and variances are addressed in the quarterly financial reports presented to the City Council. At mid year, unless conditions dictate an earlier need, budgets are reviewed, year end projections are made, and adjustments to the financial plan considered and any necessary changes are legally adopted through the passage of an appropriation resolve.

Relevant Financial Policies: The City's policy prescribes uses of the unassigned fund balances. In general, unassigned fund balance is not to be used to fund any portion of the on-going and routine year to year operating expenditures of the City. It is to be used primarily to ensure adequate fund balances, to respond to unforeseen emergencies, and to provide overall financial stability.

By Charter, the City is required to maintain a balance of 5% to 10%, and the Council has determined that a target of 8.33% is reasonable. Unassigned fund balance in the general fund as of June 30, 2011, was 6.14% of expenditures, net of debt service. The City knows that it is below the 8.33%, but determined that during this recession the use of our fund balance was appropriate to keep the tax rate as stable as possible and not add additional burden to our citizens through increasing our tax rate.

Other information:

Independent Audit: State Statute and the City Charter require an annual audit of all financial records by independent certified public accountants. The audit of fiscal year 2011 was performed for the City Council, by the firm of Runyon Kersteen Ouellette PA, a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Saco, for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City of Saco's financial statements for the fiscal year ending June 30, 2011, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued report.

Awards: The City of Saco received the GFOA's Certificate of Achievement for Excellence in Financial Reporting for many years including fiscal years 2009 and 2010 with the new Finance Director. The City was recognized for performance reporting excellence by receiving the Association of Governmental Accountants' (AGA) national Certificate of Excellence in Service Efforts and Accomplishments (SEA) award. As this was the sixth consecutive year that the City of Saco received an SEA award. Last year, the City became the second governmental entity nationwide to receive the Circle of Excellence Award from the AGA.

Acknowledgements: The preparation of this report would not have been possible without the cooperation of all City department heads, as well as the members of the Finance Department. Appreciation is also extended to the City Administrator, Richard Michaud, for his consistent support of these efforts. Credit must also be extended to the Mayor and the governing City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Saco, Maine's finances. I wish to acknowledge the efforts of our independent auditors, Runyon Kersteen Ouellette PA, for the professional audit work they provided and for all their assistance.

Respectfully submitted,



Cheryl Fournier
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Saco
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

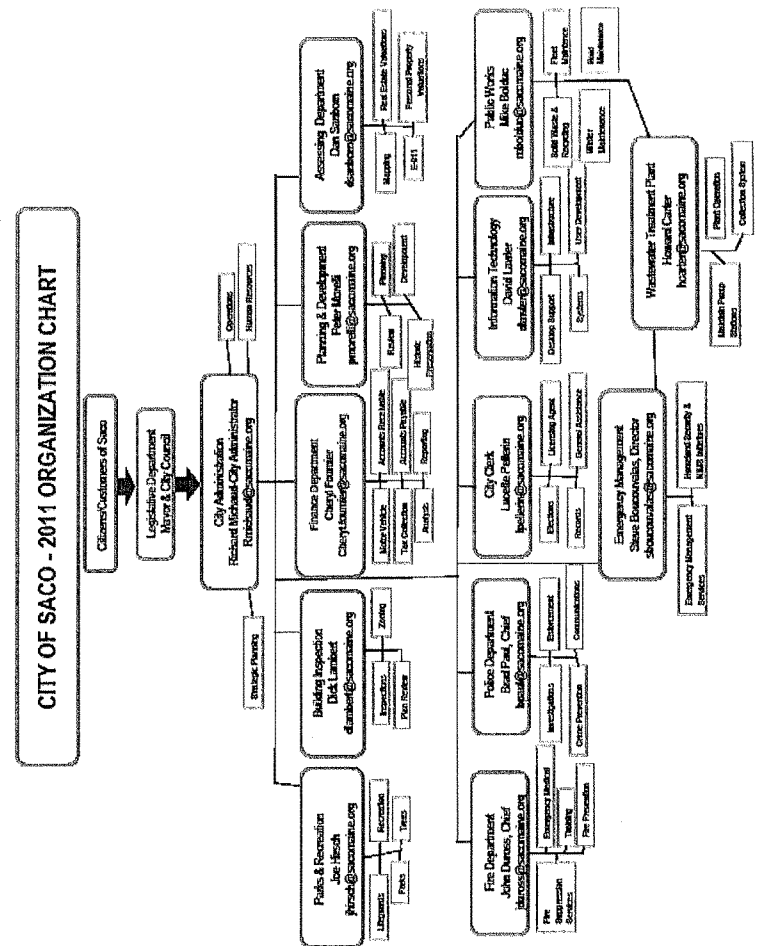


Linda C. Danison

President

Jeffrey R. Egan

Executive Director



CITY OF SACO, MAINE

**List of Principal Officials
(Elected and Appointed)**

June 30, 2011

Elected Officials

Mayor	Roland L. Michaud
Council Member -- Ward 1	Margaret E. Mills
Council Member -- Ward 2	Leslie Smith, Jr.
Council Member -- Ward 3	Marie Doucette
Council Member -- Ward 4	Phil Blood
Council Member -- Ward 5	Arthur J. Tardif
Council Member -- Ward 6	Eric B. Cote
Council Member -- Ward 7	Marston Lovell

Appointed Officials

City Administrator	Richard Michaud
Executive Assistant	Kate Kern
Economic Development Director	Peter Morelli
Finance Director/Treasurer	Cheryl Fournier
City Clerk	Lucette Pellerin
Personnel Officer	Tammy Lambert
Assessor	Daniel Sanborn
Fire Chief	John Duross
Police Chief	Brad Paul
Public Works Director	Mike Bolduc
City Engineer	Angela Blanchette
Parks & Recreation Director	Joseph Hirsch
Building Inspector	Richard Lambert
City Planner	Robert Hamblen
Tax Collector	Stephanie Weaver
City Solicitor	Tim Murphy

FINANCIAL SECTION

Independent Auditor's Report

City Council
City of Saco, Maine:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saco, Maine as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Saco, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saco, Maine, as of June 30, 2011, and respective changes in financial position, and where applicable, cash flows thereof 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2011 on our consideration of the City of Saco, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Saco, Maine's financial statements as a whole. The introductory section, combining and individual fund financial statements, exhibits, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Runyon Kersteen Ouellette

November 30, 2011
South Portland, Maine

CITY OF SACO, MAINE
Management's Discussion and Analysis
June 30, 2011

As management of the City of Saco, Maine, we offer readers of the City of Saco, Maine's financial statements this narrative overview and analysis of the financial activities of the City of Saco for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Saco, Maine (the City) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary, and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health or *financial position*. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure.

In the Statement of Net Assets and the Statement of Activities, we separate the City Activities as follows:

Governmental Activities - Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Planning and Economic Development, Parks and Recreation, Community Services and Library. Property taxes, user fees, interest income, franchise fees and state and federal grants finance these activities.

Business-type Activities - The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Waste Water Treatment Plant activities are reported in this category.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Governmental Funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary Funds - When the City charges customers for services it provides- whether to outside customers or to other units of the City- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activity we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City is providing condensed financial information for fiscal year 2011 with comparative information for fiscal year 2010. Our analysis below focuses on the net assets of the City's governmental and business-type activities.

	2011 Governmental Activities	2011 Business-type Activities	2011 Primary Government	2010 Governmental Activities	2010 Business-type Activities	2010 Total Primary Government
Current and other assets	\$ 9,831,080	\$ 493,359	10,324,439	\$ 18,877,540	\$ 389,171	\$ 19,266,711
Capital assets	54,744,648	21,755,232	76,499,880	47,401,946	21,130,495	68,532,441
Total assets	64,575,728	22,248,591	86,824,319	66,279,486	21,519,666	87,799,152
Non-current liabilities	23,199,085	1,177,500	24,376,585	25,058,243	1,402,500	26,460,743
Other liabilities	(48,781)	4,048,230	3,999,449	1,494,981	3,146,613	4,641,594
Total liabilities	23,150,304	5,225,730	28,376,034	26,553,224	4,549,113	31,102,337
Net assets:						
Invested in capital assets	37,693,246	20,577,732	58,270,978	31,461,923	19,727,995	51,189,918
Restricted	4,555,294	-	4,555,294	181,383	-	181,383
Unrestricted	(823,116)	(3,554,871)	(4,377,987)	8,082,956	(2,757,442)	5,325,514
Total net assets	\$ 41,425,424	\$ 17,022,861	\$ 58,448,285	\$ 39,726,262	\$ 16,970,553	\$ 56,696,815

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

Our next analysis focuses on changes in net assets of the City's governmental and business-type activities.

	2011	2011	2011 Total	2010	2010	2010 Total
	Governmental	Business-type	Primary	Governmental	Business-type	Primary
	Activities	Activities	Government	Activities	Activities	Government
Revenues						
Program Revenues:						
Charges for services	\$ 2,357,220	2,386,591	4,743,811	2,291,512	2,138,444	4,429,956
Operating grants and contributions	618,630	-	618,630	575,520	-	575,520
Capital grants and contributions	2,396,793	-	2,396,793	317,930	-	317,930
General Revenues:						
Property taxes	29,181,715	-	29,181,715	28,546,137	-	28,546,137
Motor vehicle excise taxes	3,102,575	-	3,102,575	3,331,760	-	3,331,760
Franchise tax	296,908	-	296,908	288,743	-	288,743
Homestead exemption	271,563	-	271,563	332,290	-	332,290
Other state aid	143,064	-	143,064	88,111	-	88,111
State revenue sharing	1,226,004	-	1,226,004	1,283,196	-	1,283,196
Investment earnings	56,603	11,362	67,965	60,475	11,988	72,463
Loss on disposal of assets	-	(260,280)	(260,280)	-	(159,993)	(159,993)
Miscellaneous revenues	265,241	-	265,241	161,875	6,062	167,937
Total revenues	39,916,317	2,137,673	42,053,989	37,477,549	1,996,501	39,474,050
Program Expenses:						
General government	7,504,789	-	7,504,789	7,070,311	-	7,070,311
Public safety	6,731,354	-	6,731,354	6,032,986	-	6,032,986
Public works	5,286,138	-	5,286,138	5,333,756	-	5,333,756
Housing programs	269,668	-	269,668	256,921	-	256,921
Culture and recreation	1,560,056	-	1,560,056	974,158	-	974,158
Education	16,245,159	-	16,245,159	16,228,121	-	16,228,121
Interest on debt	619,990	-	619,990	851,877	-	851,877
Waste water treatment plant	-	2,085,365	2,085,365	-	2,672,053	2,672,053
Total expenses	38,217,154	2,085,365	40,302,519	36,748,130	2,672,053	39,420,183
Change in net assets before special item	1,699,162	52,308	1,751,470	729,419	(675,552)	53,867
Special item:						
Transfer to RSU #23	-	-	-	(4,972,579)	-	(4,972,579)
Change in net assets after special item	\$ 1,699,162	52,308	1,751,470	(4,243,160)	(675,552)	(4,918,712)

GOVERNMENTAL ACTIVITIES

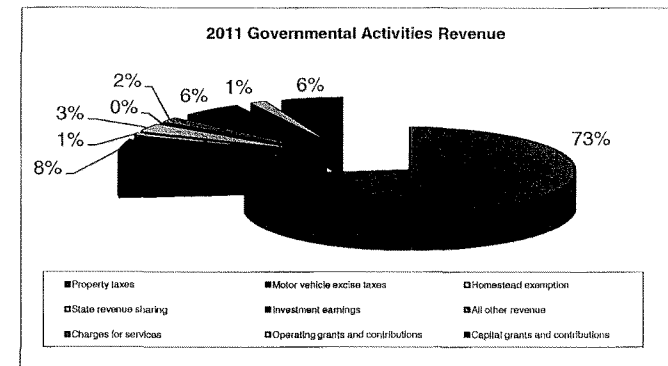
The cost of all Governmental activities this year was \$38,217,154. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City property taxes was only \$29,181,715 because some of the cost was paid by those who directly benefited from the programs (\$2,357,220), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$618,630) and capital grants and contributions (\$2,396,793). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, were \$5,372,643. The City paid for the remaining "public benefit" portion of governmental activities with \$34,543,673 in taxes and with other revenues, such as interest, State Revenue Sharing, general contributions and other miscellaneous revenues.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

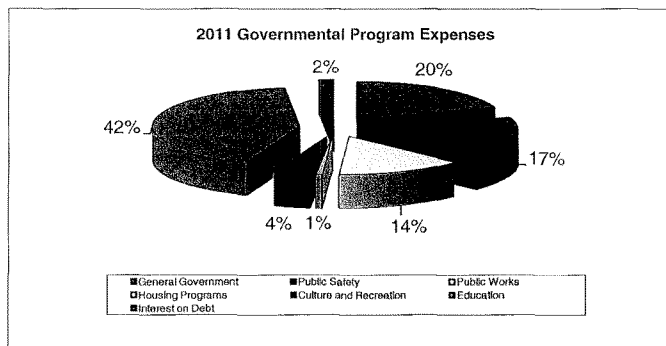
The City's programs include General Government, Public Safety, Public Works, Housing Programs, Culture and Recreation, Education, and Interest on Debt. Each program's net cost (total cost less revenues generated by the activities) is presented below for both the current year (2011) and last year (2010) for comparative purposes. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental activities:	2011 Net (Expense)	2010 Net (Expense)
General Government	\$ (6,645,885)	\$ (6,209,050)
Public Safety	(5,998,515)	(5,234,321)
Public Works	(2,462,798)	(4,777,595)
Housing Programs	(21,286)	6,918
Culture and Recreation	(850,878)	(269,122)
Education	(16,245,159)	(16,228,121)
Interest on Debt	(619,990)	(851,877)
Total governmental activities	\$ (32,844,511)	\$ (33,563,168)

Total resources available during the year to finance governmental operations were \$79,642,578 consisting of net assets at July 1, 2010 of \$39,726,262, program revenues of \$5,372,643 and General revenues of \$34,543,673. Total Governmental Activities during the year were \$38,217,154; thus Net Assets were increased by \$1,699,162 to \$41,425,424.



CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

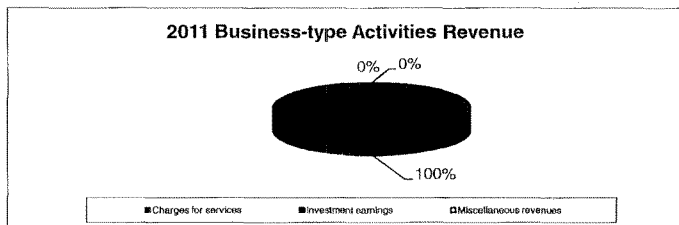


BUSINESS TYPE ACTIVITIES

The cost of all Proprietary (Business-type) activities this year was \$2,085,365. As shown in the Statement of Activities, the amounts paid by users of the system were \$2,386,591, Investments earnings were \$11,362, and loss on disposal of assets of \$(260,280).

The Proprietary Fund (Business-type) Activities include only the operation of the City's Waste Water Treatment Plant. The activities net revenues (total cost less revenues generated by the activities) is \$301,226 as revenues were more than expenses.

Total resources available during the year to finance Proprietary Fund (Business-type) Activities were \$19,368,506 consisting of Net Assets at July 1, 2010 of \$16,970,553, program revenues of \$2,386,591, and general revenues of \$11,362. Total Proprietary Fund (Business-type) expenses during, and losses for the year were \$2,345,645; thus Net Assets were increased by \$52,308 to \$17,022,861.



This increase in net assets is due primarily to sewer user fees collected being higher than its projection for the year, as well as unrestricted investment earnings coming in lower than projections.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

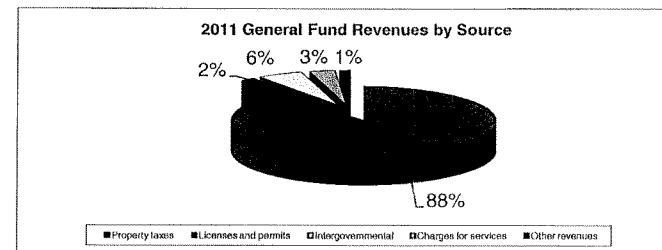
THE CITY'S FUNDS

The following is an analysis of balances in the City's major individual funds. Comparative information is being provided for fiscal year 2010.

General Major Governmental Functions - The information below compares revenues of the General Fund for 2011 and 2010, respectively.

	2011	2010
Revenues by source		
Taxes	\$32,219,898	\$31,899,915
Licenses and permits	691,819	718,991
Intergovernmental	2,016,722	2,087,551
Charges for services	1,131,697	1,014,832
Other revenues	484,332	420,127
Total revenues	\$36,544,468	\$36,141,416

In fiscal year 2011, the City also had two other major funds. The Fire Barn North Street Bond, which was new in fiscal year 2010, to account for bond proceeds of \$5,999,000, and the Saco Island TIF District.

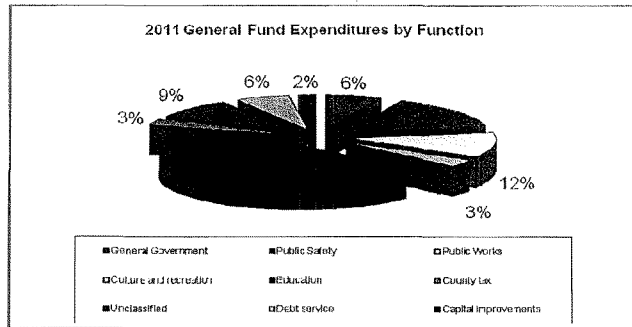


The information below compares expenditures of the General Fund for 2011 and 2010, respectively.

	2011	2010
Expenditures by function		
General government	\$ 2,413,584	\$ 2,173,455
Public safety	5,836,380	5,728,015
Public works	4,411,669	4,227,214
Culture and recreation	1,227,045	1,105,116
Education	16,245,159	16,228,121
County tax	1,079,365	1,014,574
Unclassified	3,528,732	3,265,930
Debt service	2,319,954	1,815,443
Capital improvements	1,233,861	841,856
Total expenditures	\$38,295,749	\$36,399,724

In fiscal year 2011 and 2010, the Fire Barn North Street Bond had expenditures of \$5,001,841 and \$517,608, respectively. In fiscal year 2011 and 2010, the Saco Island TIF Fund had expenditures of \$5,383 and \$89,334, respectively.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011



Proprietary Fund

The City's only major Enterprise Fund consists of the Waste Water Treatment Plant. The basic financial statements for the major funds are included in this report. Because the focus on proprietary funds is a cost of service measurement or capital maintenance, we have included this fund in the table below, which demonstrates return on ending assets and return on ending net assets.

	2011	2010
Total Assets	\$22,248,591	\$21,519,666
Net Assets	17,022,861	16,970,553
Change in Net Assets	52,308	(675,553)
Return on Ending Total Assets	0.24%	(3.14%)
Return on Ending Net Assets	0.31%	(3.98%)

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, decreased in fiscal year 2011 by \$1,971,045. Debt, considered a liability of business-type activities, decreased in fiscal year 2011 by \$225,000. Per capita bonded debt and capital leases outstanding decreased from \$1,477 to \$1,228 per capita compared to the prior fiscal year. For a more detailed disclosure on debt, see footnote 6.

The Governmental Activity and Business-type Activity debt summary for fiscal year 2011 is presented below.

	Governmental Activities	Business-type Activities
Debt Payable at June 30, 2010	\$ 23,436,216	\$ 1,402,500
Add: New Debt and Capital Lease Purchases	468,637	-
	23,904,853	1,402,500
Less: Debt Retired	2,394,830	225,000
Debt Payable at June 30, 2011	\$ 21,510,023	\$ 1,177,500

This debt payable does not include the long-term portion of compensated absences of \$1,252,900 for governmental activities and \$88,207 for business-type activities (See Note 5).

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

CAPITAL ASSETS

The capital assets of the City are those assets, which are used in the performance of the City's functions including infrastructure assets. At June 30, 2011, net capital assets of the governmental activities totaled \$54,744,648 and the net capital assets of the business-type activities totaled \$21,755,232. Depreciation on capital assets is recognized in the Government-wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair.

The City expended \$893,485 on street maintenance for the fiscal year ended June 30, 2011. These expenditures delayed deterioration; however, the overall condition of the streets was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's streets at the minimum PCI rating of 70 rating of 2 within City's Asset Management System (See Required Supplemental Information) through the year 2011 was a minimum of \$500,000. The current PCI rating for 2011 is 78, which is up one point from last year.

The City is also continuously taking actions to arrest the deterioration of other infrastructure assets through short-term maintenance activities. The City expended \$599,892 on other infrastructure maintenance for the fiscal year ended June 30, 2011. These expenditures delayed deterioration and improved the overall condition through these maintenance expenditures. The City had estimated that the amount of annual expenditures required to maintain the City's infrastructure at the minimum rating of 2 through the year 2010 was a minimum of \$500,000.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

Infrastructure Assets - June 30, 2011 and 2010

Description	Net Cost 2011	Net Cost 2010
Governmental Activities:		
Modified Approach:		
Catch basins and manholes	\$ 2,302,711	\$ 2,307,246
Storm drainage	17,998,406	17,892,361
Sidewalks	1,676,434	1,650,805
Street Pavement System	13,033,779	10,066,376
Traffic signals	851,455	795,155
Street signs	44,818	44,818
Land	5,328,042	5,328,042
Construction in Progress	-	760,477
Total Governmental Activities	\$ 41,235,645	\$ 38,845,280
Business-type Activities:		
Sewer pipe	14,918,272	14,918,272
Construction in Progress	-	3,318,883
Total Business-type Activities	\$ 14,918,272	\$ 18,237,155

Capital Assets

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental Activities:				
Buildings and Improvements	\$ 12,315,104	\$ 5,489,486	\$ -	\$ 17,804,590
Vehicles	5,707,041	395,392	(1,091,837)	5,010,596
Machinery and Equipment	5,118,309	35,585	(762,590)	4,391,304
Total	23,140,454	5,920,463	(1,854,427)	27,206,490
Accumulated Depreciation	(14,583,788)	(968,126)	1,854,427	(13,697,487)
Total Governmental Activities	\$ 8,556,666	\$ 4,952,337	\$ -	\$ 13,509,003
Business-type Activities:				
Buildings and Improvements	14,685,000	4,398,468	(10,000,000)	9,083,468
Vehicles	114,094	-	(19,000)	95,094
Machinery and Equipment	1,736,590	-	(110,000)	1,626,590
Total	16,535,684	4,398,468	(10,129,000)	10,805,152
Accumulated Depreciation	(13,642,344)	(194,569)	9,868,720	(3,968,193)
Total Business-type Activities	\$ 2,893,340	\$ 4,203,899	(260,280)	\$ 6,836,959
Total Capital and Infrastructure	\$ 68,532,441	\$ 8,227,718	(260,280)	\$ 76,499,879

For more detail on capital assets, see footnote 4.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

BUDGETS AND BUDGETARY ACCOUNTING

General Fund Budget Variances

Comparing the fiscal year 2010-2011 original budget (or adopted) General Fund amount of \$38,602,296, (expenditures of \$37,859,181, plus transfers of \$743,115), to the final budget amount of \$40,579,049 shows a change of \$1,976,753 from the original budget.

<u>Original Budget</u>	<u>+ Continuing Appropriations</u>	<u>= Beginning Balance</u>
\$ 38,602,296	1,647,966	40,250,262
<u>Beginning Balance</u>	<u>+/- Supplemental Changes</u>	<u>= Final Budget</u>
\$ 40,250,262	328,787	40,579,049

For budgetary financial statement purposes, the \$1,647,966 is prior fiscal year 2009-2010 Capital Improvement Projects approved to carry forward into the 2010-2011 fiscal year. The \$328,787 reflects a budget adjustment to include prior year encumbrance amounts. This resulted in an overall budgetary increase of \$1,976,753.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget assures the efficient, effective and economic uses of City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

Historical Trend

As the City enters fiscal year 2012, we have gone below our undesignated fund balance policy. The City's philosophy is during hard times like this recession that we use our savings to help reduce the tax basis for our citizens.

In reflecting back on the history of the City's past five budgets, non-tax revenues have remained steadily at approximately \$10 million annually. During this time span, the City has been able to stabilize the tax rate with consistent increases in property valuations. Fiscal year 2012 is the first tax increase in four years.

	2008	2009	2010	2011	2012
Total taxes	\$ 26,574,151	\$ 27,530,902	\$ 28,197,854	\$ 29,049,810	\$ 30,566,599
Percent change	9.28%	3.60%	2.42%	1.40%	5.22%
Total City valuation	\$1,995,056,400	\$2,051,483,000	\$2,070,327,000	\$2,101,430,400	\$2,120,343,274

The Budget

It is important to note that the City of Saco's Adopted Budget for fiscal year 2012 encompasses all municipal expenditures, as well as County and Regional School Unit #23 tax assessments. The City budget only reflects the tax assessment in budgeted expenditures. All other school-related revenues and expenditures were approved via referendum vote and are reflected in the separately issued RSU #23 financial statements. Thus, the fiscal 2012 adopted budget calls for total expenditures of \$39,733,031, representing \$22,408,507 in municipal expenditures, \$1,079,365 in county tax, and \$16,245,159 in taxes raised on behalf of the RSU.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

The original budget requests from the twelve individual departments were based on the department head's perceived needs. The following adjustments were made after a careful review by the City Administrator and then the City Council:

City Budget	City Administrator Recommendation	Net Change	Approved Budget
Operating Budget	\$ 20,437,694	\$ (179,328)	\$ 20,258,366
Capital Outlay	165,000		165,000
Total	20,602,694	(179,328)	20,423,366
Overlay & TIF Transfers	1,985,141	-	1,985,141
Total Expenditure Budget	\$ 22,587,835	\$ (179,328)	\$ 22,408,507

RSU (School) Budget	RSU Board Recommendation	Net Change	Approved Budget
Education	\$ 16,245,159	\$ -	\$ 16,245,159

County Tax	Estimated County Tax	Net Change	Actual County Tax
County Tax	\$ 1,079,365	\$ -	\$ 1,079,365

TOTAL BUDGET	\$ 39,912,359	\$ (179,328)	\$ 39,733,031
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The following chart compares the major categories in the operational budget and their respective increases over the last five years, without the overlay and TIF transfer or any affects of encumbrances.

Appropriation Summary

Departments	2008 Actual	2009 Actual	2010 Actual	2011 Budget	2012 Budget
Legislative	\$ 17,086	\$ 17,041	\$ 20,325	\$ 20,600	\$ 20,600
City Administration	237,494	268,785	271,789	275,686	284,157
Finance/Technology	706,351	707,864	687,765	753,337	747,805
City Clerk	194,091	245,116	243,802	256,934	262,448
Assessor	165,581	164,131	165,377	183,521	190,332
Building Maintenance	109,624	114,638	96,577	112,190	112,033
Legal	179,119	203,838	176,417	115,000	185,000
Police Department	2,978,010	3,108,630	3,122,770	3,304,724	3,338,168
Fire/Ambulance	2,103,784	2,309,264	2,593,432	2,635,584	2,711,468
Building Inspections/Zoning	233,969	246,835	227,437	254,702	207,580
Planning & Economic Dev.	324,304	302,663	264,515	310,168	302,941
Public Works	4,371,335	4,589,463	4,188,175	4,503,559	4,605,121
Public Agencies	517,504	521,868	556,237	572,800	627,743
Emergency Management	-	6,527	5,833	5,900	5,900
Parks & Recreation	879,544	1,071,275	1,105,116	1,014,083	1,142,905
Debt Service	2,391,037	2,695,555	1,815,443	2,479,481	2,390,941
Employee Benefits	2,024,197	2,463,817	2,435,885	2,746,416	2,829,212
Insurances	229,968	180,352	165,879	179,425	159,012
Contingency	82,014	111,513	102,096	145,547	135,000
Education K-12	25,097,576	26,149,449	16,228,121	16,228,121	16,245,159
York County Tax	958,270	1,020,912	1,020,912	1,079,365	1,079,365
Capital Improvement Projects	3,773,960	775,107	24,516	165,000	165,000
Overlay	-	-	-	500,000	1,200,000
TIF Transfers	591,265	681,373	731,968	743,115	785,141
TOTAL	\$ 48,166,083	\$ 47,956,016	\$ 36,250,387	\$ 38,585,258	\$ 39,733,031

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

Revenues/Surplus

The amount budgeted for revenues shows a sharp decrease in fiscal 2010 due to the Saco School Department non-tax revenues being excluded from this calculation. Educational non-tax revenues are recognized by Regional School Unit #23, and are audited separately as part of the RSU #23 financial statements. The RSU #23 merged of the following school departments: Dayton, Saco, and Old Orchard Beach. It is worth noting that there has been a great deal of fluctuation in non-tax revenue over the past 5 years. A high of 10.85% was noted in 2007, and a decrease is reflected in the fiscal 2010 on the municipal budget as a result of the current economic recession. City management and the City Council are diligent in ensuring that the budget and forecasts are cognizant of the impact on the budgeted utilization of prior year undesignated fund balance. In the current year, we have estimated revenue with slight decrease due to valuations.

	2008	2009	2010	2011	2012
Non-tax revenues	\$ 19,796,620	\$ 21,132,025	\$ 9,265,125	\$ 9,588,286	\$ 8,966,433
Percent change	-5.86%	6.70%	-56.16%	3.49%	-6.48%

Major Increases

There were no significant increases in the municipal operational budget. The RSU started issuing separate financial statements for the fiscal year ending June 30, 2010 as they began operations on July 1, 2009. It is important to note that starting fiscal 2010 reflected reduced revenue estimates based on forecasts on decreasing State revenue sharing, declining excise revenues and a decrease in other intergovernmental revenue. The City remains diligent about tracking fund balance to ensure we remain in compliance with the Council's adopted fiscal policies; however, as noted prior, the City has gone below the policy due to reducing the tax burden on citizens during hard times.

Savings/Increased Demands

The City's department head's are always looking for ways to save the City money, whether through increased efficiencies or through the attainment of federal and state grants. The City is participating in a number of activities related to increased efficiencies between various City departments as well as with other communities in our southern Maine area. Many departments are meeting regularly with their counter parts in other communities to explore the possibilities of combining resources to deliver services.

The fiscal year 2012 budget also includes revenue amounts for specific state and federal grants that have been applied for. There are also several other grant awards that will surface during the course of the fiscal year that were not known at the time of the budget process. These awards will be brought to the City Council for consideration upon being awarded and additional funding will be requested at that time, to fund any local match requirements above that originally budgeted.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

The Future

In terms of the future, we are in good financial shape at this time. However, we need to be alert to the public benefit versus the costs of the services we provide. In short, as the budget better reflects actual revenues, and as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

What is at stake for the City of Saco officials can be summed up in one word: effectiveness. Major challenges are facing us as we enter this new year with infrastructure and capital maintenance needs being reduced to enable the funding of operational needs of the City. Officials need to be cognizant of the need to preserve the City's most valuable assets as large deterioration can very often increase the amount ultimately spent in order to bring them back to acceptable and safe condition levels. A small portion of these road maintenance needs were addressed with the November 2006 roads bond. A similar bond package was put forth to the voters in November 2009 and passed. During fiscal year 2011, we have been busy working on roads with the Road Bond that passed.

To that end, it is especially important that the City Council maintain and update regularly its comprehensive plan, goals and strategic plan, based upon guidance from appointed and elected officials as well as significant citizen involvement. These processes are already in place and underway with the mailing of citizen customer service questionnaires and web site request and recommendation forms accessible 24 hours a day, 7 days a week and the random independent phone "Citizen Satisfaction Survey." By putting citizens and local government officials into the decision-making loop, the City will be shifting to a more open and inclusive process of governance.

The City is pursuing performance measurement type initiatives and continues to review policies and procedures to assure their compliance and alignment with the City's completed Strategic Plan (March 2004) and updated (February 2006, December 2008, September 2010).

The City was successful at attaining a grant through the Center for Civic Innovation in order to further this effort and completed its first Citizen Satisfaction Survey in November of 2004 and a second Survey in October of 2005, as well as publish the first ever City Performance Measurement Report in January of 2005, a second Performance Measurement Report in January of 2006, and a third in December of 2006 as a result of this grant award. It will be eminent for the City to review and update its strategic plan in the coming years. The Citizen Centric reporting costs were incorporated into the fiscal 2011 budget. These initiatives are important for the City's continued efficient growth into the future. At the end of fiscal year 2011, we received another grant from the City for Civic Innovation to complete the citizen survey. The citizen survey is in the process of being completed in early fiscal year 2012.

The City was the first community in the country to issue a citizen centric prototype report in order to more efficiently communicate City finances and performance in a concise 4-page report which is aimed to stimulate them to want to learn more. The City was also successful at obtaining a second grant through the National center for Civic Innovation in order to conduct the independent citizen satisfaction survey again in fiscal 2010.

The recently completed seventh annual report of performance information displays the operational efficiencies and effectiveness of our operations here at the City of Saco. The City's first seven submittals were successful at achieving the Association of Governmental Accountants Certificate of Excellence in Service Efforts and Accomplishments Reporting. These processes all involve reviewing processes and measuring results achieved by the municipality in the area of customer service delivery and presentation. It also involves a close look at all procedures to assure that efficiencies are being maximized. Whether it means changing a specific procedure to lessen expenditures realized or examining new sources of non-tax revenues, the City needs to be pro-active in its response. Certainly, whatever we can do to keep up with changing trends and emerging issues will help to improve the future fortunes of our citizens. Successful activities involving a collaborative effort between municipalities need to be reviewed as a potential solution to some of the budget challenges facing us and other municipalities.

CITY OF SACO, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

This executive summary would not be complete without the mention of the 2006 enacted "Public Law 1 Tax Reform." This legislation was enacted within the State of Maine and the City was in compliance with this legislation for the passing of the 2011 budget. This levy limitation is calculated based on two factors; one is certified by the State and is a state-wide personal income growth factor and the second is a local factor of the last known new growth percentage within each community. These two percentages are added together to arrive at the levy limitation percentage for each community across the State of Maine. The property tax levy in total can not increase by more than this amount without special disclosures made by the City Council and special motions made in order to approve the budget noting why the budget is exceeding the levy limitation. The fiscal year 2012 approved budget for the City of Saco is in compliance with Public Law 1 as there was no increase in municipal expenditures. The \$0.60 increase noted below was exclusively the result of the municipality increase in operating costs.

Summary

With the fiscal year 2012 adopted budget there is a slight increase to the existing tax rate. This means that property owners will be billed an estimated \$14.42 per thousand in fiscal year 2012. In other words, a property valued at \$200,000 will pay \$2,884 in property taxes annually. Not a bad investment considering the benefits being received and the service levels being provided across the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact the Finance Director: by mail at 300 Main Street, Saco, Maine, 04072; by phone at 207-282-1032; or via e-mail at cheryl.fournier@sacomaine.org.

BASIC FINANCIAL STATEMENTS

CITY OF SACO, MAINE Statement of Net Assets June 30, 2011			
	Governmental Activities	Business-type Activities	2011 Total
ASSETS			
Cash and cash equivalents	\$ 761,829	\$ -	\$ 761,829
Investments	2,270,405	-	2,270,405
Receivables:			
Accounts (net of allowance of \$25,000)	1,516,631	493,359	2,009,990
Taxes - current	1,026,307	-	1,026,307
Taxes - prior years	120,913	-	120,913
Tax liens	522,378	-	522,378
Notes (net of allowance of \$7,172)	14,287	-	14,287
Other	38,311	-	38,311
Prepaid expenses	140,681	-	140,681
Receivable from RSU #23 for debt service payments	3,360,979	-	3,360,979
Tax acquired property	58,359	-	58,359
Depreciable capital assets, net	13,509,003	6,836,960	20,345,963
Non-depreciable capital assets	41,235,645	14,918,272	56,153,917
Total assets	64,575,728	22,248,591	86,824,319
LIABILITIES			
Accounts payable and other current liabilities	1,405,686	418,708	1,824,394
Accrued liabilities	540,501	97,064	637,565
Taxes collected in advance	18,908	-	18,908
Internal balance	(3,532,458)	3,532,458	-
Due to RSU #23	1,518,582	-	1,518,582
Noncurrent liabilities:			
Due within one year	2,114,025	225,000	2,339,025
Due in more than one year	21,085,060	952,500	22,037,560
Total liabilities	23,150,304	5,225,730	28,376,034
NET ASSETS			
Invested in capital assets, net of related debt	37,693,246	20,577,732	58,270,978
Restricted	4,555,294	-	4,555,294
Unrestricted	(823,116)	(3,554,871)	(4,377,987)
Total net assets	\$ 41,425,424	\$ 17,022,861	\$ 58,448,285

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets			
			Program Revenues		Primary Government	
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 7,504,789	\$ 529,027	\$ 329,877	\$ -	\$ (6,645,885)	\$ -
Public safety	6,731,354	732,839	-	-	(5,998,515)	-
Public works	5,286,138	391,176	40,371	2,391,793	(2,462,798)	-
Housing programs	269,668	-	248,382	-	(21,286)	-
Culture and recreation	1,560,056	704,178	-	5,000	(850,878)	-
Education	16,245,159	-	-	-	(16,245,159)	-
Interest on debt	619,990	-	-	-	(619,990)	-
Total governmental activities	38,217,154	2,357,220	618,630	2,396,793	(32,844,511)	-
Business-type activities:						
Waste Water Treatment Plant	2,085,365	2,386,591	-	-	-	301,226
Total business-type activities	2,085,365	2,386,591	-	-	-	301,226
Total primary government	\$ 40,302,519	\$ 4,743,811	\$ 618,630	\$ 2,396,793	\$ (32,844,511)	\$ 301,226
General revenues:						
Property taxes, levied for general purposes					\$ 29,181,715	\$ -
Motor vehicle excise taxes					3,102,575	-
Franchise tax					296,908	-
Grants and contributions not restricted to specific programs:						
Homestead exemption					271,563	-
Other State aid					143,064	-
State Revenue Sharing					1,226,004	-
Unrestricted investment earnings					56,603	11,362
Loss on disposal of assets					-	67,965
Miscellaneous revenues					265,241	(260,280)
Total general revenues					34,543,673	265,241
					(248,918)	34,294,755
Change in net assets					1,699,162	\$2,308
Net assets - beginning					39,726,662	16,970,553
Net assets - ending					\$ 41,425,824	\$ 17,022,861
						\$ 58,448,285

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Fire Barn North Street Bond	Saco Island TIF District	Other Governmental Funds	2011 Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 392,101	\$ -	\$ -	\$ 369,728	\$ 761,829
Investments	623,755	-	77	1,646,573	2,270,405
Receivables, net of allowance of \$25,000	505,607	-	-	1,011,024	1,516,631
Interfund receivables	7,661,485	767,104	-	2,565,354	10,994,143
Notes receivable, net of allowance \$7,142	-	-	-	14,287	14,287
Taxes and liens receivable	1,669,598	-	-	-	1,669,598
Tax acquired property	58,359	-	-	-	58,359
Prepaid items	140,681	-	-	-	140,681
Receivable from RSU #23 for debt service payments	3,360,979	-	-	-	3,360,979
Other	-	-	-	38,311	38,311
Total assets	\$ 14,412,565	\$ 767,104	\$ 77	\$ 5,645,477	\$ 20,825,223
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	916,873	216,089	-	272,724	1,405,686
Accrued liabilities	540,178	-	-	323	540,501
Taxes collected in advance	18,908	-	-	-	18,908
Interfund payables	3,332,661	-	1,773,880	2,355,144	7,461,685
Due to RSU #23	1,518,582	-	-	-	1,518,582
Deferred debt service payments due from RSU #23	3,360,979	-	-	-	3,360,979
Deferred revenue	1,259,422	-	-	-	1,259,422
Total liabilities	10,947,603	216,089	1,773,880	2,628,191	15,565,763
Fund balances (deficits):					
Nonspendable	140,681	-	-	195,670	336,351
Restricted	-	551,015	-	4,004,279	4,555,294
Committed	61,040	-	-	96,047	157,087
Assigned	772,662	-	-	920,954	1,693,616
Unassigned	2,490,579	-	(1,773,803)	(2,199,664)	(1,482,888)
Total fund balances (deficits)	3,464,962	551,015	(1,773,803)	3,017,286	5,259,460
Total liabilities and fund balances (deficits)	\$ 14,412,565	\$ 767,104	\$ 77	\$ 5,645,477	
Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					
More specifically, non-depreciable & depreciable capital assets as reported on Statement 1					\$ 54,744,648
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(23,199,085)
Noncurrent liabilities as reported on Statement 1	(21,946,185)				
Accrued liabilities (compensated absences) as reported on Statement 1	(1,252,900)				
	(23,199,085)				
Deferred revenues: more specifically, deferred debt service payments from RSU #23					3,360,979
Deferred revenues: more specifically, deferred property taxes not reported on Statement 1					1,259,422
Net assets of governmental activities					\$ 41,425,824

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Fire Barn North Street Bond	Saco Island TIF District	Other Governmental Funds	2011 Total Governmental Funds
REVENUES					
Taxes	\$ 32,219,898	\$ -	\$ -	\$ -	\$ 32,219,898
Licenses and permits	691,819	-	-	-	691,819
Intergovernmental	2,016,722	-	-	248,382	2,265,104
Charges for services	1,131,697	-	-	694,027	1,825,724
Other revenues	484,332	-	-	218,821	703,153
Total revenues	36,544,468	-	-	1,161,230	37,705,698
EXPENDITURES					
Current:					
General government	2,413,584	-	-	-	2,413,584
Public safety	5,836,380	-	-	-	5,836,380
Public works	4,411,669	-	-	-	4,411,669
Housing programs	-	-	-	269,668	269,668
Culture and recreation	1,227,045	-	-	-	1,227,045
Education	16,245,159	-	-	-	16,245,159
Unclassified	3,528,732	-	-	335,336	3,864,068
Intergovernmental:					
County tax	1,079,365	-	-	-	1,079,365
Debt service:					
Principal	1,699,964	-	-	-	1,699,964
Interest and other charges	619,990	-	-	-	619,990
Capital improvements	1,233,861	5,001,841	5,383	1,187,469	7,428,554
Total expenditures	38,295,749	5,001,841	5,383	1,792,473	45,095,446
Excess (deficiency) of revenues over (under) expenditures	(1,751,281)	(5,001,841)	(5,383)	(631,243)	(7,389,748)
OTHER FINANCING SOURCES (USES)					
Capital lease issuance of debt	468,637	-	-	-	468,637
Bond proceeds	-	-	-	-	-
Transfers in	941,438	-	406,448	373,869	1,721,755
Transfers out	(776,537)	-	(25,000)	(920,218)	(1,721,755)
Total other financing sources (uses)	633,538	-	381,448	(546,349)	468,637
Net change in fund balances	(1,117,743)	(5,001,841)	376,065	(1,177,592)	(6,921,111)
Fund balances (deficits)-beginning (as reclassified)	4,582,705	5,552,856	(2,149,868)	4,194,878	12,180,571
Fund balances (deficits)-ending	\$ 3,464,962	\$ 551,015	\$ (1,773,803)	\$ 3,017,286	\$ 5,259,460

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2011

Net change in fund balances- total governmental funds (from Statement 4) \$ (6,921,111)

Amounts reported for governmental activities in the statement of activities (Statement 2) 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 as depreciation expense, with the exception of infrastructure which is recorded at historical cost and not depreciated as the Modified Approach is being used. More specifically, this is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 8,310,828	7,342,702
Less: net depreciation	968,126	
To reconciliation	\$ 7,342,702	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.

64,392

The City has bonds that were originally issued for School purposes.

These amounts will be funded by Regional School Unit #23 when the debt service payments are due. The City has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$3,360,979 with principal amounts paid off during the year totaling 645,979.

(645,979)

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. More specifically, this represents the net amount of principal increases (decreases) in debt service made during the year.

1,926,193

Capital lease proceeds	\$ (468,637)	
Capital lease repayments	423,785	
Bond principal repayments	1,971,045	
Net debt service	\$ 1,926,193	

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in long term accrued compensated absences and the change in long term other post employment benefits.

	\$ (82,286)	
	15,251	

(67,035)

Change in net assets of governmental activities (see Statement 2) \$ 1,699,162

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 32,991,768	\$ 32,991,768	\$ 32,219,898	\$ (771,870)
Licenses and permits	688,200	688,200	691,819	3,619
Intergovernmental	1,742,286	1,742,286	2,016,722	274,436
Charges for services	1,044,560	1,044,560	1,131,697	87,137
Interest earnings	40,000	40,000	25,605	(14,395)
Other revenues	428,187	428,187	458,727	30,540
Total revenues	36,935,001	36,935,001	36,544,468	(390,533)
EXPENDITURES				
Current:				
General government	2,282,137	2,481,386	2,413,584	67,802
Public safety	5,940,310	5,975,814	5,836,380	139,434
Public works	4,503,559	4,518,154	4,411,669	106,485
Culture and recreation	1,014,083	1,014,083	1,227,045	(212,962)
Education	16,245,159	16,245,159	16,245,159	-
County tax	1,079,365	1,079,365	1,079,365	-
Unclassified	4,150,087	4,179,816	3,528,732	651,084
Debt service	2,479,481	2,479,481	2,319,954	159,527
Capital projects	165,000	1,862,676	765,224	1,097,452
Total expenditures	37,859,181	39,835,934	37,827,112	2,008,822
Excess (deficiency) of revenues over (under) expenditures	(924,180)	(2,900,933)	(1,282,644)	1,618,289
OTHER FINANCING SOURCES (USES)				
Budgeted utilization of surplus	786,897	1,115,684	-	(1,115,684)
Carryover of Designated Fund Balance	-	1,647,966	-	(1,647,966)
Transfers in	880,398	880,398	941,438	61,040
Transfers out	(743,115)	(743,115)	(776,537)	(33,422)
Total other financing sources and uses	924,180	2,900,933	164,901	(2,736,032)
Net change in fund balance	-	-	(1,117,743)	(1,117,743)
Fund balance - beginning			4,582,705	
Fund balance - ending			\$ 3,464,962	

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Business-type activities Enterprise Funds Waste Water Treatment Plant
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
Receivables	493,359
Total current assets	493,359
Noncurrent assets:	
Depreciable capital assets	
Vehicles	95,095
Buildings	9,083,468
Equipment	1,626,590
Less accumulated depreciation	(3,968,193)
Non-depreciable capital assets	14,918,272
Total noncurrent assets	21,755,232
Total assets	22,248,591
LIABILITIES	
Current liabilities:	
Accounts payable	418,708
Accrued liabilities	97,064
Interfund payables	3,532,458
Bonds payable due within one year	225,000
Total current liabilities	4,273,230
Noncurrent liabilities:	
Bonds payable due in more than one year	952,500
Total noncurrent liabilities	952,500
Total liabilities	5,225,730
NET ASSETS	
Invested in capital assets, net of related debt	20,577,732
Unrestricted	(3,554,871)
Total net assets	\$ 17,022,861

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2011

	Business-type activities Enterprise Funds Waste Water Treatment Plant
Operating revenues:	
Charges for services	\$ 2,386,591
Miscellaneous revenues	-
Total operating revenues	2,386,591
Operating expenses:	
Personnel services	837,923
Contractual services	259,939
Utilities	193,836
Repairs and maintenance	55,415
Other supplies and expenses	500,215
Depreciation	194,569
Total operating expenses	2,041,897
Operating income	344,694
Nonoperating revenues (expenses):	
Loss on disposal of assets	(260,280)
Interest revenues	11,362
Interest expense	(43,468)
Total nonoperating revenues (expenses)	(292,386)
Change in net assets	52,308
Total net assets - beginning	16,970,553
Total net assets - ending	\$ 17,022,861

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2011

	Business-type activities Enterprise Funds Waste Water Treatment Plant
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,282,353
Payments to suppliers	(1,256,469)
Payments to employees	(835,501)
Net cash provided by operating activities	190,383
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Increase (decrease) in interfund loans	1,146,259
Net cash provided by (used in) non-capital financing activities	1,146,259
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital asset purchases	(1,079,586)
Principal paid on debt	(225,000)
Interest paid on debt	(43,468)
Net cash provided by (used in) capital and related financing activities	(1,348,054)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	11,362
Net cash provided by investing activities	11,362
Net decrease in cash and cash equivalents	(50)
Balances- beginning of the year	50
Balances- end of the year	\$ -
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	344,694
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:	
Depreciation expense	194,569
Change in net assets and liabilities:	
Receivables	(104,238)
Accounts payables	(247,064)
Accrued liabilities	2,422
Net cash provided by operating activities	\$ 190,383

See accompanying notes to basic financial statements.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Saco, Maine was incorporated in 1867 under the laws of the State of Maine. The City operates under a Mayor-Council and City Administrator form of government and provides the following services: general governmental services, public safety, public works (highways, streets and sewers), health, sanitation and welfare, culture and recreation, planning and zoning and public improvements. The Council is made up of seven members elected by registered voters.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the City reporting entity.

The accounting policies of the City of Saco conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting/Measurement Focus

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The major funds of the City are the General Fund, the Fire Barn North Street Bond Fund and the Saco Island TIF Fund. The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid through other funds. The Fire Barn North Street Bond Fund accounts for bond proceeds and expenditures related to the City's construction of a fire station. The Saco Island TIF Fund accounts for property taxes received from this tax increment financing district and the capital improvements made within the same.

The City reports the following major proprietary fund:

The Waste Water Treatment Plant accounts for the costs of construction and operation of the treatment plant, and is self-supported through sewer user fees.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City currently has no fiduciary funds.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state motor vehicle excise taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available. Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt as well as expenditures related to certain compensated absences and claims and judgments are only recorded when payment is due. Allocation of costs, such as depreciation, is not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Proprietary fund types have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as assigned fund balances within the fund financial statements, since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

E. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. City policy is that deposits can only be made in financial institutions insured by the FDIC. The City's investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The City invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines as provided by the City's Investment Policy.

Investments are reported at fair value except for money market investments that have a remaining maturity at time of purchase of one year or less are stated at amortized cost. Income earned from the investments of pooled cash is allocated to the various funds on the basis of the average cash balance allocated to each fund.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items.

I. Capital Assets

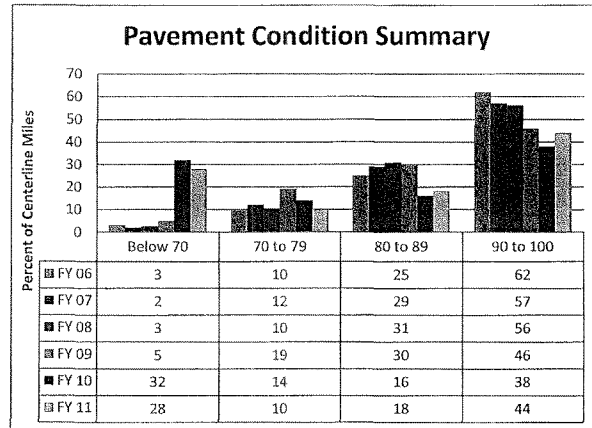
The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$8,000. The City has chosen the Modified Approach for reporting the infrastructure assets of the City. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	40 years
Building Improvements	40 years
Vehicles	5 years
Office furniture and fixtures	7 years
Equipment	10-20 years
Computer equipment	3 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system; water purification and distribution system; sewer collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings site amenities such as parking used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curbing, sidewalks, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City elected to use the Modified Approach as defined by Statement No. 34 for infrastructure reporting. Originally the City commissioned a physical assessment of all infrastructure conditions in 2000 (fiscal year 2001). Subsequent to the initial assessment, City staff has performed condition assessments based on a combination of physical inspections and statistical modeling. The roads have been rated by using a program developed by the Maine Department of Transportation (RSMS) from 2001 through 2009. The City has changed the condition assessment software in FY2010 to the Micropaver program developed by the Army Corp of Engineers. The advantage of this program is that it does statistical deterioration modeling that allows us to inspect a third of the roads each year.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued



The Micropaver program assesses the inspection criteria and develops a condition rating or Pavement Condition Index (PCI). The PCI index rates the roads between 0 and 100 with 100 being a new road.

For the underground utilities, the City has jointly purchased a camera and truck with two neighboring municipalities to inspect the storm and sanitary collection systems. In fiscal year 2010, the Public Works Department inspected approximately 50,000 feet of sewer line.

In 2001, 2004 and again in 2007, the City subcontracted with an independent engineering firm to inventory and perform a condition assessment on all other City infrastructure assets. These other infrastructure assets, sewer pipe, catch basins and manholes, storm drainage, sidewalks, traffic lights and signage, were then combined with the streets on the City's Asset Management System. Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset.

The City's policy relative to maintaining other infrastructure assets is to achieve a minimum rating of 2 for all other infrastructure assets.

For all other capital assets; buildings, vehicles, equipment reporting, the City elects to use the Basic Approach, as defined by Statement No. 34. The City conducted an inventory of all other capital assets for fiscal year 2000 and performs updates annually.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Compensated Absences

Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. Employees are paid for allowable accruals upon termination of employment.

In the fund financial statements, no amount is recorded unless the amount is to be paid out shortly after year-end. The full liability is recorded in the government-wide statements.

K. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. In the fund financial statements, for other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

L. Fund Equity

Governmental Fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- Restricted – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- Committed – resources which are subject to limitations the City imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- Assigned – resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise the City Council or a body or official delegated by the City Council may assign unspent budgeted amounts to specific purposes in the General Fund at year end based on Department requests.

When both restricted and unrestricted resources are available for use, it is the government's intent 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 government's practice to use committed or assigned resources first, and then unassigned resources as they are needed.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Landfill Closure and Postclosure Care Cost

Statement No. 18 of the Government Accounting Standards Board entitled: "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs" requires the City to record a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities.

State and federal regulations require that the City place a final cover on its current operating landfills when waste is no longer accepted and to perform certain maintenance and monitoring functions at these sites for a period of thirty years after closure. In addition to operating expenditures related to current activities of the landfills, a related liability is required to be recognized based on the future closure and postclosure care costs that will be paid near or after the date that the landfills stop accepting waste. The City of Saco has one landfill, closure of which is complete. Some monitoring costs will be required in the future, however these costs are not deemed to be material and were therefore not recorded as a liability.

Note 2 - DEPOSITS AND INVESTMENTS

The City's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk.

Deposits

Custodial Credit Risk- City Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy for custodial credit risk. This policy details eligibility for authorization to include banks or savings and loans that are a member of the FDIC and meet the following minimum credit criteria: (1) qualify as a depository of public funds in the State of Maine as defined in Title 30-A, Section 5706 of the Maine Revised Statutes, (2) have a Highline Data Peer Group rating of a 30 or better and (3) have a Financial Publishing rating of a 125 or better. As of June 30, 2011, the City reported deposits of \$761,829 with a bank balance of \$944,556. Of the City's bank balances of \$944,556, \$65,418 was exposed to custodial credit risk. The balance of \$879,138 was covered by the F.D.I.C. or by additional insurance purchased on behalf of the City by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$761,829
Reported in proprietary funds	-
Total deposits	\$761,829

Investments

Custodial Credit Risk- City Investments: For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does have a deposit policy for custodial credit risk as is outlined above. Of the City's \$2,270,405 in investments, 100% was collateralized by underlying securities held by the related bank in the City's name.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 2 - DEPOSITS AND INVESTMENTS, Continued

At June 30, 2011, the City had the following investments and maturities:

	Fair Value	Not Applicable	Less than 1 year	1-5 years	More than 5 years
Money market funds	\$ 1,423,951	\$1,423,951	\$ -	\$ -	\$ -
Mutual funds	225,920	-	225,920	-	-
Stock	405,534	405,534	-	-	-
Savings bonds	15,000	-	15,000	-	-
Repurchase agreements	200,000	-	200,000	-	-
Total investments	\$ 2,270,405	\$ 1,829,485	\$ 440,920	\$ -	\$ -

Investments have been reported as follows:

Reported in governmental funds	\$2,270,405
Total investments	\$2,270,405

Interest Rate Risk: The City does have a policy related to investment rate risk. This policy details that the investment and cash management portfolio be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements.

Credit Risk: Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The City does have a formal policy related to credit risk as is detailed above. At June 30, 2011, the City's investments were rated as follows by Standard & Poor's.

Credit Risk Rating:

Money Market Funds with AAA Ratings	\$ 1,423,951
Preferred Stock with A- Ratings	7,332
Preferred Stock with BB Ratings	4,536
Preferred Stock with CCC+ Ratings	7,527
Total	\$ 1,443,346

The remainder of the City's investments are not rated.

Note 3 - PROPERTY TAXES

The City's property tax is levied on the assessed value listed as of the prior April 1 for all taxable real and personal property located in the City. Assessed values are periodically established by the assessor at 100% of assumed market value. Each property must be reviewed no less than once every four years. The assessed value for the list of April 1, 2010, upon which the levy for the year ended June 30, 2011 was based, was \$2,101,430,400. This assessed value was 100% of the estimated market value and 100.1% of the 2011 state valuation of \$2,099,800,000.

The City 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 \$1,258,836 for the year ended June 30, 2011.

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

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 3 – PROPERTY TAXES, Continued

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

The following summarizes the 2010-2011 and 2009-2010 levies respectively:

	<u>2010-2011</u>	<u>2009-2010</u>
Assessed Value	\$2,101,430,400	\$2,070,327,000
Tax Rate (per \$1,000)	<u>13.82</u>	<u>13.62</u>
Commitment	\$29,041,768	\$28,197,854
Supplemental Taxes Assessed	<u>108,736</u>	<u>67,241</u>
	\$29,150,504	\$28,265,095
Less: Collections and Abatements	<u>28,124,197</u>	<u>27,194,372</u>
Receivable at June 30, 2011 and 2010	<u>\$1,026,307</u>	<u>\$1,070,723</u>
Due Dates	9/10/10 3/11/11	9/11/09 3/12/10
Interest Rates on Delinquent Taxes	8.0%	9.0%
Collection Rate	96.48%	96.21%

Of the total taxes committed for the year ended June 30, 2011, \$406,448 was allocated to the Saco Island TIF District, \$29,272 was allocated to First Light Technology, Inc., \$213,664 was allocated to the Spring Hill TIF, \$55,664 was allocated to Industrial Park (People's Choice FCU), \$8,029 was allocated to Incon/Franklin Fuels, \$15,424 was allocated to Saco Island Renaissance, and \$40,036 was allocated to Park North under the approved incremental tax levied on the Tax Increment Financing Districts' "captured assessed value" (see Note 9).

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 4 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. The City elected to use the "modified approach" as defined by GASB Statement No. 34 for infrastructure reporting. As a result, no accumulated depreciation or depreciation expense has been recorded for these assets. A more detailed discussion of the "modified approach" is presented in the Required Supplementary Information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded. The table below presents summary information on non-depreciable assets for the years ending June 30, 2010 and 2011.

Capital assets of the City for the years ended June 30, 2010 and 2011, consisted of the following:

	Historical Cost	Accumulated Depreciation	Net Cost 2011	Net Cost 2010
Governmental Activities:				
Modified Approach:				
Catch basins and manholes	\$ 2,302,711	-	2,302,711	2,307,246
Storm drainage	17,998,406	-	17,998,406	17,892,361
Sidewalks	1,676,434	-	1,676,434	1,650,805
Street Pavement System	13,033,779	-	13,033,779	10,066,376
Traffic signals	851,455	-	851,455	795,155
Street signs	44,818	-	44,818	44,818
Land	5,328,042	-	5,328,042	5,328,042
Construction in progress	-	-	-	760,477
Total Governmental Activities	<u>41,235,645</u>	<u>-</u>	<u>41,235,645</u>	<u>38,845,280</u>
Business-type Activities:				
Sewer pipe	14,918,272	-	14,918,272	14,918,272
Construction in progress	-	-	-	3,318,883
Total Business-type Activities	<u>\$ 14,918,272</u>	<u>-</u>	<u>14,918,272</u>	<u>18,237,155</u>

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental Activities:				
Buildings and Improvements	\$ 12,315,104	\$ 5,489,486	\$ -	\$ 17,804,590
Vehicles	5,707,041	395,392	(1,091,837)	5,010,596
Machinery and Equipment	5,118,309	35,585	(762,590)	4,391,304
Total	<u>23,140,454</u>	<u>5,920,463</u>	<u>(1,854,427)</u>	<u>27,206,490</u>
Accumulated Depreciation:				
Buildings and Improvements	(6,493,857)	(327,188)	-	(6,821,045)
Vehicles	(3,779,078)	(478,298)	1,125,296	(3,132,080)
Machinery and Equipment	(4,310,853)	(162,640)	729,131	(3,744,362)
Total	<u>(14,583,788)</u>	<u>(968,126)</u>	<u>1,854,427</u>	<u>(13,697,487)</u>
Total Governmental Activities	<u>\$ 8,556,666</u>	<u>\$ 4,952,337</u>	<u>\$ -</u>	<u>\$ 13,509,003</u>

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 4 – CAPITAL ASSETS, Continued

The change in accumulated depreciation can be further detailed by major class of assets as follows:

Vehicles	\$ 646,998
Buildings	(327,188)
Equipment	566,491
TOTAL	\$ 886,301

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-type Activities:				
Buildings and Improvements	\$ 14,685,000	\$ 4,398,468	\$(10,000,000)	\$ 9,083,468
Vehicles	114,094	-	(19,000)	95,094
Machinery and Equipment	1,736,590	-	(110,000)	1,626,590
Total	16,535,684	4,398,468	(10,129,000)	10,805,152
Accumulated Depreciation:				
Buildings and Improvements	(12,479,929)	(105,633)	9,750,000	(2,835,562)
Vehicles	(63,209)	(8,943)	19,000	(53,152)
Machinery and Equipment	(1,099,206)	(79,993)	99,720	(1,079,479)
Total	(13,642,344)	(194,569)	9,868,720	(3,968,193)
Total Business-type Activities	\$ 2,893,340	\$ 4,203,899	\$ (260,280)	\$ 6,836,959

The change in accumulated depreciation can be further detailed by major class of assets as follows:

Buildings	\$ 9,644,367
Vehicles	10,057
Equipment	19,727
TOTAL	\$ 9,674,151

For the year ended June 30, 2011 and 2010, depreciation expense on capital assets was charged to the government functions as follows:

	2011	2010
General Government	\$ 132,970	220,660
Public Safety – Police	145,845	133,028
Public Works	307,433	319,492
Parks and Recreation	60,179	64,884
Public Safety – Fire	321,699	171,943
Total Depreciation Expense	\$ 968,126	910,007

For the year ended June 30, 2011 and 2010, repairs and maintenance expenses on capital and infrastructure assets were charged to the government functions as follows:

	2011	2010
Public Safety – Police	\$ 14,611	39,645
Public Safety – Fire/Ambulance	21,000	47,455
Public Works	78,028	230,354
Parks and Recreation	28,082	21,918
Capital Improvement Projects	581,786	81,962
Total Repairs & Maintenance Expense	\$ 723,507	421,334

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 5 - COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Note 1. The long-term portion of this debt, amounting to \$1,252,900 for governmental activities and \$88,207 for business-type activities at June 30, 2011, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the enterprise fund, with a minor amount being paid from certain special revenue funds.

Note 6 - LONG-TERM DEBT

The following is a summary of long-term debt transactions within the governmental activities and the business-type activities for the City for the year ended June 30, 2011:

	Bonds & Notes Payable	Capital Leases Payable	Compensated Absences (1)	Other Post- Employment Benefits	Total
Governmental Activities:					
Debt Payable at June 30, 2010	\$ 21,698,052	\$ 1,738,164	\$ 1,170,614	\$ 451,413	25,058,243
Add: New debt payables	-	468,637	208,594	-	677,231
	21,698,052	2,206,801	1,379,208	451,413	25,735,474
Less: Debt retired	1,971,045	423,785	126,308	15,251	2,536,389
	19,727,007	1,783,016	1,252,900	436,162	23,199,085
Debt Payable at June 30, 2011	\$ 19,727,007	\$ 1,783,016	\$ 1,252,900	\$ 436,162	\$ 23,199,085
Due within one year	1,732,045	381,980	-	-	2,114,025
Business-type Activities:					
Debt Payable at June 30, 2010	1,402,500	-	86,981	-	1,489,481
Add: New debt payables	-	-	6,407	-	6,407
	1,402,500	-	93,388	-	1,495,888
Less: Debt retired	225,000	-	5,181	-	230,181
Debt Payable at June 30, 2011	\$ 1,177,500	\$ -	\$ 88,207	\$ -	\$ 1,265,707
Due within one year	225,000	-	-	-	225,000

- (1) Compensated absences are shown as long-term since the amount due within one year cannot be reasonably estimated.

As of July 1, 2009, the Saco School Department joined Regional School Unit #23. All School Department liabilities were transferred to the new School Unit with the exception of the bonds that are in the name of the City.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 6 - LONG-TERM DEBT, Continued

Long-term debt payable at June 30, 2011 is comprised of the following:

General Obligation Bonds	Interest Rate	Original Issue Amount	Final Maturity Date	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
2007 Infrastructure Bond	4.15% - 4.20%	\$4,355,000	10/1/2027	\$3,695,000	\$220,000
2006 Open Space Bond	4.00% - 4.50%	1,500,000	1/1/2026	1,125,000	75,000
2003 Refunding Bond	3.85%	2,977,057	10/1/2018	1,488,528	186,066
2002 Refunding Bond (50%)	2.00% - 4.50%	1,092,500	10/1/2014	307,500	80,000
2002 School Renovation (1)	None	1,159,789	10/1/2011	115,979	115,979
2002 School Renovation	3.25% - 5.00%	5,940,000	1/1/2022	3,245,000	295,000
1996 Police Station	5.60%	2,000,000	10/1/2016	600,000	100,000
1996 Route One Sewer (50%)	5.55%	2,900,000	10/1/2016	870,000	145,000
2010 Fire Station Bond	2.00% - 4.38%	5,999,000	5/1/2040	5,795,000	200,000
2010 Roads Bond	2.00% - 4.00%	2,300,000	5/1/2018	2,010,000	290,000
2010 Trails Bond	2.00% - 4.00%	500,000	5/1/2030	475,000	25,000
Total - Governmental Activities				\$19,727,007	\$1,732,045
(1) The original amount of this note was \$2,456,690 of which \$1,296,901 has been forgiven by the State. The City's outstanding share at June 30, 2011 was \$115,979.					
<u>Business-type Activities:</u>					
2002 Refunding Bond (50%)	2.00% - 4.50%	\$1,092,500	10/1/2014	\$ 307,500	\$ 80,000
1996 Route One Sewer (50%)	5.55%	2,900,000	10/1/2016	870,000	145,000
Total Enterprise Fund				\$ 1,177,500	\$ 225,000
Grand Total All Funds				\$ 20,904,507	\$ 1,957,045

As of July 1, 2009, the Saco School Department joined Regional School Unit #23. RSU #23 will reimburse the City of Saco for all Saco School Department bonds payable when the debt service payments are due. The City has recorded a receivable for \$3,360,979 which is the outstanding amount of bonds payable related to the School Department.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 6 - LONG-TERM DEBT, Continued

The annual requirements to amortize General Obligation Bonds outstanding as of June 30, 2011 for both governmental activities and business-type activities are as follows:

Year	Principal	Interest	Total Debt Service
<u>Governmental Activities:</u>			
2012	\$ 1,732,045	719,356	2,451,401
2013	1,613,566	669,425	2,282,991
2014	1,611,066	619,202	2,230,268
2015	1,606,066	568,497	2,174,563
2016	1,531,066	516,544	2,047,610
2017-2021	5,438,198	1,865,619	7,303,817
2022-2026	2,870,000	1,013,556	3,883,556
2027-2031	1,530,000	538,093	2,068,093
2032-2036	1,000,000	302,655	1,302,655
2037-2040	795,000	86,624	881,624
Total	\$ 19,727,007	6,899,571	26,626,578
<u>Business-type Activities:</u>			
2012	\$ 225,000	33,697	258,697
2013	222,500	26,451	248,951
2014	220,000	19,258	239,258
2015	220,000	11,928	231,928
2016	145,000	6,144	151,144
2017	145,000	2,048	147,048
Total	\$ 1,177,500	99,526	1,277,026

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 6 - LONG-TERM DEBT, Continued

Leases that qualify as capital leases for accounting purposes have been recorded at the present value of future minimum lease payments as of the date of the inception. The various leases are reported as a liability in the government wide financial statements. The following presents a summary of the capital lease commitments as of June 30, 2011:

	Original Purchase Price	Annual Depreciation Expense	Total Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Governmental Activities:					
Parks mower 2009	\$ 42,100	\$ 8,420	\$ 27,424	\$ 2,890	\$ 24,534
PW Vactor & PR Backhoe 2009	338,322	33,832	288,673	47,428	241,245
Public Works - pick up truck 2009	60,750	31,248	29,938	1,909	28,029
Public Works - dump truck 2009	109,243	21,849	47,710	3,039	44,671
Public Works - equipment 2008	180,000	18,000	75,662	4,514	71,148
Copiers - 2011	101,745	20,349	114,037	12,292	101,745
Fire pumper truck	358,853	23,924	258,390	31,382	227,008
Public Works - equipment 2007	312,481	31,248	173,548	18,548	155,000
Public Works - equipment 2005	626,532	125,306	229,221	20,017	209,204
Cide-wide recycling bins	589,872	39,325	71,192	3,032	68,160
Parks & Rec - Tractor - 2010	57,892	5,789	57,592	11,531	46,061
Public Works - Trackless Sidewalk Plow - 2010	135,285	27,057	134,790	26,985	107,805
Parks & Rec - Wheel Loader - 2010	137,500	13,795	136,120	26,153	109,967
Public Works - Skid Steer - 2010	27,449	2,745	27,333	5,472	21,861
Fire/Ford Expedition - 2011	35,585	7,117	34,086	4,182	29,904
PW 2 Plow Trucks - 2011	264,634	52,927	270,890	29,024	241,866
PW Chevy Colorado - 2011	21,833	4,367	18,482	1,270	17,212
PW F550 - 2011	44,790	8,958	43,166	5,570	37,596
			<u>\$ 2,038,254</u>	<u>\$ 255,238</u>	<u>\$ 1,783,016</u>

The annual requirements to amortize Capital Lease Obligations outstanding as of June 30, 2011 for the Governmental activities are as follows:

Year	Principal	Interest	Total Lease Obligation
2012	381,980	75,695	457,675
2013	354,157	59,182	413,339
2014	292,512	44,172	336,684
2015	228,416	31,861	260,277
2016	226,193	22,608	248,801
2017-2019	299,758	21,720	321,478
Total	<u>\$ 1,783,016</u>	<u>\$ 255,238</u>	<u>\$ 2,038,254</u>

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of the state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its stated assessed valuation. The City's outstanding debt at June 30, 2011, of \$22,687,523, was \$292,282,477 below the City's statutory debt limit. Total interest expended for all funds of the City was \$660,333, for the year ended June 30, 2011.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 7 - OVERLAPPING DEBT

The City's proportionate share of York County's debt (determined by the percentage of the City's state valuation to the County's state valuation) is not reported in the City's financial statements. Debt service is included in the annual county assessment to the City. At June 30, 2011, the City's equalized State valuation of \$2,099,800,000 was 6.89% of the County's equalized State Valuation of \$30,462,150,000. The City's share is 6.83%, or \$742,942 of York County's \$10,877,627 long-term debt outstanding as of June 30, 2011.

The Biddeford-Saco-Old Orchard Beach Transit Committee had long-term debt of \$473,206 outstanding on June 30, 2011. Under the Interlocal Agreement that governs this entity, the communities of Biddeford, Saco, and Old Orchard Beach would become jointly responsible for this debt should the Transit Committee be dissolved. The City's share is 33.33%, or \$157,735.

Note 8 - CONTINGENT LIABILITIES

Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowance claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation

The City is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the City has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the City.

Note 9 - TAX INCREMENT FINANCING DISTRICT

Under Title 30, Subchapter II-B of Maine State statutes, the City formed a Tax Increment Finance (TIF) District to finance certain public improvements to Saco Island, formerly known as Factory Island. The expenditures from this development project will be recouped in future years via an incremental tax levied upon the District's "captured assessed value" over a fifteen year period to expire December 30, 2016. The tax increment will be held in the form of a sinking fund. The short-term financing mechanism for the public improvement projects is a reimbursement agreement between the City and the project developer.

The City originally established the Saco Island Tax Increment Financing (TIF) District in 1985 and amended it in 1986. The agreement required certain improvements and required the City to collect monies in a sinking fund. The developer and its successors were reimbursed for these improvements. The length of this agreement was 15 years from the date of approval of the second TIF.

In March of 1999 the Maine Department of Economic and Community Development accepted the City's application to amend the Saco Island Tax Increment Financing District. It authorized the City to capture increased assessed value for a period of fifteen years, add approximately 7.5 acres to the District, and revise the program of public improvements, as part of the City's continuing revitalization effort of the Downtown and Saco Island, and in response to the State of Maine's need for a train station on Saco Island. In addition to improvements within the District, TIF proceeds will be used to organize, construct and improve parking areas within 500 feet of the District.

Note 9 - TAX INCREMENT FINANCING DISTRICT, Continued

The City will continue to capture one hundred percent of the first \$14,400,000 in increased assessed value to fund the completion of the improvements within the amended development program. The City will pay for all public improvements in the District, utilizing municipal tax increment revenues on retained captured assessed value generated by the District and deposited into the Development Program Fund. The City will utilize available Federal funds, to finance a share of the construction costs of the rail station, and other grant funds as they become available. The City will not incur any general obligation bond indebtedness in connection with this program.

Also, in February 1997, the City formed a Tax Increment Finance (TIF) District to assist First Light Technology, Inc. (the Company) in acquiring real estate, constructing a manufacturing and research building, and to assist the City in financing the costs of the Public Improvements or to pay the costs of constructing such improvements directly. Under the Development Program, the City will make a portion of the newly-generated tax revenues within the District available to the Company for a period of (5) years pursuant to a credit enhancement agreement, which is a contract between the City and the Company. This portion will be equal to 40 percent of the increased value of the real estate (including buildings).

The remaining portion of the new real estate tax revenues (60 percent) and a portion of the new personal property tax revenues (50 percent, exclusive of existing equipment moved to the new location) will be captured for a period of twenty (20) years and used or held for use in connection with the Public Improvements. All remaining tax revenues will become part of the City's general tax revenues. After expiration of the five year period, the portion paid into the City's general fund will include the tax revenues previously returned to the Company.

In July 1998, the City formed a TIF District to assist Transparent Audio, Inc. (the Company) in constructing a building, real property improvements, and additional personal property acquisitions. During the first ten (10) years of the Development Program, the City will capture one hundred percent (100%) of the increase in assessed value due to the Real Property Improvements, allocating during years one through five, forty (40%) percent of the incremental municipal tax increment revenues from the Real Property Improvements (the "Real Property Captured Tax Increment Revenues") to the Company pursuant to a credit enhancement agreement ("the Company Increment Portion"). The agreement also provides that twenty percent (20%) of such revenues will be allocated to the Company during years six through ten. No part of the incremental revenues from the additional personal property will be returned to the Company pursuant to the Development Program.

The Real Property Captured Tax Increment Revenues shall be calculated based on real property values in excess of the City's valuation of the District as of April 1, 1998 (\$53,600). The Company Increment Portion will be used by the Company either to pay costs of the Project directly or to pay debt service used to finance costs of the Project. The Project costs financed with Real Property Captured Tax Increment Revenues will represent only a portion of the total costs of the Project. All additional costs of the Company in respect of the Project will be the responsibility of the Company. After ten years, the Company will have no further right to the Company Increment Portion, and it will form part of the City's general revenues.

Note 9 - TAX INCREMENT FINANCING DISTRICT, Continued

Saco Plaza, Inc. (the Company) has developed the real estate constituting the District and constructed an 80-100 room hotel and allied facilities (conference facilities and restaurant) along with related physical improvements thereon (the Project). The purpose of the District is to assist the Company in financing the costs of the Project, and to assist the City in economic development in the North Street - Maine Turnpike area, and to assist in furtherance of the Industrial Park Road expansion. During the first five (5) years of the Development Program, the City will capture 100% of the increase in assessed value due to real and personal property improvements, allocating this captured incremental municipal tax revenue between the Company (the "Company Incremental Portion") and the City ("City Increment Portion") pursuant to a credit enhancement agreement between Company and City. The credit enhancement agreement provides that forty (40) percent of the Captured Incremental Revenues during this initial five (5) year period will be made available to the Company while sixty (60) percent of the Captured Incremental Revenues will flow to the City for economic development purposes both in the North Street - Maine Turnpike area, and with expanding the Industrial Park Road. During the final five (5) years of the Development Program, the City will capture only forty (40) percent of the incremental increase in assessed values due to real and personal property improvements, allocating this revenue to the Company pursuant to the credit enhancement agreement. The remaining sixty (60) percent of increased assessed value will not be captured in the final five (5) years of the Project but will flow to the City's General Fund.

In March 2002, the City formed a TIF District (Spring Hill Municipal Development and Tax Incremental Financing District) for the creation of a municipal development and tax increment-financing district within the Spring Hill section of the Saco Industrial Park and adjacent areas. The adjacent areas include a portion of the railroad right of way for the Saco Industrial Park, a portion of the proposed Saco 67 Business Park across Route 1 from the Spring Hill section, and a portion of the Route 1 right of way where the installation of a traffic light and a sewer are contemplated. The goal of this TIF district is to provide for the creation of serviced business park lots and to permit the purchase of land therefore, to provide for additional rail service to an existing industrial park, to provide for traffic improvements such as a traffic light required by these industrial developments, and to provide for the installation of a public sewer system in an area of industrial, business, and commercial zoning to enhance the facilities for business and industrial development. During the first ten (10) years of the Development Program, the City will capture one hundred percent (100%) of the increase in assessed value due to the Real Property Improvements, allocating all 100% to the Development Program. After the tenth year, the tax revenues will flow into the City's General Fund.

The Spring Hill TIF was amended on October 7, 2008. Boundary changes removed a 12 foot strip to the Scarborough line and added one lot to the district. This lot is the site of a new IMAX theater. The TIF revisions also create a mitigation fund for the fifth lane in Route 1, which MDOT plans to require for an IMAX theater (\$118,000), and extends the end date of the TIF 10 years beyond the original 2012 expiration to 2022.

The Park North TIF, approved September 12, 2007, is for 100% of the tax increment for 20 years, with 70% reimbursing the developer for a sewer extension. The developer has paid for the costs and financing for the sewer extension and for a pump station serving the project. This includes only large sewer mains, not local service mains within the development. The sewer cost is estimated at \$3.5 million, although financing may double the cost. Reimbursement to the developer continues until the company is reimbursed. It is estimated that it may take 11 years to reimburse. The remainder of the TIF -- 30% in the early years, 100% later -- would be used by the City for a program of improvements in the district and in the area of the project and some qualifying economic development projects.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 9 - TAX INCREMENT FINANCING DISTRICT, Continued

The Industrial Park Road TIF was approved March 16, 2007, is for 100% of the tax increment through 2027. The entire increment will be treated in a special fund by the City and used for construction of roads and sewers and sidewalks including improvements to a portion of North Street and a portion of Industrial Park Road. A credit enhancement agreement was reached with People's Choice Credit Union on 3/20/09 to reimburse the company \$100,000 for intersection improvements, by reimbursing it 50% of its taxes each year until it receives the full \$100,000 payout.

The Franklin Fuels TIF (Incon, Intelligent Controls), was approved on March 24, 2008. The TIF captures 100% of captured assessed value. The agreement returns 45% of taxes to Franklin Fuels which erected a new industrial building in which it manufactures fuel tank monitoring equipment and other electronic detection devices. The TIF retains 55% for City public improvements and Economic Development programs through fiscal 2019.

The Saco Island Renaissance TIF was approved in September 2007. The Mattson Development entity, (formerly Harpers), plans to complete approximately \$80 million of mixed-use mill rehabilitation projects over several years. This TIF is for 95% of the new value for 15 years, and for 90% of the value for the following 15 years. Five percent and 10 percent of the project respectively remains unTIFed. The funds will be returned to the developer under a credit enhancement agreement.

Note 10 – TAX BASE SHARING WITH THE CITY OF BIDDEFORD

Tax base sharing is established under Title 30-A of the Maine Revised Statutes, as amended, to increase the likelihood of orderly development and to provide an incentive for coordinated multi-community economic development by permitting two or more communities to share their tax base. Any two or more municipalities may, by vote of their legislative bodies, enter into an agreement to share all or a specific part of the commercial, industrial or residential assessed valuation located within their respective communities. The shared valuation is assessed in the municipality in which the property is located, taxed at the rate applicable in that municipality and collected by the respective municipality. The share of the tax, as specified in the agreement, must be remitted within fifteen days to the other municipalities on the basis of the terms of the agreement. For the fiscal year end June 30, 2007, the City of Saco's share of the tax base sharing revenue was \$92,506. The balance remains outstanding at June 30, 2011.

Note 11 - RELATED PARTY TRANSACTIONS

The Lucia Kimball Deering Trust is related to the Kimball Health Center through common directorships. Beginning in May 1986, the amount due to the Trust from the Kimball Health Center was being reimbursed at the rate of \$500 per month. However, the reimbursement amount is left to the discretion of the Board of Directors. No interest is charged on this loan, which had an outstanding balance of \$856,200 at June 30, 2011.

Note 12 - CLASSIFICATION OF NET ASSETS

In the Government-wide financial statements net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt- This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets- This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. This category presents restrictions placed on the categories of Capital Projects, and Specific Projects and Programs as established by City Council.

Unrestricted Net Assets- Represent the net assets of the City, not restricted for any project or other purpose.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 13 – DEFICIT FUND BALANCES

The City's Special Revenue Fund for the Recreation Impact Fees, Ambulance, CDBG Country Village, Park North TIF Project, Cascade Trails, as well as the City's Major Special Revenue fund for the Saco Island TIF and non-major Capital Project funds for the Mill Brook Industrial Park and Efficiency Maine fund are carrying forward fund deficits as of June 30, 2011. These deficits will be funded by future operations through anticipated revenues to be received.

Note 14 - RETIREMENT SYSTEM

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

Description of the Plan – The City contributes to Maine Public Employees Retirement System (Maine PERS) Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 6.5% of their annual covered salary and the City of Saco is required to contribute an actuarially determined rate. The current rate is 0% of annual covered payroll. The contribution rates of plan members and the City of Saco are established and may be amended by the Maine PERS Board of Trustees. The City's contributions to the Maine PERS Consolidated Plan for the years ended June 30, 2011, 2010 and 2009 were \$0, \$0 and \$0 respectively, equal to the required contributions for each year. This is due to the fact that necessary contributions to the plan are being offset by existing credits.

Deferred Compensation Plan

In lieu of coverage under the Maine Public Employees Retirement System, City employees may elect to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The plan vests at the end of two years of service and 100% at the end of three years. The City expended \$77,525 (5%) for the year ended June 30, 2011, \$112,554 (5%) for the year ended June 30, 2010, and \$109,468 (5%) for the year ended June 30, 2009. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

Other

Additionally, the City participates in the Social Security Retirement Program. The City's contribution to Social Security was approximately \$660,027 for the year ended June 30, 2011, \$673,831 for the year ended June 30, 2010, and \$642,536 for the year ended June 30, 2009.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 15 - OTHER DISCLOSURES

Risk Management

The City 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 City either carries commercial insurance, or participates in a public entity risk pool. Currently, the City participates in a public entity risk pool for its workers compensation insurance sponsored by the Maine Municipal Association. Based on the coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2011. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past three fiscal years. The amount of unpaid claims was \$0 at June 30, 2011 and 2010.

Note 16 – BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished. The City legally adopts annual budgets for the Governmental General Fund and the Business-Type Waste Water Treatment Plant Fund.

The Annual Budget serves from July 1 to June 30, and it is a vehicle to accurately and openly communicate these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning. The budget provides resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City of Saco, Maine's budget is prepared and based on four expenditure categories; personnel, operations & maintenance, other expenditures and capital improvement programs. The first three listed are considered operational in nature or known as *recurring costs*. Capital Improvement Projects are asset acquisitions, facilities, systems, and infrastructure improvements, etc. typically over \$8,000, and/or those items "outside" of the normal operational budget, these are known as *one-time costs*.

The accounts of the City are organized on the basis of funds.

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-type Activities

The Governmental Funds include the General Fund, Special Revenue Funds, Capital Project Funds and the Permanent Funds. All funding sources are kept separate, for both reporting and for uses of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting, then from this, the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Administrator and the Finance Director review each budget proposal, revenue assumptions and all current financial obligations, before preparing the proposed document to the City Council. The City Council reviews the Proposed Budget, through a series of workshop meetings, with the final adoption scheduled during the first council meeting in June.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 16 – BUDGETARY INFORMATION, Continued

Per City Charter, the level of budgetary control is at the department level. The following departments overspent their fiscal year 2011 budgets: City Administration by \$8,704, Legal Services by \$125,173, and Parks and Recreation by \$212,962. These overages were anticipated and in some cases had additional revenue to cover them. These overages lapsed to unassigned fund balance at year end.

According to the City Charter, the departments are allowed to carry over unspent portions of their individual capital budgets which then can be used in future years. For the Governmental Activities fiscal year ended June 30, 2011 and 2010 the amounts carried over by the departments totaled \$627,819 and \$1,796,397, respectively, with a like amount assigned in the General Fund balance.

See Statement 6 Within the Government-wide financial statements for a Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for an analysis of the original approved budget versus the final budget and actual amounts.

Note 17 – INTERFUND ACCOUNTS

Due from/to other funds at June 30, 2011 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 7,661,485	3,332,661
Special Revenue Funds	1,425,283	968,574
Capital Project Funds	1,140,271	1,386,570
Fire Barn North Street Bond	767,104	-
Saco Island TIF Fund	-	1,773,880
Proprietary Funds	-	3,532,458
TOTAL	\$10,994,143	10,994,143

Interfund transfers during the year ended June 30, 2011 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 941,438	776,537
Special Revenue Funds	373,869	920,218
Saco Island TIF Fund	406,448	25,000
TOTAL	\$ 1,721,755	1,721,755

The purposes of the due to/due from other funds are to charge revenue and expenditure activity to the appropriate funds. With centralized cash, everything is received and disbursed through the general fund. With due to/due from accounts, it allows the activity to be recorded within the proper fund, even though the activity occurs within the general fund cash account.

The primary purposes of the transfers are to match budgeted amounts within the general fund from the funds financing the various projects. Due to the fact that one budget is adopted; many projects from other funds are included in the capital improvement section of the budget. These transfers allow for the revenue to be reflected within the general fund where the expenditures have been budgeted and paid.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 18 – FUND BALANCE RECLASSIFICATION

For fiscal year ending June 30, 2011 the City adopted Government Accounting Standards Board Statement No. 54 (GASB 54). Fund balances were reclassified as follows to meet the new definition of fund types as described in GASB 54.

	General Fund	Special Revenue Fund	Capital Project Fund	Permanent Fund
Fund balances July 1, 2010	\$ 4,582,705	1,288,000	2,450,116	456,762
Reclassification	-	766,430	(766,430)	-
Fund balances July 1, 2010, reclassified	\$ 4,582,705	2,054,430	1,683,686	456,762

Note 19 – FUND BALANCE

As of June 30, 2011 fund balances components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepaid	\$140,681	-	140,681
Notes Receivable	-	14,287	14,287
Principal of permanent funds	-	181,383	181,383
Total Nonspendable	140,681	195,670	336,351
Restricted			
Finance and Administration	-	1,304,359	1,304,359
Community Services	-	1,744,363	1,744,363
Public Safety	-	586,555	586,555
Public Works	-	546,627	546,627
Permanent Funds	-	373,390	373,390
Total Restricted	-	4,555,294	4,555,294
Committed			
City Service	-	8,800	8,800
Public Safety	61,040	564	61,604
Public Works	-	86,683	86,683
Total Committed	61,040	96,047	157,087
Assigned			
Finance and Administration	-	5,948	5,948
City Service	-	159	159
Community Services	-	2,023	2,023
Public Safety	-	2,992	2,992
Public Works	-	909,832	909,832
Encumbrances	144,843	-	144,843
Reserves	627,819	-	627,819
Total Assigned	772,662	920,954	1,693,616
Unassigned	2,490,579	(3,973,467)	(1,482,888)
Total Fund Balance	\$3,464,962	1,794,498	5,259,460

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 20 – NET ASSETS

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

The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

	Governmental	Business-type
Capital assets	\$ 68,442,135	25,723,425
Accumulated depreciation	(13,697,487)	(3,968,193)
Bonds payable	(19,727,007)	(1,177,500)
Capital leases	(1,783,016)	-
Add back RSU #23 portion of debt service	3,360,979	-
Add back unspent bond proceeds	1,097,642	-
Total invested in capital assets net of related debt	\$ 37,693,246	20,577,732

Note 21 – OTHER POST EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the City of Saco for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The City is a member of the Maine Municipal Employees Health Trust. The Trust is a multiple employer Voluntary Employee's Beneficiary Association. The City is an individually rated member within the Association. The Trust issues a publicly available financial report that may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October 2011.

Plan Descriptions -- In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost -- GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 21 – OTHER POST EMPLOYMENT BENEFITS, Continued

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 78,543	\$70,866	\$70,866
Amortization of Unfunded	101,793	79,219	79,219
Adjustment to ARC	(16,336)	(8,859)	-
Interest	14,870	9,053	2,932
Annual required contribution	\$ 178,870	\$150,279	\$153,017

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPEB liability, July 1, 2010	\$ 282,475	\$153,017	-
Annual required contribution	178,870	150,279	153,017
Less: Actual contributions	(25,183)	(20,821)	-
OPEB liability, June 30, 2011	\$ 436,162	\$282,475	\$153,017

The "actual contributions" represent an implicit rate subsidy offset based on a calculation provided by the actuary which calculates the percentage of premiums which subsidizes retirees.

Information provided by the actuary included corrections for the participation assumptions. This change affected prior year calculations which were all corrected in the current year as a change in estimate.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 178,870	\$ 150,279	\$ 153,017
Actual contribution	25,183	20,821	-
Percent contributed	14.08%	13.85%	0.00%
Actuarial accrued liability	\$ 1,830,622	\$1,423,034	\$1,423,034
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 1,830,622	\$1,423,034	\$1,423,034
Covered payroll	\$ 7,918,078	\$6,614,983	\$8,386,022
Unfunded actuarial accrued liability as a percentage of covered payroll	23.1%	21.51%	16.97%

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

CITY OF SACO, MAINE
Notes to Basic Financial Statements
June 30, 2011

Note 21 – OTHER POST EMPLOYMENT BENEFITS, Continued

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

Actuarial valuation date	01/01/2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years

Actuarial assumptions:

Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 8.7%

CITY OF SACO, MAINE
Required Supplementary Information
June 30, 2011

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets as:

- street system including pavement, sidewalks, street lighting, traffic signals and curbing;
- storm water and sanitary collection system;
- wastewater treatment facility;
- park and recreation lands and;
- building site amenities such as parking and landscaped areas

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its infrastructure assets. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed assessment level.

In 2000 (fiscal year 2001), the City commissioned a physical condition assessment of the streets which was completed and dated February 2001. The City has completed a full condition assessment each year since 2001. Each street was assigned a physical condition based on a set of criteria identified in a program developed by the State of Maine Department of Transportation (MDOT) known as the Road Survey and Maintenance System (RSMS). A pavement condition index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. In fiscal year 2010, the City migrated the road condition assessments to a new program developed by the Army Corp of Engineers called Micropaver. The Micropaver program is a more inclusive assessment tool and the program rates the roads more severely than the previous assessment software (RSMS).

The following conditions were defined and associated to a rating within our asset management system:

<u>Condition</u>	<u>Rating</u>	<u>Asset Management System Rating</u>
Good	100-80	1
Fair	79-65	2
Poor	64-50	3
Substandard	49-0	4

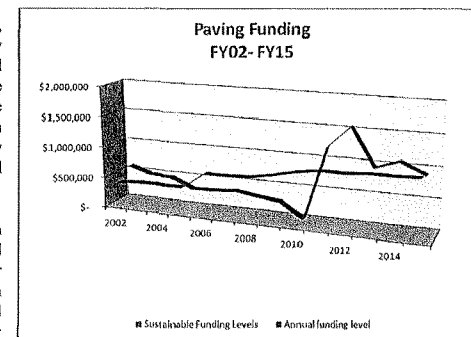
The City's Public works Department has been conducting condition assessments of each road in the fall of each year since 2001. Based on their research and an analysis of the data compiled over the last 8 years, the City has determined that on average a road needs to be overlaid, on average, every 12 years. The frequency and extent of the maintenance will depend on factors such as traffic volume, the amount of truck traffic, road base materials, and drainage conditions.

CITY OF SACO, MAINE
Required Supplementary Information
June 30, 2011

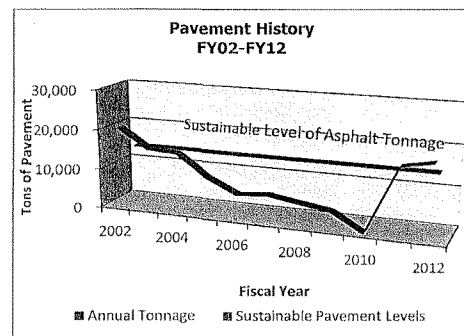
MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS, Continued

Based on a 12 year maintenance schedule, the Public Works has determined that the paving needs will be approximately 13,900 tons per year. At today's asphalt prices this would translate to a sustainable funding allocation of \$917,400 per year.

Due to a weak economy, financial constraints, and a doubling of the cost of asphalt, the City has been dropping below the sustainable level for maintaining the City's road system. While the road system is still in relatively good shape the average PCI values of the roads has been decreasing. In the fall of 2009, the City bonded 2.3 million dollars to fund the road paving program.



In 2001 the City subcontracted with an independent engineering firm to inventory and performs a condition assessment on all other City infrastructure assets. These condition assessments were then reviewed and updated again in fiscal year 2004 and 2008. These other infrastructure assets, sewer pipe, catch basins and manholes, storm drainage, sidewalks, traffic lights and signage, were then combined with the streets on the City's Asset Management System (AMP). Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset. City staff will be responsible for assessing and maintaining the data associated with the Saco AMP.



CITY OF SACO, MAINE
Required Supplementary Information
June 30, 2011

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS, Continued

The City's Policy is to achieve a minimum rating of 2 for all other infrastructure assets, which is consistent with that for the streets. From June 30, 2004 through June 30, 2011, the City's other infrastructure assets had established condition assessment levels as follows:

<u>Condition Average</u>	<u>FY 2004-2006</u> <u>% of Other</u>	<u>FY 2007-2009</u> <u>% of Other</u>	<u>FY 2010-2011</u> <u>% of Other</u>	<u>Management</u> <u>System</u>
	<u>Infrastructure</u>	<u>Infrastructure</u>	<u>Infrastructure</u>	<u>Rating</u>
Excellent to Good	69.3%	83.0%	58.0%	1
Fair	25.0%	13.8%	12.0%	2
Poor to Substandard	5.7%	3.2%	30.0%	3 and 4

As of June 30, 2001 through June 30, 2003, the City had only 7% of its other infrastructure assets rated below the established 2 rating. The City required several years to rehabilitate these segments of infrastructure. As is reflected with the June 30, 2006, 2005 and 2004 condition assessment performed, an even lower immaterial percentage of other infrastructure assets are now below the established policy level rating of a 2. As of June 30, 2011 a slightly larger percentage has fallen to poor to substandard even though a larger percentage are rated as excellent to good. Those segments that have fallen are mostly sidewalks.

The City is continuously taking actions to arrest the deterioration of other infrastructure assets through short-term maintenance activities. The City has over the last year:

- Replaced 500 feet of sewer on Cleveland Street
- Slip-lined and increased capacity on 950 feet of sewer on Oak St/Franklin St using pipe bursting technology
- Replaced and increased capacity on 3 major cross culverts on Lafayette, Grant, Nye Streets
- Installed .5 miles of sidewalk on Bayview Road
- 1600 feet of New Drain Line
- Upgraded Clark Street drainage to 18" pipe and installed a cross over structure to equalize water flow. 700 ft

At the end of fiscal year 2010, the City received the paving bond for \$2.3 million. The City has been working to get the roads back up to our standard. The City estimates that we need to have sustainable funding of just under \$1 million to maintain our roads each year. The City is working toward adding that to our budgeting process in fiscal year 2013.

As of June 30, 2011, the City had approximately 351,523 feet of sewer pipe with a carrying amount of \$14,918,272 and an estimated replacement cost of \$32,080,875; 3,088 catch basins and manholes with a carrying amount of \$2,302,711 and an estimated replacement cost of \$6,500,000; 266,639 feet of storm drainage with a carrying amount of \$17,998,406 and a replacement cost of \$27,300,000; 711,650 square feet of sidewalks with a carrying amount of \$1,676,434 and a replacement cost of \$2,500,000; 148 traffic signals with a carrying amount of \$851,455 and a replacement cost of \$1,300,000; and 991 street signs with a carrying amount of \$44,818 and a replacement cost of \$70,000.

For the years ended June 30, 2011, 2010, 2009, 2008 and 2007, the City expended the following amounts for maintenance and preservation of assets of each network or subsystem:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Catch basins and manholes	\$ -	\$ -	\$ 14,057	\$ 157,537	\$ -
Storm drainage	106,045	53,061	262	63,183	8,138
Sidewalks	25,629	20,675	51,834	8,118	11,847
Street Pavement System	2,967,403	1,328,699	1,033,744	3,338,324	400,779
Traffic signals	56,300	-	-	19,335	-

CITY OF SACO, MAINE
Required Supplementary Information
June 30, 2011

Schedule of Funding Progress
Retiree Healthcare Plan

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)-</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>Of</u> <u>Covered</u> <u>Payroll</u> <u>[(b-a) /c]</u>
2009	1/1/09	\$ -	\$ 1,423,034	\$ 1,423,034	0.00%	\$ 8,386,002	16.97%
2010	1/1/09	\$ -	\$ 1,423,034	\$ 1,423,034	0.00%	\$ 6,614,983	21.51%
2011	1/1/11	\$ -	\$ 1,830,622	\$ 1,830,622	0.00%	\$ 7,918,078	23.1%

CITY OF SACO, MAINE
Comparative Balance Sheets - General Fund
June 30, 2011

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 392,101	\$ 8,766,281
Investments	623,755	300,428
Accounts Receivable	505,607	593,302
Taxes Receivable:		
Current Year	1,026,307	1,070,723
Prior Year	120,913	97,448
Tax Liens	522,378	416,243
Prepaid Items	140,681	383,559
Receivable from RSU #23 for debt service payments	3,360,979	4,006,958
Interfund Receivable	7,661,485	6,816,358
Tax Acquired Property	58,359	58,359
Total assets	\$ 14,412,565	\$ 22,509,659
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 916,873	\$ 1,142,462
Accrued Liabilities	540,178	483,898
Taxes Collected in Advance	18,908	30,629
Interfund Payable	3,332,661	9,174,395
Due to RSU #23	1,518,582	1,893,582
Deferred debt service payments due from RSU #23	3,360,979	4,006,958
Deferred Tax Revenue	1,259,422	1,195,030
Total liabilities	10,947,603	17,926,954
Fund Balance:		
Nonspendable	140,681	383,559
Committed	61,040	-
Assigned	772,662	2,110,556
Unassigned	2,490,579	2,088,590
Total fund balance	3,464,962	4,582,705
Total liabilities and fund balance	\$ 14,412,565	\$ 22,509,659

GENERAL FUND

The general fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs which are not paid through other funds.

CITY OF SACO, MAINE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For The Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES:			
Taxes:			
Real and Personal Property	\$ 29,041,768	\$ 28,833,192	\$ (208,576)
Change in Deferred Property Revenues	-	128,495	128,495
Excise Taxes	3,818,000	3,102,575	(715,425)
Interest and Lien Costs on Taxes	132,000	155,636	23,636
Total taxes	32,991,768	32,219,898	(771,870)
Licenses and Permits:			
City Clerk Fees	85,000	86,184	1,184
Building Permits	290,000	247,002	(42,998)
Cable Television Franchise	255,000	296,908	41,908
Plumbing Permits	15,000	13,360	(1,640)
Electrical Inspection Fees	25,000	19,285	(5,715)
Snowmobile Registrations	2,800	2,800	-
Casino Licenses and Late Fees	8,400	18,430	10,030
Virtualists' License	7,000	7,850	850
Total licenses and permits	688,200	691,819	3,619
Intergovernmental:			
State Assistance:			
Revenue Sharing	1,100,646	1,226,004	125,358
Local Road Assistance	206,040	245,567	39,527
Welfare Reimbursement	45,000	44,326	(674)
Homestead Exemptions	272,400	271,563	(837)
Other State Aid	50,200	143,064	92,864
Other Federal	45,000	25,968	(19,032)
Town of Scarborough - Recycling reimbursement	23,000	19,859	(3,141)
MERC Host Community Benefits	-	40,371	40,371
Total intergovernmental	1,742,286	2,016,722	274,436
Charges for Services:			
Police	35,000	34,540	(460)
Community Policing-Thornton Academy/Saco Middle	96,000	97,044	1,044
Public Works	287,000	331,196	44,196
Transfer Station Fees	42,000	36,997	(5,003)
Sewer Inspection Fees	1,300	4,250	2,950
Recreation Department	550,000	601,507	51,507
False Alarm Fines	20,000	12,350	(7,650)
Miscellaneous Fees	13,260	13,813	553
Total charges for services	1,044,560	1,131,697	87,137
Other Revenues:			
Interest Earnings	40,000	25,605	(14,395)
Sale of City Assets	15,000	24,779	9,779
Building Rentals	59,445	127,276	67,831
Insurance Claims and Refunds	287,938	237,273	(50,665)
Planning/Zoning Board and Engineering Studies	-	(6,973)	(6,973)
Recycled Waste and Fees	25,804	18,733	(7,071)
Unclassified	40,800	57,639	17,639
Total other revenues	468,187	484,332	16,145
TOTAL REVENUES	36,935,001	36,544,468	(390,533)

CITY OF SACO, MAINE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For The Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES:			
General Government:			
Legislative	\$ 20,600	\$ 19,871	\$ 729
City Administration	275,686	284,390	(8,704)
Finance/Technology	931,668	834,122	97,546
City Clerk/Voter Registration/Welfare Assistance	260,152	243,636	16,516
Assessor	183,521	163,366	20,155
City Building Maintenance	112,189	105,267	6,922
Legal Services	115,000	240,173	(125,173)
Building Inspector	254,702	206,495	48,207
Planning	327,868	316,264	11,604
Total general government	2,481,386	2,413,584	67,802
Public Safety:			
Police/Central Dispatch	3,308,341	3,204,847	103,494
Fire/Ambulance/Public Water	2,667,473	2,631,533	35,940
Total public safety	5,975,814	5,836,380	139,434
Public Works:			
Administration/Maintenance	4,518,154	4,411,669	106,485
Total public works	4,518,154	4,411,669	106,485
Culture and Recreation:			
Parks & Recreation	1,014,083	1,227,045	(212,962)
Total culture and recreation	1,014,083	1,227,045	(212,962)
Education Tax	16,245,159	16,245,159	-
County Tax	1,079,365	1,079,365	-
Unclassified:			
Employee Benefits	2,746,415	2,683,197	63,218
Insurance	179,425	166,048	13,377
Public Agencies	588,520	569,923	18,606
Emergency Management	5,900	4,998	902
Overlay	500,000	-	500,000
Contingency	159,547	104,566	54,981
Total unclassified	4,179,816	3,528,732	651,084
Debt Service:			
Principal	1,804,295	1,699,964	104,331
Interest	675,186	619,990	55,196
Total debt service	2,479,481	2,319,954	159,527

CITY OF SACO, MAINE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For The Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued):			
Capital Projects:			
Sidewalk improvement	\$ 137,718	\$ 2,190	\$ 135,528
Street overlay/Road reconstruction	48,323	101,515	(53,192)
Storm drainage projects	102,658	106,045	(3,387)
Industrial Park Railroad	11,944	-	11,944
Athletic fields at landfill	4,476	4,182	294
Public Works North Street Addition	5,800	-	5,800
Saco Housing Assessment Study	(450)	(450)	-
FACTS Projects	62,000	-	62,000
Laserfiche 2&3	23,871	-	23,871
Main & Beach No Signal	56,640	56,300	340
City Hall roof repairs	4,462	-	4,462
Conservation Projects	81,072	8,548	72,524
Route One Sewer Project	1,319	(4,535)	5,854
Stackpole Creek Bridge	582,257	9,333	572,924
Shadogee Rd Reconstruction	(326)	1,874	(2,200)
Tri-Community Camera	33,660	(13,494)	47,154
MDOT Grant Match	44,673	40,700	3,973
Camp Ellis Capital	23,556	-	23,556
Appraisal Conversion	43,924	3,000	40,924
EPA Audit	38,294	-	38,294
Parks and Recreation Radios	1,302	1,302	-
Edgewater Outfall	80,000	58,572	21,428
Infrastructure Bond Projects	475,503	390,142	85,361
Total Capital Projects	1,862,676	765,224	1,097,452
TOTAL EXPENDITURES	39,835,934	37,827,112	2,008,822
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	(2,900,933)	(1,282,644)	1,618,289
OTHER FINANCING SOURCES (USES):			
Budgeted Utilization of Surplus-City	1,115,684	-	(1,115,684)
Carryover of Designated Fund Balance	1,647,966	-	(1,647,966)
Transfers In:			
Capital Projects Fund	855,398	855,398	-
Special Revenue Fund	25,000	86,040	61,040
Total other financing sources	3,644,048	941,438	(2,702,610)
Transfers Out:			
Special Revenue Fund	-	(8,000)	(8,000)
Capital Projects Fund	(743,115)	(768,537)	(25,422)
Total other financing (uses)	(743,115)	(776,537)	(33,422)
NET CHANGE IN FUND BALANCE	-	(1,117,743)	(1,117,743)
Fund Balance beginning of Year	-	4,582,705	-
Fund Balance end of Year	-	\$ 3,464,962	-

ALL OTHER GOVERNMENTAL FUNDS

CITY OF SACO, MAINE
Combining Balance Sheet - All Other Non-Major Governmental Funds
June 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 360,867	\$ -	\$ 8,861	\$ 369,728
Investments	75,549	1,025,812	545,212	1,646,573
Accounts Receivable (net)	1,010,324	-	700	1,011,024
Other	38,311	-	-	38,311
Notes Receivable (net)	14,287	-	-	14,287
Interfund Receivables	1,425,283	1,140,271	-	2,565,554
Total assets	2,924,621	2,166,083	554,773	5,645,477
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	55,647	217,077	-	272,724
Accrued Wages	323	-	-	323
Interfund Payables	968,574	1,386,570	-	2,355,144
Total liabilities	1,024,544	1,603,647	-	2,628,191
Fund Balances:				
Nonspendable	14,287	-	181,383	195,670
Restricted	2,640,437	990,452	373,390	4,004,279
Committed	92,697	3,350	-	96,047
Assigned	5,174	915,780	-	920,954
Unassigned	(852,518)	(1,347,146)	-	(2,199,664)
Total fund balances	1,900,077	562,436	554,773	3,017,286
Total liabilities and fund balances	2,924,621	2,166,083	554,773	5,645,477

CITY OF SACO, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Non-Major Governmental Funds
For The Year Ended June 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
REVENUES				
Intergovernmental	\$ 248,382	\$ -	\$ -	\$ 248,382
Charges for Services	694,027	-	-	694,027
Interest Income	6,858	396	23,744	30,998
Other Revenues	61,910	28,325	97,588	187,823
Total revenues	1,011,177	28,721	121,332	1,161,230
EXPENDITURES				
Current:				
Special Projects	312,015	-	23,321	335,336
Housing Programs	269,668	-	-	269,668
Capital Expenditures	37,498	1,149,971	-	1,187,469
Total expenditures	619,181	1,149,971	23,321	1,792,473
Excess (deficiency) of revenues over (under) expenditures	391,996	(1,121,250)	98,011	(631,243)
OTHER FINANCING SOURCES (USES) OF FUNDS				
Transfers In	373,869	-	-	373,869
Transfers Out	(920,218)	-	-	(920,218)
Total other financing sources (uses)	(546,349)	-	-	(546,349)
Net change in fund balances	(154,353)	(1,121,250)	98,011	(1,177,592)
Fund balances - beginning of year (as reclassified)	2,054,430	1,683,686	456,762	4,194,878
Fund balances - end of year	\$ 1,900,077	\$ 562,436	\$ 554,773	\$ 3,017,286

SPECIAL REVENUE FUNDS

Special revenue funds are established to account for resources obtained and expended for specified purposes that are restricted by law or administrative action. Special revenue funds are established for the following purposes:

Recreation Impact Fees

To account for the impact fees collected for open space and other purposes from new residential construction within the City.

Call Firemen Retirement

To account for funds budgeted and accumulated for the retirement program for the call firemen of the City of Saco.

Ambulance

To account for funds received from ambulance billing used for the maintenance, replacement, and other ambulance related items.

Economic Development Fund

The monies in this fund are generated by repayments to the City from Urban Development Action Grant and Development Fund loans to local businesses, and the sale of Saco Industrial Park lots. These monies are used to support, improve, and expand the City's Industrial Park and to make revolving loans to businesses within the applicable guidelines.

Saco Housing Agency

To account for funds provided by the Department of Housing and Urban Development under the Section 8 housing assistance payments for low-income families.

Historic Preservation

To account for grant funds received for historic preservation.

National Center for Civic Innovation

To account for grant funds received for citizen initiative.

Recreation Donations

To account for donations received to be used toward recreation programs.

Wellness Grant

To account for funds received under a Maine Municipal Association Grant.

Planning Board Improvements

To account for contributions by developers for improvement to City infrastructure.

Fire Reserves

To account for donations received by the Fire Department for specific restricted purposes.

Jump Start Grant

To account for grant funds received.

Police Arrest Forfeiture Fund

To account for funds derived from direct arrests and/or joint investigation activities, some of which lead to the forfeiture of cash or property to the City.

Joe Riley Memorial Park

To account for local contributions received for the purpose of creating a memorial park for Joe Riley.

SPECIAL REVENUE FUNDS, CONTINUED

PD York County Tech

To account for money collected from the County of York for the purpose of PD technology.

Spring Hill TIF Project

To account for public improvements to the Spring Hill Industrial Park, in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

First Light TIF District

To account for public improvements to the First Light Company, in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Transparent Audio TIF District

To account for public improvements to the Transparent Audio Co. in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Employee Assistance

To account for money collected for an employee assistance program.

CDBG Country Village

To account for a grant to help extend sewer to cooperative mobile home park.

CDBG York County Shelter

To account for a grant to purchase kitchen equipment for the York County Shelter Programs.

PD Grant

To account for a grant received to purchase radio equipment.

Saco Island Renaissance TIF

To account for public improvements to the Saco Island Renaissance.

Industrial Park Road TIF

To account for public improvements to a portion of North Street and a portion of Industrial Park Road.

Park North TIF Project

To account for public improvements to the Park North Development, LLC in conjunction with a private development project. A Tax increment finance district has been established to finance the public improvements.

Incon/Franklin Fuels TIF

To account for public improvements to Franklin Fuels in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements and economic development programs.

Saco Plaza TIF District

To account for public improvements to the Saco Plaza LLC in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Emergency Management

To account for donations received for specific purposes for the City's emergency management initiatives.

Saco Community Garden

To account for funds to be used for the creation of a garden following organic practices, provide affordable garden plots for growing healthy food and flowers, support a community of gardeners and promote a green and sustainable Saco.

SPECIAL REVENUE FUNDS, CONTINUED

Camp Ellis

To account for funds derived from parking, boat landing fees and boat mooring/pier use permits at Camp Ellis Pier. These funds are expended for parking lot attendants and repairs and improvements to the Pier.

Front Street Park

To account for local and federal (Waterfront Action Grant) funds received for the construction of a riverside park on Front Street. Local funds are provided by a combination of general fund revenues and donations.

Lucia Kimball Deering Trust

To account for expendable trust fund monies.

Cascade Trails

To account for funds dedicated to creating and providing active and passive recreational opportunities.

Exhibit C-1

CITY OF SACO, MAINE
Combining Balance Sheet - Non-Major Special Revenues Funds
June 30, 2011

	Recreation Impact Fees	Firemen Retirement	Call	Ambulance	Economic Development Fund	Saco Housing Agency	Historic Preservation	National Center for Civic Innovation
ASSETS								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,217	\$ -	\$ -
Investments	-	-	-	13,496	124	-	-	-
Accounts Receivable (net allowance of \$25,000)	-	-	-	103,235	-	-	-	-
Other	-	-	-	-	-	-	-	-
Notes Receivable (net allowance of \$7,142)	-	-	-	-	-	-	-	-
Interfund Receivables	-	-	-	-	183,065	-	5,000	5,049
Total assets	-	-	-	116,731	183,065	47,217	5,000	5,049
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	165	-	-	510	-	2,832	-	-
Accrued Wages	-	-	-	-	-	-	-	-
Interfund Payables	606,165	-	-	262,110	-	-	-	-
Total liabilities	606,330	-	-	262,620	-	2,832	-	-
Fund Balances (Deficits):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	188,065	44,385	5,000	5,049
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	(606,330)	-	-	(145,889)	-	-	-	-
Total fund balances (deficits)	(606,330)	-	-	(145,889)	188,065	44,385	5,000	5,049
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 116,731	\$ 188,065	\$ 47,217	\$ 5,000	\$ 5,049

Continued on following page.

CITY OF SACO, MAINE
Combining Balance Sheet - Non-Major Special Revenues Funds
June 30, 2011

	Recreation Donations	Wellness Grant	Planning Board Improvements	Fire Reserves	Jump Start Grant	Police Arrest Forfeiture Fund	Joe Riley Memorial Park
ASSETS							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,796
Investments	-	-	-	-	-	-	-
Accounts Receivable (net allowance of \$25,000)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Notes Receivable (net allowance of \$7,142)	-	-	14,287	-	-	-	-
Interfund Receivables	2,500	18,044	-	564	100	25,989	4,565
Total assets	2,500	18,044	14,287	564	100	25,989	6,361
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	-	4,200	-	-	-	-	161
Accrued Wages	-	-	2,272	-	-	-	-
Interfund Payables	-	4,200	2,272	-	-	-	-
Total liabilities							161
Fund Balances (Deficits):							
Nonspendable	-	-	14,287	-	-	-	-
Restricted	-	13,844	-	-	-	25,989	-
Committed	2,500	-	-	564	100	-	6,200
Assigned	-	-	(1,272)	-	-	-	-
Unassigned	-	-	12,015	-	-	-	-
Total fund balances (deficits)	2,500	13,844	12,015	564	100	25,989	6,200
Total liabilities and fund balances	\$ 2,500	\$ 18,044	\$ 14,287	\$ 564	\$ 100	\$ 25,989	\$ 6,361

Continued on following page.

CITY OF SACO, MAINE
Combining Balance Sheet - Non-Major Special Revenues Funds
June 30, 2011

	PD York County Tech	Spring Hill TIF Project	First Light TIF Project	Transparent Audio TIF Project	Employees Assistance	CDBG Country Village	CDBG York County Shelter
ASSETS							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	49,659	11,445	-	-	-
Accounts Receivable (net allowance of \$25,000)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Notes Receivable (net allowance of \$7,142)	-	-	-	-	-	-	-
Interfund Receivables	507	686,146	170,067	5,080	1,409	-	-
Total assets	507	686,146	219,726	14,525	1,409	-	-
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	-	-	-	-	-	-	-
Accrued Wages	-	-	-	-	-	23,226	-
Interfund Payables	-	-	-	-	-	-	-
Total liabilities						23,226	
Fund Balances (Deficits):							
Nonspendable	-	-	-	-	-	-	-
Restricted	507	686,146	219,726	14,525	1,409	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	(23,226)	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	507	686,146	219,726	14,525	1,409	(23,226)	-
Total liabilities and fund balances	\$ 507	\$ 686,146	\$ 219,726	\$ 14,525	\$ 1,409	\$ -	\$ -

Continued on following page.

CITY OF SACO, MAINE
Combining Balance Sheet - Non-Major Special Revenues Funds
June 30, 2011

	PD Grant	Saco Island Renaissance TIF Project	Industrial Park TIF Project	Park North TIF Project	Incon/ Franklin Funds TIF Project	Pizza TIF Project	Saco Project
ASSETS							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	825
Accounts Receivable (net allowance of \$25,000)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Notes Receivable (net allowance of \$7,142)	-	-	-	-	-	-	-
Interfund Receivables	9,044	20,928	130,527	-	-	20,732	-
Total assets	9,044	20,928	130,527	-	-	20,732	825
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	-	-	2,418	-	-	-	-
Accrued Wages	-	-	-	-	65,244	-	-
Interfund Payables	-	-	2,418	-	-	-	-
Total liabilities	-	-	2,418	-	65,244	-	-
Fund Balances (Deficits):							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	20,928	128,109	-	-	20,732	825
Committed	9,044	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(65,244)	-	-	-
Total fund balances (deficits)	9,044	20,928	128,109	(65,244)	-	20,732	825
Total liabilities and fund balances	\$ 9,044	\$ 20,928	\$ 130,527	\$ -	\$ 20,732	\$ -	\$ 825

Continued on following page.

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CITY OF SACO, MAINE
Combining Balance Sheet - Non-Major Special Revenues Funds
June 30, 2011

	Emergency Management Grants	Saco Community Garden	Camp Ellis	Front Street Park	Lucka Kimball Diering Trust	Cascade Trails	Totals 2011
ASSETS							
Cash and Cash Equivalents	\$ -	\$ -	\$ 100	\$ -	\$ 311,754	\$ -	\$ 360,857
Investments	-	-	-	-	-	-	75,549
Accounts Receivable (net allowance of \$25,000)	-	-	-	-	907,089	-	1,010,324
Other	-	-	-	-	38,311	-	38,311
Notes Receivable (net allowance of \$7,142)	-	-	-	-	-	-	14,287
Interfund Receivables	2,992	2,023	127,917	159	-	-	1,425,283
Total assets	2,992	2,023	128,017	159	1,257,154	-	2,924,621
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	-	-	44,561	-	1,000	-	55,647
Accrued Wages	-	-	325	-	-	-	325
Interfund Payables	-	-	-	-	-	9,547	96,874
Total liabilities	-	-	44,884	-	1,000	9,547	1,024,544
Fund Balances (Deficits):							
Nonspendable	-	-	-	-	-	-	14,287
Restricted	-	-	-	-	1,256,154	-	2,640,437
Committed	-	-	83,333	-	-	-	90,697
Assigned	2,992	2,023	-	159	-	-	5,174
Unassigned	-	-	-	-	(9,547)	-	(82,518)
Total fund balances (deficits)	2,992	2,023	83,333	159	1,256,154	(9,547)	1,900,077
Total liabilities and fund balances	\$ 2,992	\$ 2,023	\$ 128,017	\$ 159	\$ 1,257,154	\$ -	\$ 2,924,621

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CITY OF SACO, MAINE
Combining Statements of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Non-Major Special Revenue Funds
For The Year Ended June 30, 2011

	Recreation Impact Fees	Call Firemen Retirement	Ambulance	Economic Development Fund	Saco Housing Agency	Historic Preservation	National Center for Civic Innovation
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 248,382	\$ -	\$ -
Charges for Services	40,220	-	588,905	-	-	-	-
Interest Income	-	195	80	1	-	-	-
Other Revenue	-	-	-	-	-	5,000	8,500
Total revenues	40,220	195	588,985	1	248,382	5,000	8,500
EXPENDITURES							
Current:							
Special Projects	-	-	-	-	-	-	3,451
Housing Programs	-	-	-	-	269,668	-	-
Capital Expenditures	-	-	7,431	12,321	-	-	-
Total expenditures	-	-	7,431	12,321	269,668	-	3,451
Excess (deficiency) of revenues over (under) expenditures	40,220	195	581,554	(12,320)	(21,286)	5,000	5,049
OTHER FINANCING SOURCES (USES) OF FUNDS							
Transfers In:	-	8,000	-	-	-	-	-
Transfers Out	-	(61,040)	(834,596)	(20,000)	-	-	-
Total other financing sources (uses)	-	(53,040)	(834,596)	(20,000)	-	-	-
Net change in fund balances	40,220	(52,845)	(252,844)	(32,320)	(21,286)	5,000	5,049
Fund balances (deficits) - beginning of year (as reclassified)	(646,550)	52,845	106,955	220,385	65,671	-	-
Fund balances (deficits) - end of year	\$ (606,330)	\$ -	\$ (145,889)	\$ 188,065	\$ 44,385	\$ 5,000	\$ 5,049

Continued on following page.

CITY OF SACO, MAINE
Combining Statements of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Non-Major Special Revenue Funds
For The Year Ended June 30, 2011

	Recreation Donations	Wellness Grant	Planning Board Improvements	Fire Reserves	Jump Start Grant	Police Arrest Forfeiture Fund	Joe Riley Memorial Park
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	2,451	-	-	-	-	-
Interest Income	-	-	-	-	-	-	4
Other Revenue	2,500	-	-	-	100	6,070	5,000
Total revenues	2,500	2,451	-	-	100	6,070	5,004
EXPENDITURES							
Current:							
Special Projects	-	-	-	1,705	-	-	596
Housing Programs	-	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	17,746	-
Total expenditures	-	-	-	1,705	-	17,746	596
Excess (deficiency) of revenues over (under) expenditures	2,500	2,451	-	(1,705)	100	(11,676)	4,408
OTHER FINANCING SOURCES (USES) OF FUNDS							
Transfers In:	-	-	-	-	-	-	-
Transfers Out	-	(3,780)	-	-	-	-	-
Total other financing sources (uses)	-	(3,780)	-	-	-	-	-
Net change in fund balances	2,500	(1,329)	-	(1,705)	100	(11,676)	4,408
Fund balances (deficits) - beginning of year (as reclassified)	-	15,173	12,015	2,269	-	37,665	1,792
Fund balances (deficits) - end of year	\$ 2,500	\$ 13,844	\$ 12,015	\$ 564	\$ 100	\$ 25,989	\$ 6,200

Continued on following page.

CITY OF SACO, MAINE
Combining Statements of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Non-Major Special Revenue Funds
For The Year Ended June 30, 2011

	PD York County Tech	Spring Hill TIF Project	First Light TIF Project	Transparent Audio TIF Project	Employee Assistance	CDRG Country Village	CDRG York County Shelter
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-	-
Interest Income	-	-	295	68	-	-	-
Other Revenue	-	-	-	-	-	-	25,596
Total revenues	-	-	295	68	-	-	25,596
EXPENDITURES							
Current:							
Special Projects	-	-	-	-	1,756	-	-
Housing Programs	-	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	1,756	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	295	68	(1,756)	-	25,596
OTHER FINANCING SOURCES (USES) OF FUNDS							
Transfers In	-	213,664	29,272	-	3,780	-	-
Transfers Out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	213,664	29,272	-	3,780	-	-
Net change in fund balances	-	213,664	29,567	68	2,024	-	25,596
Fund balances (deficits) - beginning of year (as reclassified)	507	472,482	190,159	14,457	(615)	(23,236)	(25,596)
Fund balances (deficits) - end of year	\$ 507	\$ 686,146	\$ 219,726	\$ 14,525	\$ 1,409	\$ (23,236)	\$ -

Continued on following page.

CITY OF SACO, MAINE
Combining Statements of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Non-Major Special Revenue Funds
For The Year Ended June 30, 2011

	PD Grant	Saco Island Renaissance TIF Project	Industrial Park TIF Project	Park North TIF Project	Incon/ Franklin Fuels TIF Project	Saco Plaza TIF Project
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-
Interest Income	-	-	-	-	-	5
Other Revenue	9,044	-	-	-	-	-
Total revenues	9,044	-	-	-	-	5
EXPENDITURES						
Current:						
Special Projects	-	-	65,829	40,036	-	-
Housing Programs	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	-
Total expenditures	-	-	65,829	40,036	-	-
Excess (deficiency) of revenues over (under) expenditures	9,044	-	(65,829)	(40,036)	-	5
OTHER FINANCING SOURCES (USES) OF FUNDS						
Transfers In	-	15,424	55,664	40,036	8,029	-
Transfers Out	-	-	-	-	-	-
Total other financing sources (uses)	-	15,424	55,664	40,036	8,029	-
Net change in fund balances	9,044	15,424	(10,165)	-	8,029	5
Fund balances (deficits) - beginning of year (as reclassified)	-	5,504	138,274	(65,244)	12,703	820
Fund balances (deficits) - end of year	\$ 9,044	\$ 20,928	\$ 128,109	\$ (65,244)	\$ 20,732	\$ 825

Continued on following page.

CITY OF SACO, MAINE
Combining Statements of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Non-Major Special Revenue Funds
For The Year Ended June 30, 2011

	Emergency Management Grants	Saco Community Garden	Camp Ellis	Front Street Park	Lucia Kimball Deering Trust	Cascade Trails	Totals 2011
REVENUES							
Intergovernmental							248,382
Charge for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	-	1,993	61,058	-	-	-	694,027
Other Revenue	-	-	-	-	6,210	-	6,838
Total revenues	-	1,993	61,058	-	-	-	61,910
EXPENDITURES							1,011,177
Current:							
Special Projects	238	1,781	132,848	-	31,724	32,051	315,015
Housing Programs	-	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	-	269,668
Total expenditures	238	1,781	132,848	-	31,724	32,051	374,998
Excess (deficiency) of revenues over (under) expenditures	(238)	(388)	(71,790)	-	(25,514)	(32,051)	391,996
OTHER FINANCING SOURCES (USES) OF FUNDS:							
Transfers In	-	-	-	-	-	-	373,869
Transfers Out	-	-	(1,000)	-	-	-	(920,218)
Total other financing sources (uses)	-	-	(1,000)	-	-	-	(546,349)
Net change in fund balances	(238)	(388)	(72,790)	-	(25,514)	(32,051)	(154,353)
Fund balances (deficits) - beginning of year (as reclassified)	3,220	2,411	156,123	159	1,281,668	22,504	2,054,430
Fund balances (deficits) - end of year	\$ 2,992	\$ 2,023	\$ 83,333	\$ 159	\$ 1,256,154	\$ (9,547)	\$ 1,900,077

CAPITAL PROJECTS FUND

Capital projects fund are established to account for resources obtained and expended for the acquisition of major capital facilities. The City's individual capital project funds were established for the following purposes:

Moody and Main

To account for money collected for intersection improvement at Moody and Main Street.

Jenkins Road

To account for money collected for the purpose of the Jenkins Road improvement.

Greater Downtown Improvements

To account for public improvements in the greater downtown area as identified in the Revitalization Plan for Saco Island and Downtown Saco.

Parking Lots

To account for money collected for parking permits that is to be used for up keep on the parking lots.

Millbrook Industrial Park

To account for expenditures related to the City's construction of a business industrial park with revenues being derived from the sale of lots.

Roads Bond

To account for expenditures related to the City's Bond Issue that passed to repair and update roads.

Trails Bond

To account for expenditures related to the City's Bond Issue for creation of the trail.

Open Space Bond Issue

To account for the bond proceeds received and the expenditures of the authorized open space parcels of land.

Landfill Fund

To account for the post closure costs of the City's completed landfill.

Efficiency Maine

To account for money received from Efficiency Maine to be used toward reducing power solutions.

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	Moody & Main	Jenkins Road	Greater Downtown Improvements	Parking Lots	Millbrook Industrial Park	Roads Bond
REVENUES						
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant proceeds	-	-	-	-	-	-
Other revenue	1,000	-	6,000	75	-	-
Total revenues	1,000	-	6,000	75	-	-
EXPENDITURES						
Project Costs	-	-	-	-	-	893,485
Agent Fees	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	893,485
Excess (deficiency) of revenues over (under) expenditures	1,000	-	6,000	75	-	(893,485)
OTHER FINANCING SOURCES (USES) OF FUNDS						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	1,000	-	6,000	75	-	(893,485)
Fund balances (deficits) - beginning of year (as reclassified)	1,600	750	(52)	375	(1,344,494)	1,440,112
Fund balances (deficits) - end of year	\$ 2,600	\$ 750	\$ 5,948	\$ 450	\$ (1,344,494)	\$ 546,627

	Trail Road Fund	Open Space Bond Issue	Landfill Fund	Efficiency Maine	Totals 2011
REVENUES					
Interest Income	\$ -	\$ -	\$ 396	\$ -	\$ 396
Grant Proceeds	-	-	-	-	-
Other revenue	-	-	-	21,250	28,325
Total revenues	-	-	396	21,250	28,721
EXPENDITURES					
Project Costs	126,263	-	106,321	23,902	1,149,971
Agent Fees	-	-	-	-	-
Total expenditures	126,263	-	106,321	23,902	1,149,971
Excess (deficiency) of revenues over (under) expenditures	(126,263)	-	(105,925)	(2,652)	(1,121,250)
OTHER FINANCING SOURCES (USES) OF FUNDS					
Transfer In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(126,263)	-	(105,925)	(2,652)	(1,121,250)
Fund balances (deficits) - beginning of year (as reclassified)	503,225	66,863	1,015,307	-	1,683,686
Fund balances (deficits) - end of year	\$ 376,962	\$ 66,863	\$ 909,382	\$ (2,652)	\$ 562,436

PERMANENT FUNDS

City of Saco Permanent Fund

To account for assets received by the City and held in trust.

Exhibit E-1

CITY OF SACO, MAINE Balance Sheet - Non-Major Permanent Funds June 30, 2011

	City of Saco Permanent Funds
ASSETS	
Cash and Cash Equivalents	\$ 8,861
Investments	545,212
Accounts Receivable	700
Total assets	554,773
LIABILITIES AND FUND BALANCES	
Fund Balance:	
Nondisposable	181,383
Restricted	373,390
Total fund balances	554,773
Total liabilities and fund balances	\$ 554,773

CITY OF SACO, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Permanent Funds
For The Year Ended June 30, 2011

	City of Saco Permanent Funds
REVENUES	
Interest and dividends	\$ 23,744
Net increase (decrease) in fair value of investments	97,588
Total revenues	121,332
EXPENDITURES	
Administrative expenditures	23,321
Total expenditures	23,321
Net change in fund balances	98,011
Fund balances - beginning of year	456,762
Fund balances - end of year	\$ 554,773

STATISTICAL SECTION

This part of the City of Saco's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosure says about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	105-109
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	110-113
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	114-117
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	118-122
These schedules offer demographic and economic indicators.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

CITY OF SACO, MAINE
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in capital assets, net of related debt	\$ 27,122,726	\$ 29,040,076	\$ 31,067,773	\$ 35,969,003	\$ 37,593,942	\$ 32,357,887	\$ 34,636,509	\$ 36,579,789	\$ 35,468,881	\$ 37,693,246
Restricted:										
Nonexpendable trust: principal	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383
Other purposes	345,844	301,677	275,270	229,138	250,625	308,738	220,016	766,837	-	4,373,911
Unrestricted	11,973,589	9,879,061	8,871,170	4,658,456	6,061,556	8,303,871	7,752,390	4,441,414	4,075,998	(823,115)
Total governmental activities net assets	\$ 39,624,562	\$ 39,402,197	\$ 40,395,596	\$ 41,037,980	\$ 44,087,596	\$ 41,161,879	\$ 42,789,888	\$ 43,969,423	\$ 39,725,262	\$ 41,224,424
Business-type Activities										
Invested in capital assets, net of related debt	\$ 5,805,014	\$ 5,664,800	\$ 5,341,002	\$ 1,034,911	\$ 3,821,145	\$ 16,855,781	\$ 16,689,567	\$ 16,983,079	\$ 19,727,995	\$ 20,577,732
Unrestricted	3,462,433	3,280,868	3,612,269	7,628,663	5,071,893	1,298,491	1,512,225	666,026	(2,257,442)	(3,554,871)
Total business-type activities net assets	\$ 9,267,447	\$ 8,945,668	\$ 8,956,271	\$ 8,663,574	\$ 8,893,038	\$ 18,154,272	\$ 18,202,192	\$ 17,546,105	\$ 16,970,553	\$ 17,022,861
Total Primary Government										
Invested in capital assets, net of related debt	\$ 32,928,740	\$ 34,704,876	\$ 36,408,775	\$ 37,003,914	\$ 41,115,087	\$ 45,223,668	\$ 51,325,576	\$ 55,562,868	\$ 55,196,876	\$ 58,270,978
Restricted:										
Nonexpendable trust: principal	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383
Other purposes	345,844	301,677	275,270	229,138	250,625	308,738	220,016	766,837	-	4,373,911
Unrestricted	15,626,122	13,159,929	12,486,439	12,287,119	11,133,449	9,602,867	9,265,205	5,104,440	1,318,556	(4,377,987)
Total primary government net assets	\$ 48,892,089	\$ 48,347,865	\$ 49,251,867	\$ 49,301,454	\$ 52,880,544	\$ 59,216,151	\$ 60,992,080	\$ 61,815,528	\$ 56,695,815	\$ 58,448,285

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Table 3

CITY OF SACO, MAINE Change in Net Assets Last Ten Fiscal Years (accrual basis of accounting)											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Governmental activities:											
Expenses											
General Government	\$ 2,082,612	\$ 2,538,143	\$ 2,545,843	\$ 2,647,140	\$ 2,939,837	\$ 2,470,601	\$ 2,388,585	\$ 2,783,447	\$ 7,070,311	\$ 7,504,989	
Public Safety	4,248,353	4,541,135	4,438,847	4,883,614	4,844,961	5,082,323	5,401,015	5,667,260	6,029,886	6,731,254	
Public Works	3,097,678	3,393,351	3,391,566	4,585,385	3,709,977	4,588,355	4,369,642	4,399,733	5,333,756	5,286,138	
Housing Programs	170,247	200,651	205,301	272,246	230,010	254,352	256,359	232,512	256,921	269,668	
Culture and Recreation	396,618	465,937	536,806	636,204	677,446	825,222	915,311	1,008,761	974,158	1,560,058	
Education	20,317,080	21,685,656	23,982,205	25,195,306	26,993,528	28,027,031	29,015,189	30,038,189	16,228,121	16,285,159	
Unclassified (1)	3,568,709	3,135,801	2,794,827	3,363,144	3,102,707	4,124,321	3,878,749	4,407,838	-	-	
Interest on Debt	1,153,255	1,610,299	587,174	680,893	756,399	845,217	993,592	1,078,510	851,877	619,990	
Capital Maintenance Programs (1)	1,847,476	2,213,090	1,452,387	1,894,237	2,260,615	1,192,173	788,291	-	-	-	
Total governmental activities expenses	\$ 36,914,408	\$ 39,829,633	\$ 40,125,705	\$ 44,149,229	\$ 45,295,681	\$ 47,454,995	\$ 48,007,133	\$ 49,616,330	\$ 36,748,130	\$ 38,217,194	
Program Revenue											
Charges for Services											
General Government	430,794	517,909	804,271	969,798	875,832	800,981	751,767	702,886	579,734	539,027	
Public Safety	393,788	403,188	319,482	418,686	388,360	510,056	554,750	759,619	728,711	732,839	
Public Works	521,732	572,310	563,154	489,365	555,752	510,405	281,546	314,135	278,031	391,176	
Culture and Recreation	86,641	158,631	251,504	323,471	380,264	464,167	532,934	628,794	705,036	984,178	
Education	783,005	639,776	791,141	909,182	1,262,613	1,138,301	1,205,550	1,221,754	-	-	
Operating Grants and Contributions	9,479,306	9,811,267	10,716,936	10,920,455	13,249,627	14,082,391	13,766,031	14,251,110	575,520	618,630	
Capital Grants and Contributions	2,586,728	1,271,272	1,027,626	1,437,216	334,356	961,626	395,820	816,653	317,230	2,306,795	
Total governmental activities program revenues	\$ 14,280,194	\$ 13,734,353	\$ 14,475,014	\$ 15,468,175	\$ 17,247,034	\$ 18,467,927	\$ 17,396,358	\$ 18,994,951	\$ 3,184,062	\$ 5,372,242	
Net (expense)/revenue, governmental activities	\$ (22,634,214)	\$ (26,455,280)	\$ (25,650,692)	\$ (28,681,054)	\$ (28,048,647)	\$ (28,987,068)	\$ (30,610,735)	\$ (30,621,379)	\$ (33,563,168)	\$ (32,844,911)	
General Revenues and Other Changes in Net Assets											
Taxes											
Property taxes, levied for general purposes	19,225,731	20,483,851	21,360,211	23,444,228	23,280,894	24,632,416	26,612,796	27,822,609	28,546,137	29,181,715	
Motor vehicle excise taxes	2,388,878	2,532,092	2,763,999	2,883,127	2,804,735	2,916,962	2,854,280	2,684,427	3,531,760	3,192,575	
Franchise tax	85,414	151,339	167,212	185,477	213,806	234,343	231,112	275,215	268,743	296,908	
Grants and contributions not restricted											
Homestead exemption	506,400	525,682	288,266	242,190	325,496	320,151	337,229	350,300	332,290	271,363	
Other State aid	15,447	56,136	132,416	55,793	40,444	56,253	34,497	116,628	88,113	143,664	
City of Biddeford tax base sharing	142,032	122,215	101,601	140,091	168,537	92,506	-	-	-	-	
State revenues sharing	1,448,607	1,398,876	1,468,881	1,448,360	1,454,903	1,356,308	1,510,442	1,444,817	1,283,196	1,226,004	
Unrestricted investment earnings	332,044	224,397	161,479	216,503	295,164	359,620	271,998	170,515	60,475	56,603	
Miscellaneous revenues	61,059	532,913	42,563	47,139	30,705	155,223	386,390	(106,471)	161,815	265,341	
Transfers	205,020	205,344	417,952	680,033	459,249	-	-	-	-	-	
Total governmental activities general revenues/other changes	\$ 24,402,642	\$ 26,272,835	\$ 26,879,000	\$ 29,323,480	\$ 29,166,923	\$ 30,121,382	\$ 32,238,744	\$ 32,758,040	\$ 34,292,587	\$ 34,543,673	
Extraordinary Item/Special Item											
Transfer of funds to Regional School Unit #23	-	-	-	-	-	1,071,289	-	-	(4,972,579)	-	
Legal settlement	-	-	-	-	-	1,071,289	-	-	-	-	
Total extraordinary item	-	-	-	-	-	2,142,578	-	-	(4,972,579)	-	
Change in Net Assets - Governmental activities	\$ 1,768,428	\$ (222,445)	\$ 1,228,308	\$ 642,384	\$ 1,118,236	\$ 2,206,703	\$ 1,628,009	\$ 2,136,661	\$ (4,243,161)	\$ 1,699,162	
Business-type Activities:											
Expenses											
Waste Water Treatment Plant	\$ 1,839,879	\$ 1,886,353	\$ 1,611,000	\$ 2,091,319	\$ 1,766,445	\$ 2,329,012	\$ 2,265,113	\$ 2,342,255	\$ 2,672,053	\$ 2,085,365	
Total business-type activities expenses	\$ 1,839,879	\$ 1,886,353	\$ 1,611,000	\$ 2,091,319	\$ 1,766,445	\$ 2,329,012	\$ 2,265,113	\$ 2,342,255	\$ 2,672,053	\$ 2,085,365	
Program Revenues											
Charges for services	1,726,984	1,730,765	1,980,486	2,411,039	2,405,869	2,052,749	2,218,457	1,739,381	2,138,443	2,386,591	
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-	
Total business-type activities program revenues	\$ 1,726,984	\$ 1,730,765	\$ 1,980,486	\$ 2,411,039	\$ 2,405,869	\$ 2,052,749	\$ 2,218,457	\$ 1,739,381	\$ 2,138,443	\$ 2,386,591	
Net (expense)/revenue, business-type activities	\$ (112,895)	\$ (155,588)	\$ 369,486	\$ 319,320	\$ 639,424	\$ (276,263)	\$ (46,656)	\$ (602,874)	\$ (533,610)	\$ 301,226	
General Revenues and Other Changes in Net Assets											
Unrestricted investment earnings	48,456	42,471	37,983	38,159	45,110	62,726	89,842	38,054	11,989	11,362	
Miscellaneous revenues	2,455	6,682	27,086	9,657	4,179	4,302	4,734	8,733	6,062	-	
Lost on disposal of assets	-	-	-	-	-	-	-	-	-	-	
Transfers	(205,000)	(205,344)	(417,952)	(680,033)	(459,249)	-	-	-	-	-	
Total business-type activities general revenues/other changes	\$ (154,089)	\$ (156,191)	\$ (352,883)	\$ (612,217)	\$ (409,940)	\$ 67,028	\$ 94,576	\$ 46,787	\$ (141,947)	\$ (248,918)	
Change in Net Assets - business-type activities	\$ (266,984)	\$ (312,779)	\$ 10,603	\$ (292,897)	\$ 229,484	\$ (209,235)	\$ 47,920	\$ (556,087)	\$ (675,553)	\$ 53,308	

(1) - Starting in 2010, unclassified and capital maintenance have been reclassified into proper functions

Table 3

CITY OF SACO, MAINE
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year ended	Property Taxes	Interest & Costs on Taxes	Excise Taxes	Total
June 30, 2002	\$ 19,225,731	\$ 126,487	\$ 2,388,878	\$ 21,741,096
June 30, 2003	\$ 20,483,851	\$ 101,285	\$ 2,532,092	\$ 23,117,228
June 30, 2004	\$ 21,340,211	\$ 134,534	\$ 2,763,999	\$ 24,238,744
June 30, 2005	\$ 23,444,228	\$ 133,830	\$ 2,883,127	\$ 26,461,185
June 30, 2006	\$ 23,198,593	\$ 92,790	\$ 2,904,735	\$ 26,196,118
June 30, 2007	\$ 24,632,416	\$ 109,425	\$ 2,916,962	\$ 27,658,803
June 30, 2008	\$ 26,612,796	\$ 89,857	\$ 2,854,280	\$ 29,556,933
June 30, 2009	\$ 27,722,016	\$ 100,593	\$ 2,684,427	\$ 30,507,036
June 30, 2010	\$ 28,404,553	\$ 141,584	\$ 3,531,760	\$ 32,077,897
June 30, 2011	\$ 29,026,079	\$ 155,636	\$ 3,102,575	\$ 32,284,290

Table 4

CITY OF SACO, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable										
Prepaid Items	\$ 120,961	\$ 204,389	\$ 549,278	\$ 176,006	\$ 159,719	\$ 574,292	\$ 572,792	\$ 210,116	\$ 383,559	\$ 140,081
Committed										
Public Safety										
Assigned										
Encumbrances	83,332	78,483	152,407	144,980	272,118	94,700	109,361	203,705	314,159	144,843
Capital Improvements	2,746,641	1,998,861	1,120,488	1,007,286	912,072	1,657,932	3,481,440	2,253,647	1,796,397	627,819
Unassigned	6,040,111	4,057,992	3,923,723	4,848,829	5,074,180	4,294,605	3,806,172	2,386,202	2,088,590	2,490,279
Total General Fund	\$ 8,591,045	\$ 6,339,725	\$ 5,745,896	\$ 6,177,101	\$ 6,418,089	\$ 6,621,529	\$ 7,960,765	\$ 5,053,670	\$ 4,582,705	\$ 3,464,362
All other governmental funds										
Nonspendable										
Special Revenue Funds	98,112	21,430	21,430	14,287	14,287	14,287	14,287	14,287	14,287	14,287
Permanent Funds	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383	181,383
Restricted										
Special Revenue Funds	1,825,114	1,805,035	1,848,256	1,943,324	2,027,523	2,081,727	1,867,008	2,570,629	1,621,069	2,640,937
Capital Project Funds	1,614,243	1,420,777	1,420,777	1,499,960	74,932	1,180,693	749,323	757,421	8,397,485	1,541,467
Permanent Funds	256,718	283,704	344,609	380,013	413,424	516,812	383,739	227,285	275,379	373,390
Committed										
Special Revenue Funds	288,793	302,966	79,603	129,575	163,992	183,698	208,588	362,515	344,838	92,697
Capital Project Funds										3,350
Assigned										
Special Revenue Funds	31,715	3,159	220,203	158,941	204,579	232,788	3,991	3,838	6,175	5,174
Capital Project Funds	469,336	450,851	1,418,733	1,338,511	1,217,041	1,206,501	1,191,624	1,170,122	1,015,507	915,180
Unassigned										
Special Revenue Funds	(1,259,106)	(503,024)	(371,765)	(92,617)	(11,032)	(144,012)	(615,045)	(698,584)	(698,369)	(2,626,321)
Capital Project Funds	(976,419)	(927,262)	(487,783)	(911,475)	(2,227,566)	(2,097,842)	(3,438,866)	(3,352,890)	(3,359,656)	(1,347,146)
Total all other governmental funds	2,569,879	3,039,019	3,424,629	3,210,874	3,164,524	2,751,844	546,032	767,046	7,597,866	1,794,398

(1) Beginning with the year ended June 30, 2011, the City reported governmental fund balances in accordance with the categories defined in GASB Statement No. 54. Prior years have been restated to reflect the GASB 54 categorization.

Table 5

CITY OF SACO, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All Governmental Funds										
Revenues										
Property taxes	\$ 21,633,468	\$ 22,993,956	\$ 24,278,842	\$ 26,703,395	\$ 26,196,118	\$ 27,696,860	\$ 29,238,042	\$ 30,278,683	\$ 31,809,915	\$ 32,219,898
Licenses and permits	321,797	460,663	666,654	828,806	767,988	721,514	697,994	770,778	718,991	691,819
Intergovernmental	14,349,885	13,139,320	12,531,595	13,011,645	14,696,750	15,563,756	14,944,449	15,770,048	15,151,390	2,265,104
Intergovernmental on-behalf payments	1,380,823	1,472,616	1,400,456	1,414,249	1,575,420	1,706,698	1,744,847	1,844,021	-	(1)
Charges for services	1,250,668	1,465,386	1,129,684	1,237,312	1,551,849	1,612,758	1,475,024	1,836,694	1,705,310	1,835,724
Other revenue	814,390	1,219,247	969,529	1,178,383	1,084,282	1,079,683	1,215,895	771,533	623,961	703,153
Total Governmental Fund revenues	39,751,031	40,751,188	40,976,760	44,373,790	45,872,407	48,381,369	49,336,251	51,271,607	52,959,567	53,705,698
Expenditures										
General government	1,367,308	1,665,735	1,702,939	1,779,876	1,985,467	2,356,249	2,167,619	2,270,911	2,173,455	2,413,584
Public safety	4,002,925	4,198,832	4,074,543	4,527,592	4,491,147	4,891,530	5,081,794	5,417,894	5,728,015	5,836,380
Public works	2,959,648	3,115,397	3,300,696	3,664,176	3,757,464	4,208,601	4,371,335	4,589,463	4,927,214	4,411,669
Housing programs	170,247	200,651	205,501	272,246	230,010	254,352	256,359	232,512	256,921	259,668
Culture and recreation	378,551	430,672	485,750	585,146	638,353	786,248	879,544	1,071,275	1,105,116	1,227,045
Education	19,716,349	21,187,285	22,210,411	23,781,057	24,778,973	26,452,186	27,137,919	28,245,666	16,238,121	16,245,159
Matre PERs on-behalf payments	1,380,823	1,472,616	1,400,456	1,414,249	1,575,420	1,706,698	1,744,847	1,844,021	-	(1)
Unclassified	3,569,709	3,135,612	2,978,695	2,936,151	3,082,856	3,228,039	2,920,479	3,386,926	3,512,921	3,864,668
County Tax	604,281	795,896	747,821	772,182	859,723	856,282	958,270	1,020,912	1,014,574	1,079,365
Debt Service										
Principal	1,500,000	1,733,499	1,742,045	1,737,045	1,387,045	1,399,545	1,397,045	1,617,045	963,566	1,699,964
Interest and other charges	1,082,681	1,134,492	850,151	1,024,189	932,670	885,354	993,992	1,078,510	851,877	619,990
Capital Improvements	10,460,100	4,811,703	1,913,923	5,337,723	4,390,889	3,543,250	6,968,816	2,940,262	2,847,513	7,428,554
Total Governmental Fund expenditures	47,192,622	43,882,390	41,612,931	47,831,632	48,110,017	50,608,334	54,878,019	53,715,337	38,099,293	45,095,446
Other financing sources (uses)										
Transfers in	1,341,785	956,606	2,174,043	1,693,259	1,428,089	1,109,530	1,392,265	900,148	1,225,994	1,721,755
Proceeds from capital lease financing	261,663	743,678	-	2,680,585	473,000	945,796	343,479	705,775	-	468,637
Proceeds from advance refunding of debt	-	5,162,057	-	-	-	-	-	-	-	-
Payment from advance refunding of debt	-	(5,162,057)	-	-	-	-	-	-	-	-
Bond proceeds	7,099,789	-	-	-	1,500,000	-	4,355,000	-	8,799,000	-
Transfers out	(1,136,785)	(751,262)	(1,756,091)	(1,033,226)	(958,841)	(1,109,530)	(1,392,265)	(900,148)	(1,225,994)	(1,721,755)
Total Governmental Fund other financing sources (uses)	7,566,452	949,022	417,952	3,340,618	2,432,248	945,796	4,698,479	705,775	9,113,096	468,637
Extraordinary item/special item										
Transfer of funds to Regional School Unit #23	-	-	-	-	-	-	-	-	(1,143,514)	-
Legal settlement	-	-	-	-	-	-	-	-	-	-
Total extraordinary item/special item	-	-	-	-	-	-	-	-	(1,143,514)	-
Net change in fund balance	\$ 124,861	\$ (2,182,180)	\$ (218,219)	\$ (117,224)	\$ 194,638	\$ (209,240)	\$ (843,289)	\$ (1,737,955)	\$ 6,559,855	\$ (6,921,111)
Debt service as a percentage of noncapital expenditures	7.03%	7.34%	6.53%	6.50%	5.53%	4.85%	4.99%	5.38%	4.91%	5.37%

(1) Effective July 1, 2009, the Saco School Department joined Regional School Unit #23 and no longer records on-behalf payments.

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Table 6

CITY OF SACO, MAINE
Assessed Value and State Equalized Value of Taxable Property
Last Ten Fiscal Years

Years ended	Real Property		Personal Property	Less Tax Exempt Real Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate	State Equalized Value (2)	Assessed Value as a Percentage of Equalized Value
	Residential Property	Commercial Property						
June 30, 2002	\$ 611,135,700	\$ 263,357,800	\$ 59,380,400	\$ 59,645,900	\$ 874,228,000	21.95	\$ 1,011,250,000	86.5%
June 30, 2003	626,598,500	271,213,900	61,900,300	62,347,800	897,364,900	22.70	1,155,650,000	77.7%
June 30, 2004	861,989,300	285,046,008	62,688,800	73,234,208	1,136,489,900	18.70	1,310,350,000	86.7%
June 30, 2005	1,146,238,600	350,740,200	64,187,600	92,363,800	1,468,822,600	15.90	1,553,400,000	94.6%
June 30, 2006	1,395,948,300	470,733,500	66,373,500	143,289,500	1,789,765,800	12.96	1,805,400,000	99.1%
June 30, 2007	1,528,803,300	456,650,500	74,136,900	129,638,200	1,929,952,500	12.73	1,987,550,000	97.1%
June 30, 2008	1,559,973,158	492,623,102	76,748,500	134,287,860	1,995,056,900	13.32	2,170,350,000	91.9%
June 30, 2009	1,615,303,700	486,006,300	78,671,900	128,498,900	2,051,483,000	13.42	2,121,100,000	96.7%
June 30, 2010	1,697,751,700	430,422,500	71,558,100	129,405,300	2,070,327,000	13.62	2,128,450,000	97.3%
June 30, 2011	1,727,706,700	437,609,000	77,517,300	141,402,600	2,101,430,400	13.82	2,099,800,000	100.1%

(1) Saco Assessing Office

(2) State of Maine, Bureau of Taxation

(1) Saco Assessing Office
(2) State of Maine, Bureau of Taxation

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Table 7

CITY OF SACO, MAINE
Property Tax Rates - All Direct and Overlapping
Governments (Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year Ended	Direct		Overlapping	Total Tax Rate
	Municipal Tax Rate	School Tax Rate	County Tax Rate	
June 30, 2002	9.62	11.97	0.36	21.95
June 30, 2003	8.97	12.85	0.88	22.70
June 30, 2004 (1)	7.01	11.02	0.67	18.70
June 30, 2005	5.61	9.76	0.53	15.90
June 30, 2006	4.53	7.91	0.52	12.96
June 30, 2007	4.98	7.29	0.46	12.73
June 30, 2008	5.10	7.74	0.48	13.32
June 30, 2009	5.42	7.71	0.29	13.42
June 30, 2010	5.29	7.84	0.49	13.62
June 30, 2011	5.58	7.73	0.51	13.82

Source: Saco Assessing Office

(1) City began valuation adjustments to bring values to 95 % of state equalized value by 2006.

Table 8

CITY OF SACO, MAINE
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2011		Percentage of Total Assessed Value	2002		Percentage of Total Assessed Value
	Current year Assessed Value	Rank		Current year Assessed Value	Rank	
General Dynamics Armament Systems	\$ 28,753,100	1	1.37%	\$ 10,325,600	1	1.18%
Perry Road Association	28,328,300	2	1.35%			
Central Maine Power Co.	19,151,000	3	0.91%	9,888,000	2	1.13%
Cornier Land Company/ DALCOR (Funtown)	17,561,597	4	0.84%	3,872,100	7	0.44%
Biddeford & Saco Water Co.	12,866,800	5	0.61%	7,978,900	4	0.91%
Saco & Biddeford Savings Institution	12,026,400	6	0.57%	3,220,000	9	0.37%
FPL Energy Maine Hydro LLC	11,855,800	7	0.56%	9,510,100	3	1.09%
Shaw's Supermarket	10,038,000	8	0.48%	6,743,000	5	0.77%
Saco Valley LLC	8,807,200	9	0.42%			
Caleb Affordable Housing	8,091,300	10	0.39%			
Hannaford Brothers Co.				4,068,600	6	0.47%
Saco Plaza				3,555,300	8	0.41%
Elegant Homes Inc.				2,690,600	10	0.31%
Total Principal Taxpayers			7.49%			7.08%
All Other Taxpayers			92.51%			92.92%

Source: Saco Assessing Office

Table 9

CITY OF SACO, MAINE Property Tax Levies and Collections Last Ten Fiscal Years						
Fiscal Year Ended	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
June 30, 2002	\$ 19,189,305	\$ 18,601,105	96.93%	\$ 568,664	\$ 19,169,769	99.90%
June 30, 2003	20,370,183	19,742,902	96.92%	619,297	20,362,199	99.96%
June 30, 2004	21,329,954	20,518,814	96.20%	808,844	21,327,658	99.99%
June 30, 2005	23,434,356	22,682,803	96.79%	749,990	23,432,793	99.99%
June 30, 2006	23,266,389	22,647,952	97.34%	616,787	23,264,739	99.99%
June 30, 2007	24,607,762	24,054,072	97.75%	551,584	24,605,656	99.99%
June 30, 2008	26,589,343	25,729,582	96.77%	845,612	26,575,194	99.95%
June 30, 2009	27,537,071	26,583,594	96.54%	897,494	27,481,088	99.80%
June 30, 2010	28,265,095	27,171,529	96.13%	578,388	27,749,917	98.18%
June 30, 2011	29,150,504	28,124,197	96.48%	-	28,124,197	96.48%

(1) Tax commitment plus supplemental taxes assessed during the fiscal year.

Table 10

CITY OF SACO, MAINE Ratios of Outstanding Debt by Type Last Ten Fiscal Years							
Fiscal Year ended	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Debt	Capital Leases	General Obligation Debt	Capital Leases			
June 30, 2002	\$ 18,594,789	\$ 651,260	\$ 3,980,000	-	\$ 23,226,049	5.51%	1,342
June 30, 2003	17,235,867	1,012,490	3,720,000	-	21,968,357	4.97%	1,246
June 30, 2004	15,846,323	750,062	3,367,500	-	19,963,885	4.52%	1,142
June 30, 2005	14,461,778	3,449,932	3,015,000	-	20,926,710	4.74%	1,244
June 30, 2006	14,574,733	3,197,961	2,665,000	-	20,437,694	4.63%	1,215
June 30, 2007	13,172,688	3,359,272	2,320,000	-	18,851,960	4.27%	1,121
June 30, 2008	16,130,643	2,808,019	1,975,000	-	20,913,662	4.73%	1,243
June 30, 2009	14,513,598	2,518,991	1,630,000	-	18,662,589	4.22%	1,109
June 30, 2010	21,698,052	1,738,164	1,402,500	-	24,838,716	5.62%	1,477
June 30, 2011	19,727,007	1,783,016	1,177,500	-	22,687,523	4.67%	1,228

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) - See the Schedule of Demographic and Economic Statistics on table 14 for personal income and population data.

Table 11

CITY OF SACO, MAINE Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years			
Fiscal Year	General Obligation Debt	State Assessed Value of Property (1)	Per Capita (2)
2002	\$ 22,574,789	2.23%	1,342
2003	20,955,867	1.81%	1,246
2004	19,213,823	1.47%	1,142
2005	17,476,778	1.47%	1,039
2006	17,239,733	0.95%	1,025
2007	15,492,688	0.78%	921
2008	18,105,643	0.91%	1,076
2009	16,143,598	0.76%	960
2010	23,100,552	1.09%	1,373
2011	20,904,507	1.00%	1,131

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) - See the schedule of Assessed Value and State Equalized Value of Taxable Property on table 6 for property value data.

(2) - Population data can be found in the Schedule of Demographics and Economic Statistics on table 14.

Table 12

CITY OF SACO, MAINE Direct and Overlapping Governmental Activities Debt General Obligation Bonds As of June 30, 2011			
Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to government	Amount applicable to government
Direct:			
City of Saco	\$ 19,727,007	100.00%	\$ 19,727,007
Overlapping debt:			
Biddeford-Saco-Old Orchard Beach Transit Committee	473,206	33.33%	157,735
York County	10,877,627	6.83%	742,942
	\$ 31,077,840		\$ 20,627,684

Table 13

CITY OF SACO, MAINE
Statutory Debt Margin Information
Last Ten Fiscal Years
In Accordance with 30 MRSA, Section 5061 as Amended

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to limit as a percentage of debt limit
2002	\$ 151,687,500	\$ 23,226,049	\$ 128,461,451	15.31%
2003	173,347,500	21,968,357	151,379,143	12.67%
2004	196,552,500	19,963,885	176,588,615	10.16%
2005	233,010,000	20,926,710	212,083,290	8.98%
2006	270,810,000	20,437,694	250,372,306	7.55%
2007	298,132,500	18,851,960	279,280,540	6.32%
2008	325,552,500	20,913,662	304,638,838	6.42%
2009	318,165,000	18,662,589	299,502,411	5.87%
2010	319,267,500	24,838,716	294,428,784	7.78%
2011	314,970,000	22,687,523	292,282,477	7.20%

Legal Debt Margin Calculation for Fiscal year 2011

	Outstanding bonds and leases	Percent of state assessed value \$2,099,800,000	Allowable Amount	Margin
For school purposes	\$ 3,360,979	10.00%	\$ 209,980,000	\$ 206,619,021
For waste water treatment plant	1,177,500	7.50%	157,485,000	156,307,500
For municipal	18,149,044	7.50%	157,485,000	139,335,956
Total	\$ 22,687,523	15.00%	\$ 314,970,000	\$ 292,282,477

Table 14

CITY OF SACO, MAINE
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2002	16,822	\$ 421,862,116	\$ 25,078	37.2	2,816	2.6%
2003	16,822	441,863,474	26,267	37.2	2,866	2.5%
2004	16,822	441,863,474	26,267	37.2	2,851	3.6%
2005	16,822	441,863,474	26,267	37.2	2,776	4.0%
2006	16,822	441,863,474	26,267	37.2	2,823	3.1%
2007	16,822	441,863,474	26,267	37.2	2,795	3.2%
2008	16,822	441,863,474	26,267	37.2	2,801	4.3%
2009	16,822	441,863,474	26,267	37.2	2,878	8.1%
2010	16,822	441,863,474	26,267	37.2	n/a	5.6%
2011	18,482	485,300,356	26,258	41.9	n/a	6.8%

(1) - U.S. Department of Commerce, Bureau of Census (2000 and 2010)

(2) - Maine Department of Education. Figures are based on April 1 enrollment

(3) - Maine Department of Labor

n/a - School Department is no longer a department of the City.

Table 15

CITY OF SACO, MAINE
Principal Employers
Current Year and Nine Years Ago

Employer	2011			2002		
	Employees	Rank	Percentage of Saco's Labor Force	Employees	Rank	Percentage of Saco's Labor Force
General Dynamics	415	1	4.05%	425	1	4.60%
Sweetser Children's Services	329	2	3.21%	187	4	2.02%
Atlantic Heights	205	3	2.00%			
Thornton Academy	179	4	1.75%	110	8	1.19%
Hannaford Brothers	170	5	1.66%	160	6	1.73%
City of Saco	163	6	1.59%	138	7	1.49%
Shaw's Supermarkets	135	7	1.32%	170	5	1.84%
Visiting Nurses Association	116	8	1.13%	232	2	2.51%
Saco & Biddeford Savings	116	9	1.13%			
Prime Toyota	93	10	0.91%			
Saco School Department				220	3	2.38%
Holman Cooking Equipment				75	9	0.81%
Lynn-Flex				75	10	0.81%

Source: Maine Department of Labor and U.S. Department of Labor

Table 16

CITY OF SACO, MAINE
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	23.5	25	25.5	26	26.5	26	26	26.5	26.5	26.5
Public Safety										
Police	46	46	46	46	47	47	46	46	47	47
Fire	28	32	36	36	36	36	36	36	36	36
Public Works	32.5	33.25	33.75	34.75	34.25	34.25	34.25	31.6	31.6	31.6
Parks & Recreation	6	6.75	6.75	6.75	6.25	8.25	8.25	9	9	9
Total General Fund	136	143	148	149.5	150	151.5	150.5	149.1	150.1	150.1
Waste Water Treatment Plant	12.5	12.5	13	13	14	14	13	12.3	14	14
Total Enterprise Fund	12.5	12.5	13	13	14	14	13	12.3	14	14

Table 17

CITY OF SACO, MAINE
Operating Indicators by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Building permits	100	105	67	69	67	53	42	33	56	58
Single family	3	28	33	66	53	39	10	7	1	32
Condos/Multi	76	87	78	83	71	30	46	31	29	30
Commercial	543	631	585	565	598	504	440	368	395	381
Total number permits issued										
Public Safety										
Police										
Number of calls for service	25,571	21,974	26,054	25,644	25,703	25,248	25,470	26,635	26,681	29,967
Number of traffic stops	8,922	7,876	8,497	6,681	6,731	5,727	6,105	5,962	6,612	9,675
Number of traffic summonses issued	2,469	1,766	2,213	1,942	1,654	1,124	1,161	1,381	1,485	1,643
Number of warnings issued	5,618	5,927	5,908	4,548	4,558	4,001	4,395	4,106	4,524	7,419
Number of traffic related arrests	245	183	218	273	246	184	160	176	134	159
Number of non-traffic related arrests & summonses	817	333	465	952	920	843	861	818	923	798
Number of parking tickets issued	1,218	551	567	913	911	512	478	418	202	214
Fire										
Number of calls for service	1,868	1,928	1,152	668	527	685	544	657	595	535
Ambulance										
Number of calls for service	2,214	2,215	1,915	1,960	1,846	2,152	2,315	2,151	2,288	2,289
Public Works										
Number of roads maintained	372	375	378	382	384	384	386	386	387	387
Lane miles of roads maintained	250	251	253	255	257	260	262	262	263	263
Acres of public area maintained	354	358	364	369	379	384	404	404	404	404

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Table 18

CITY OF SACO, MAINE
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	6	6	6	6	6	6	6	6	6	6
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Street lights	1726	1766	1791	1804	1825	1842	1842	1842	1842	1842
Traffic signals	147	147	148	148	148	148	148	148	148	148
Recreation										
Parks	10	10	10	10	10	10	10	19	24	25
Park acreage maintained	100	100	100	100	100	100	100	135	140	143
Tennis and basketball courts	6	6	6	6	6	6	6	7	7	7

Sources: Various City departments.

Note: No capital asset indicators are available for the general government function.

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APPENDIX E

PROPOSED FORM OF LEGAL OPINION

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Drummond Woodsum & MacMahon, Portland, Maine, bond counsel, proposes to issue its opinion substantially in the following form upon delivery of the Bonds described herein:

[Dated date of delivery]

Regional School Unit No. 23
90 Beach Street
Saco, ME 04072-2812

RE: Regional School Unit No. 23
2012 \$2,950,000 General Obligation Refunding Bonds
Dated May 15, 2012

Ladies and Gentlemen:

We have acted as Bond Counsel for Regional School Unit No. 23 (the "RSU"), in connection with the issue and sale of the above-described bonds (the "Bonds"). In such capacity, we have examined the applicable law, including the Reorganization Plan of the RSU and sections 1506(2)(C) and 1490(7) of Title 20-A of the Maine Revised Statutes, as amended, as well as a certified record of proceedings submitted to us by the RSU in connection with the issuance and sale of the Bonds, including a certified copy of a bond resolution adopted by the RSU School Board on March 15, 2012.

As to questions of fact material to our opinion, we have relied upon proceedings certified to us by officials of the Issuer and other certifications of public officials that have been furnished to us and we have not undertaken to certify the same by independent investigation.

The Bonds are dated as of May 15, 2012, bear interest from their date payable semi-annually each year commencing July 15, 2012, and have been issued in the following denominations and principal amounts to mature as of January 15 of each year as reflected hereinbelow:

<u>Maturity</u> <u>January 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>January 15,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2013	\$295,000		2018	\$295,000	
2014	\$295,000		2019	\$295,000	
2015	\$295,000		2020	\$295,000	
2016	\$295,000		2021	\$295,000	
2017	\$295,000		2022	\$295,000	

Each of the Bonds should be signed by the RSU Treasurer, countersigned by the Chairperson of the School Board and attested to by the Town Secretary and should bear the signed certificate of the authenticating agent identified thereon. The Bonds are issued by means of a book-entry system evidencing ownership and transfer of Bonds on the records of The Depository Trust Company and its participants.

The Bonds are not subject to redemption prior to their stated dates of maturity.

In expressing the opinions set forth in paragraphs 3 and 5 below, we have examined and relied upon the Arbitrage and Use of Proceeds Certificate, the General Certificate of the Treasurer of the RSU, and the Certificate Regarding Qualified and Designated Status (collectively the "Tax Certificates") all delivered concurrently with the Bonds, which contain representations, certifications, warranties, provisions and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The RSU, in executing the Tax Certificates, has certified to the effect that the information therein is true and accurate and that the RSU will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall not be included in gross income of the owners thereof for federal income tax purposes. In rendering the opinions set forth in paragraphs 3 and 5 below, we have relied upon the representations of the RSU set forth in the Tax Certificates, and we have assumed that the RSU will comply with the representations, certifications, warranties, provisions and procedures set forth in the Tax Certificates.

We note that the Code establishes certain requirements regarding use, expenditure and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included

in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

We also note that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

With reference to the Bonds, we are further of the opinion that under existing law:

1. The Bonds, executed as above described and subject to due authentication, have been duly authorized and are valid and binding general obligations of the RSU, enforceable in accordance with their terms.
2. Unless paid from other sources, the Bonds are payable as to both principal and interest from ad valorem taxes that may be levied without limit as to rate or amount upon all the property within the territorial limits of the RSU (which territory consists of the towns of Dayton, Maine and Old Orchard Beach, Maine and the City of Saco, Maine) and taxable by it; except to the extent that any municipality within the territory of the RSU may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality; and except to the extent that any municipality within the territory of the RSU establishes or has established development districts as either tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapter 206 and former (now repealed) Chapter 207 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds.
3. Based on existing statutes, regulations and court decisions, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be includable in the adjusted net book income or adjusted current earnings of a corporation for purposes of calculation of the alternative minimum tax imposed upon corporations and will be taken into account for purposes of the foreign branch profits tax.

4. Interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations and decisions.

5. The Bonds will constitute “qualified tax-exempt obligations” under Section 265(b) of the Code.

The foregoing opinions are qualified to the extent that the enforceability of the obligations of the RSU, including the Bonds, may be limited by bankruptcy, moratorium or insolvency or other laws affecting the rights and remedies of creditors generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the RSU and nothing set forth herein shall be construed as an assurance as to the RSU’s financial condition or ability to make payment on the Bonds.

The opinions rendered herein are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Drummond Woodsum & MacMahon

APPENDIX F

**PROPOSED FORM
OF
CONTINUING DISCLOSURE CERTIFICATE**

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REGIONAL SCHOOL UNIT NO. 23, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

In connection with the issuance by the Regional School Unit No. 23, Maine (the "Issuer") of its \$ _____,000 2012 General Obligation Refunding Bonds, dated as of _____ (the "Bonds") and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the "Rule"), the Issuer hereby covenants that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. The Issuer reserves the right to incorporate by reference its Official Statement dated _____ relating to the Bonds (the "Official Statement"), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto ("MSRB"): (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2012, financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds regarding (i) revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) rate information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) such other financial information and operating data as may be required to comply with the Rule; and (b) promptly upon their public release, the audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner not in excess of ten (10) business days after the occurrence of an event listed in this Section 2 to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or events affecting the tax-exempt status of the Bonds;
 - g. Modifications to the rights of securities holders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. The release, substitution, or sale of property securing repayment of the Bonds;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the Issuer; (Note: For the purposes of the event identified in paragraph l, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

- reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.)
- m. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer from time to time may choose to provide notice of the occurrence of any other events, in addition to those listed above, but the Issuer does not undertake to provide any such notice of the occurrence of any material event except those listed above.

- 3. The Issuer will provide, in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
- 4. The intent of the Issuer's undertaking in this Continuing Disclosure Certificate is to provide on a continuing basis the information described in the Rule. The provisions of the Continuing Disclosure Certificate may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Furthermore, to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Continuing Disclosure Certificate, the obligation of the Issuer to provide such information also shall cease immediately.
- 5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
- 6. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB to: <http://emma.msrb.org/submission> or such other location or address as the MSRB shall require.

7. The Issuer has never failed to comply in any material respect with any previous undertakings in regard to continuing or material events disclosure in connection with the Rule.
8. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Patrick Phillips, Treasurer, RSU 23, 90 Beach Street, Saco, ME 04072; Telephone: (207) 284-4505.

RSU 23, MAINE

By: _____

Its: _____

Dated: _____, 2012

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