

CITY OF GARDINER, MAINE

Financial Report

For the Fiscal Year Ended June 30, 2013

CITY OF GARDINER, MAINE
Financial Report
For the Fiscal Year Ended June 30, 2013

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Independent Auditor's Report

City Council
City of Gardiner, Maine

Report on the Financial Statements

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 City of Gardiner, Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardiner, Maine, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the respective budgetary comparisons for the General Fund 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.

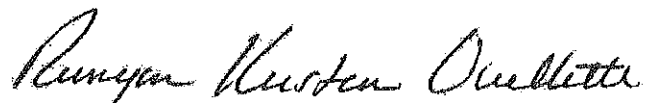
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gardiner, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 27, 2013, on our consideration of the City of Gardiner, Maine'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* in considering the City of Gardiner, Maine's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Remya Hurten Ouellette".

November 27, 2013
South Portland, Maine

CITY OF GARDINER, MAINE
Management's Discussion and Analysis
June 30, 2013

As management of the City of Gardiner, Maine, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Gardiner, Maine for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information furnished in the notes to the financial statements; found on pages 21-36 of this report.

Financial Highlights

- The assets of the City of Gardiner, Maine exceeded its liabilities at the close of the most recent fiscal year by \$18,759,391 (*net position*) (Statement 1). Of this amount, \$2,002,186 (*unrestricted net position*) (Statement 1) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Gardiner, Maine's total net position decreased by \$101,661 (Statement 2). This represents a decrease of \$200,093 in governmental activities and an increase of \$98,432 in business-type activities (Ambulance and Wastewater).
- As of the close of the current fiscal year, the City of Gardiner, Maine's governmental funds reported combined ending fund balances of \$2,873,778 (Statement 3), a decrease of \$46,018 (Statement 4) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$2,012,584 (Statement 3) or 22% of total general fund expenditures of \$9,172,008 (Statement 4).
- The City of Gardiner, Maine issued new debt totaling \$400,000 during the fiscal year. A new issue of \$200,000 was for the purchase of vehicles, equipment, and city hall improvements. In addition, there was a \$200,000 bond in the ambulance fund for the re-chassis of two ambulances and purchase of two new monitor defibrillators. There was a new capital lease in the amount of \$32,095 for copiers during the fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with an overview of the City of Gardiner, Maine's finances, in a manner similar to a private-sector business.

The *statement of net position*, Statement 1, presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities*, Statement 2, presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Gardiner, Maine that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, education and community services. The City has two business-type activities, which are an ambulance service and a wastewater treatment plant.

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 City of Gardiner, Maine, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 City'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 *government funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet (Statement 3) and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and TIF Fund, which are considered to be major funds (Statement 4). Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report (See Exhibit B-1 and B-2).

The City of Gardiner, Maine adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (Exhibit A-2).

Proprietary funds. The City maintains two proprietary funds. The *enterprise fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The enterprise fund is used to account for operations of the ambulance service and the wastewater treatment plant.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

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 fund financial statements. The notes to the financial statements can be found on pages 21-36 of this report.

Other information. Combining and individual fund statements can be found on Exhibits A through D of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Gardiner, Maine, assets exceeded liabilities by \$18,759,391 at the close of the most recent fiscal year (Statement 1).

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

By far the largest portion of the City of Gardiner, Maine's net position (83 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Gardiner, Maine's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|------------------------------------|----------------------|-------------------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 3,469,624 | \$ 3,456,724 | \$ 1,027,778 | \$ 1,260,354 | \$ 4,497,402 | \$ 4,717,078 |
| Capital assets, net | 14,689,302 | 15,293,736 | 11,392,600 | 11,151,442 | 26,081,902 | 26,445,178 |
| Total assets | 18,158,926 | 18,750,460 | 12,420,378 | 12,411,796 | 30,579,304 | 31,162,256 |
| Long-term debt outstanding | 7,260,612 | 7,695,918 | 4,199,132 | 4,289,085 | 11,459,744 | 11,985,003 |
| Other liabilities | 194,586 | 150,721 | 165,583 | 165,480 | 360,169 | 316,201 |
| Total liabilities | 7,455,198 | 7,846,639 | 4,364,715 | 4,454,565 | 11,819,913 | 12,301,204 |
| Net position: | | | | | | |
| Net investment in | | | | | | |
| capital assets | 8,274,622 | 8,426,158 | 7,359,757 | 7,027,537 | 15,634,379 | 15,453,695 |
| Restricted | 1,122,826 | 1,117,789 | - | - | 1,122,826 | 1,117,789 |
| Unrestricted | 1,306,280 | 1,359,874 | 695,906 | 929,694 | 2,002,186 | 2,289,568 |
| Total net position | \$ 10,703,728 | \$ 10,903,821 | \$ 8,055,663 | \$ 7,957,231 | \$ 18,759,391 | \$ 18,861,052 |

The City's restricted net position represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,002,186) may be used to meet the City's ongoing obligations to citizens and creditors.

The City of Gardiner, Maine's net position decreased \$101,661 during the current fiscal year. This change is broken out in the following categories:

- **Governmental activities:** The City's governmental activities decreased the net position by \$200,093.
- **Business-type activities:** The City's two business-type activities, the ambulance service and wastewater treatment plant, increased the City of Gardiner, Maine's net position by \$98,432.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

City of Gardiner, Maine's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 121,354 | \$ 53,960 | \$ 2,540,904 | \$ 2,107,472 | \$ 2,662,258 | \$ 2,161,432 |
| Operating grants and contributions | 352,253 | 373,961 | - | - | 352,253 | 373,961 |
| Capital grants and contributions | 88,381 | 137,351 | - | 53,093 | 88,381 | 190,444 |
| General revenues: | | | | | | |
| Property taxes | 7,187,615 | 7,149,291 | - | - | 7,187,615 | 7,149,291 |
| Other taxes | 910,751 | 855,255 | - | - | 910,751 | 855,255 |
| Grants not restricted to specific programs | 814,646 | 833,131 | - | - | 814,646 | 833,131 |
| Other | 320,953 | 186,421 | 42,759 | 1,637 | 363,712 | 188,058 |
| Total revenues | 9,795,953 | 9,589,370 | 2,583,663 | 2,162,202 | 12,379,616 | 11,751,572 |
| Expenses: | | | | | | |
| General government | 1,316,777 | 1,145,004 | - | - | 1,316,777 | 1,145,004 |
| Public safety | 1,664,941 | 1,487,466 | - | - | 1,664,941 | 1,487,466 |
| Public works | 1,750,916 | 1,120,442 | - | - | 1,750,916 | 1,120,442 |
| Community services | 377,636 | 470,084 | - | - | 377,636 | 470,084 |
| Education | 3,195,907 | 3,304,432 | - | - | 3,195,907 | 3,304,432 |
| County | 345,207 | 350,350 | - | - | 345,207 | 350,350 |
| Unclassified | 638,080 | 995,453 | - | - | 638,080 | 995,453 |
| Minor capital outlay | 344,013 | 440,016 | - | - | 344,013 | 440,016 |
| Interest of debt | 362,569 | 241,865 | - | - | 362,569 | 241,865 |
| Ambulance | - | - | 975,122 | 996,558 | 975,122 | 996,558 |
| Wastewater | - | - | 1,510,109 | 1,405,967 | 1,510,109 | 1,405,967 |
| Total expenses | 9,996,046 | 9,555,112 | 2,485,231 | 2,402,525 | 12,481,277 | 11,957,637 |
| Increase (decrease) in net position | (200,093) | 34,258 | 98,432 | (240,323) | (101,661) | (206,065) |
| Net position - July 1 | 10,903,821 | 10,869,563 | 7,957,231 | 8,197,554 | 18,861,052 | 19,067,117 |
| Net position - June 30 | \$ 10,703,728 | \$ 10,903,821 | \$ 8,055,663 | \$ 7,957,231 | \$ 18,759,391 | \$ 18,861,052 |

Financial Analysis of the Government's Funds

As noted earlier, the City of Gardiner, Maine uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Gardiner, Maine's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year (Statement 3).

As of the end of the current fiscal year, the City of Gardiner, Maine's governmental funds reported combined ending fund balances of \$2,873,778. Approximately 42% of this total amount (\$1,203,486) constitutes *unassigned fund balance*.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

The City continues to meet its responsibilities for sound financial management. Carefully monitoring expenditures and finding non-tax revenue have helped in establishing a favorable fund balance.

The fund balance of the City of Gardiner, Maine's general fund increased \$75,386 (Statement 4) during the current fiscal year.

General Fund Budgetary Highlights

For the current fiscal year, revenues exceeded budgetary projections by \$106,188 and expenditures were below appropriations by \$564,497.

This created a positive variance of \$670,685 to the fund balance. However, the budgeted use of prior year carry forwards and approved use of fund balance in the amount of \$595,299 netted an increase of \$75,386 to the fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Gardiner, Maine's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$14,689,302 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, vehicles, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- the purchase of a ¾ ton pickup and a new snow blower for the public works department;
- the purchase of a public safety variable message board;
- acquisition of two new monitor defibrillators;
- and, the re-chassis of two ambulances.

Additional information on the City of Gardiner, Maine's capital assets can be found in the Notes to the Financial Statements of this report.

Long-term debt. At the end of the current fiscal year, the City of Gardiner, Maine had total bonded debt outstanding of \$10,804,647. Of this amount, \$4,032,843 is business-type activities and \$6,771,804 is for governmental activities.

State statutes limit the amount of general obligation debt a municipality may issue to 15 percent of its total state assessed valuation. The current debt limitation for the City of Gardiner, Maine is \$54,202,275 which is in excess of the City of Gardiner, Maine's outstanding general obligation debt of \$10,804,647.

Additional information on the City of Gardiner, Maine's long-term debt can be found in the Notes to the Financial Statements of this report.

Economic Factors

In response to the continued uncertainty surrounding the national economy, management has been closely tracking not only revenues and expenditures, but also foreclosures, liens, unemployment rates, and building permit levels. To date, the City has seen slight increases in foreclosure and lien rates and will continue to monitor these levels and take steps to assist our tax/rate payers in obtaining assistance wherever possible.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

The City will continue to pursue new industrial and commercial development in the Libby Hill Business Park, as well as, seek ways to bring businesses to the downtown. During the upcoming fiscal year, the City's management team will also continue to monitor and evaluate local, state, and national economic conditions to make proactive decisions to put Gardiner in its best financial position.

In June 2013, the unemployment rate for Kennebec County 6.4%, compared to the State's rate of 6.8% and the national rate of 7.6%.

Next Year's Budgets and Tax Rates

The above economic factors were considered in preparing the City's budget for the 2013-14 fiscal year. The Council's primary budgetary objectives were to provide quality City services to its citizens, minimize any increase in the property tax rate, and examine the cost of individual services to determine applicable user and permit fees. To accomplish these goals, City staff scrutinized their budgets for savings, examined staffing levels, adopted user fees, and refined operational service delivery methods for efficiencies.

The 2013-14 fiscal year budget adopted by the City Council resulted in a zero percent increase to property taxes, keeping the mil rate at 19.9 for the third consecutive fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Gardiner, Maine's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 6 Church Street, Gardiner, Maine 04345.

BASIC FINANCIAL STATEMENTS

CITY OF GARDINER, MAINE
Statement of Net Position
June 30, 2013

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|------------|
| ASSETS | | | |
| Cash | \$ 2,756,867 | - | 2,756,867 |
| Receivables: | | | |
| Taxes receivable | 34,850 | - | 34,850 |
| Tax liens | 467,124 | - | 467,124 |
| Other receivables, net of allowances | 127,187 | 869,190 | 996,377 |
| Notes receivable | 242,184 | - | 242,184 |
| Internal balances | (158,588) | 158,588 | - |
| Capital assets, not being depreciated | 928,648 | 381,668 | 1,310,316 |
| Capital assets, net of accumulated depreciation | 13,760,654 | 11,010,932 | 24,771,586 |
| Total assets | 18,158,926 | 12,420,378 | 30,579,304 |
| LIABILITIES | | | |
| Accounts payable | 112,166 | 105,952 | 218,118 |
| Accrued expenses | 35,083 | 18,223 | 53,306 |
| Due to other governments | 6,090 | - | 6,090 |
| Taxes paid in advance | 7,023 | - | 7,023 |
| Accrued interest | 34,224 | 41,408 | 75,632 |
| Noncurrent liabilities: | | | |
| Due within one year | 746,689 | 316,796 | 1,063,485 |
| Due in more than one year | 6,513,923 | 3,882,336 | 10,396,259 |
| Total liabilities | 7,455,198 | 4,364,715 | 11,819,913 |
| NET POSITION | | | |
| Net investment in capital assets | 8,274,622 | 7,359,757 | 15,634,379 |
| Restricted for: | | | |
| Permanent funds | 434,032 | - | 434,032 |
| Revolving loan funds | 592,946 | - | 592,946 |
| Grants | 95,848 | - | 95,848 |
| Unrestricted | 1,306,280 | 695,906 | 2,002,186 |
| Total net position | \$ 10,703,728 | 8,055,663 | 18,759,391 |

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Activities
For the year ended June 30, 2013

| For the year ended June 30, 2019 | | | | | Net (expense) revenue and changes in net position | | |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-------------|
| Functions/programs | Expenses | Program revenues | | | Primary Government | | Total |
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,316,777 | 104,063 | 15,691 | - | (1,197,023) | - | (1,197,023) |
| Public safety | 1,664,941 | - | - | - | (1,664,941) | - | (1,664,941) |
| Public works | 1,750,916 | 3,083 | 76,220 | - | (1,671,613) | - | (1,671,613) |
| Community services | 377,636 | 14,208 | 86,342 | - | (277,086) | - | (277,086) |
| Education | 3,195,907 | - | - | - | (3,195,907) | - | (3,195,907) |
| County | 345,207 | - | - | - | (345,207) | - | (345,207) |
| Unclassified | 638,080 | - | 174,000 | - | (464,080) | - | (464,080) |
| Miscellaneous capital costs | 344,013 | - | - | 88,381 | (255,632) | - | (255,632) |
| Interest on debt | 362,568 | - | - | - | (362,568) | - | (362,568) |
| Total governmental activities | 9,996,045 | 121,354 | 352,253 | 88,381 | (9,434,057) | - | (9,434,057) |
| Business-type activities: | | | | | | | |
| Ambulance | 975,122 | 971,249 | - | - | - | (3,873) | (3,873) |
| Wastewater | 1,510,109 | 1,569,655 | - | - | - | 59,546 | 59,546 |
| Total business-type activities | 2,485,231 | 2,540,904 | - | - | - | 55,673 | 55,673 |
| Total primary government | \$ 12,481,276 | 2,662,258 | 352,253 | 88,381 | (9,434,057) | 55,673 | (9,378,384) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 7,187,615 | - | 7,187,615 |
| Other taxes | | | | | 910,751 | - | 910,751 |
| Grants and contributions not restricted to specific programs: | | | | | | | |
| State revenue sharing | | | | | 613,568 | - | 613,568 |
| Homestead exemption | | | | | 144,065 | - | 144,065 |
| Other | | | | | 57,013 | - | 57,013 |
| Interest earned | | | | | 6,514 | 2,759 | 9,273 |
| Unclassified | | | | | 314,438 | - | 314,438 |
| Sale of property | | | | | - | 40,000 | 40,000 |
| Total general revenues | | | | | 9,233,964 | 42,759 | 9,276,723 |
| Change in net position | | | | | (200,093) | 98,432 | (101,661) |
| Net position - beginning | | | | | 10,903,821 | 7,957,231 | 18,861,052 |
| Net position - ending | | | | | \$ 10,703,728 | 8,055,663 | 18,759,391 |

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Balance Sheet
Governmental Funds
June 30, 2013

| | General | TIF Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 1,962,949 | - | 793,918 | 2,756,867 |
| Receivables: | | | | |
| Taxes receivable | 34,850 | - | - | 34,850 |
| Tax liens | 467,124 | - | - | 467,124 |
| Other receivables | 105,881 | - | 21,306 | 127,187 |
| Notes receivable | - | - | 242,184 | 242,184 |
| Interfund loans receivable | 582,117 | - | 69,494 | 651,611 |
| Total assets | \$ 3,152,921 | - | 1,126,902 | 4,279,823 |
| LIABILITIES | | | | |
| Accrued payroll and related liabilities | 35,083 | - | - | 35,083 |
| Interfund loans payable | - | 809,098 | 1,101 | 810,199 |
| Taxes paid in advance | 7,023 | - | - | 7,023 |
| Accounts payable | 109,191 | - | 2,975 | 112,166 |
| Due to other governments | 6,090 | - | - | 6,090 |
| Total liabilities | 157,387 | 809,098 | 4,076 | 970,561 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 435,484 | - | - | 435,484 |
| Total deferred inflows of resources | 435,484 | - | - | 435,484 |
| FUND BALANCES (DEFICIT): | | | | |
| Nonspendable | - | - | 549,583 | 549,583 |
| Restricted | - | - | 573,243 | 573,243 |
| Assigned | 547,466 | - | - | 547,466 |
| Unassigned | 2,012,584 | (809,098) | - | 1,203,486 |
| Total fund balances (deficit) | 2,560,050 | (809,098) | 1,122,826 | 2,873,778 |
| Total liabilities, deferred inflows and fund balances | \$ 3,152,921 | - | 1,126,902 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | 14,689,302 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | | | 435,484 |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds: | | | | |
| Accrued compensated absences | | | | (275,103) |
| Accrued interest | | | | (34,224) |
| Capital leases | | | | (213,705) |
| Bonds payable | | | | (6,771,804) |
| Net position of governmental activities | | | | \$ 10,703,728 |

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

| | General | TIF Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------|-------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | \$ 8,086,615 | - | - | 8,086,615 |
| Licenses and permits | 104,063 | - | - | 104,063 |
| Intergovernmental | 1,135,165 | - | 88,381 | 1,223,546 |
| Charges for services | 17,291 | - | 31,734 | 49,025 |
| Unclassified | 163,737 | - | 150,701 | 314,438 |
| Interest earned | 4,940 | - | 1,574 | 6,514 |
| Total revenues | 9,511,811 | - | 272,390 | 9,784,201 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,107,988 | 159,062 | - | 1,267,050 |
| Public safety | 1,384,008 | - | 84,138 | 1,468,146 |
| Public works | 1,415,311 | - | - | 1,415,311 |
| Community services | 375,713 | - | - | 375,713 |
| Education | 3,195,907 | - | - | 3,195,907 |
| County | 345,207 | - | - | 345,207 |
| Unclassified | 554,373 | 2,000 | 81,707 | 638,080 |
| Capital expenditures | 387,196 | - | 41,817 | 429,013 |
| Debt service | 406,305 | 490,126 | 31,456 | 927,887 |
| Total expenditures | 9,172,008 | 651,188 | 239,118 | 10,062,314 |
| Excess (deficiency) of revenues over (under) expenditures | 339,803 | (651,188) | 33,272 | (278,113) |
| Other financing sources (uses): | | | | |
| Proceeds from debt/capital leases | 232,095 | - | - | 232,095 |
| Transfers in | - | 689,041 | - | 689,041 |
| Transfers out | (496,512) | (192,529) | - | (689,041) |
| Total other financing sources (uses) | (264,417) | 496,512 | - | 232,095 |
| Net change in fund balances | 75,386 | (154,676) | 33,272 | (46,018) |
| Fund balances (deficit), beginning of year | 2,484,664 | (654,422) | 1,089,554 | 2,919,796 |
| Fund balances (deficit), end of year | \$ 2,560,050 | (809,098) | 1,122,826 | 2,873,778 |

See accompanying notes to basic financial statements.

CITY OF GARDINER, 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, 2013

| | | |
|---|----|----------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | (46,018) |
|---|----|----------|

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. This is the amount by which depreciation expense (\$842,854) exceeded capital outlays (\$238,420). | | (604,434) |
|---|--|-----------|

| | | |
|--|--|--------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 11,751 |
|--|--|--------|

| | | |
|---|--|---------|
| Lease proceeds provide current financial resources to governmental funds, but issuing leases increases long-term liabilities in the statement of net position. Repayment of lease 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 repayments (\$133,366) exceeded new lease proceeds (\$32,095). | | 101,271 |
|---|--|---------|

| | | |
|---|--|----------|
| Change in accruals recorded on the statement of net position, but not on the governmental fund - balance sheet: | | |
| Change in compensated absence accrual | | (20,136) |
| Change in accrued interest | | 3,302 |

| | | |
|---|--|---------|
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments (\$554,171) exceeded proceeds from new bonds and notes (\$200,000). | | 354,171 |
|---|--|---------|

| | | |
|---|----|-----------|
| Change in net position of governmental activities (see Statement 2) | \$ | (200,093) |
|---|----|-----------|

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2013

| Business-type Activities - Enterprise Funds | | | |
|--|--------------------|-------------------|-------------------|
| | Ambulance | Wastewater | Total |
| ASSETS | | | |
| Current assets: | | | |
| Accounts receivable - (net of allowance of \$60,000 in ambulance fund) | \$ 300,807 | 568,383 | 869,190 |
| Interfund loans receivable | - | 433,327 | 433,327 |
| Total current assets | 300,807 | 1,001,710 | 1,302,517 |
| Capital assets: | | | |
| Land | - | 381,668 | 381,668 |
| Capital assets, being depreciated | 682,266 | 14,985,892 | 15,668,158 |
| Accumulated depreciation | (447,191) | (4,210,035) | (4,657,226) |
| Total capital assets, net | 235,075 | 11,157,525 | 11,392,600 |
| Total assets | 535,882 | 12,159,235 | 12,695,117 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 3,174 | 102,778 | 105,952 |
| Accrued payroll | 11,840 | 6,383 | 18,223 |
| Accrued interest | 600 | 40,808 | 41,408 |
| Interfund loans payable | 274,739 | - | 274,739 |
| Current portion of noncurrent liabilities | 25,000 | 291,796 | 316,796 |
| Total current liabilities | 315,353 | 441,765 | 757,118 |
| Noncurrent liabilities: | | | |
| Accrued compensated absences | 125,984 | 40,305 | 166,289 |
| Bonds payable | 175,000 | 3,541,047 | 3,716,047 |
| Total noncurrent liabilities | 300,984 | 3,581,352 | 3,882,336 |
| Total liabilities | 616,337 | 4,023,117 | 4,639,454 |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 35,075 | 7,324,682 | 7,359,757 |
| Unrestricted | (115,530) | 811,436 | 695,906 |
| Total net position | \$ (80,455) | 8,136,118 | 8,055,663 |

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2013

| Business-type Activities - Enterprise Funds | | | |
|--|------------------|-------------------|--------------|
| | Ambulance | Wastewater | Total |
| Operating revenues: | | | |
| Charges for services | \$ 971,249 | 1,569,655 | 2,540,904 |
| Total operating revenues | 971,249 | 1,569,655 | 2,540,904 |
| Operating expenses: | | | |
| Operating expenses | 923,093 | 986,521 | 1,909,614 |
| Depreciation expense | 49,639 | 372,540 | 422,179 |
| Total operating expenses | 972,732 | 1,359,061 | 2,331,793 |
| Operating income (loss) | (1,483) | 210,594 | 209,111 |
| Nonoperating revenues (expenses): | | | |
| Sale of property | 40,000 | - | 40,000 |
| Interest revenue | 1,144 | 1,615 | 2,759 |
| Interest expense | (2,390) | (151,048) | (153,438) |
| Total nonoperating revenues (expenses) | 38,754 | (149,433) | (110,679) |
| Change in net position | 37,271 | 61,161 | 98,432 |
| Net position, beginning of year | (117,726) | 8,074,957 | 7,957,231 |
| Net position, end of year | \$ (80,455) | 8,136,118 | 8,055,663 |

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Combining Statement of Cash Flows - Proprietary Funds
Year ended June 30, 2013

| Business-type Activities - Enterprise Funds | | | |
|--|------------------|-------------------|--------------|
| | Ambulance | Wastewater | Total |
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$ 887,242 | 1,836,189 | 2,723,431 |
| Payments to employees | (644,023) | (354,202) | (998,225) |
| Payments to suppliers | (245,193) | (621,169) | (866,362) |
| Net cash provided by (used in) operating activities | (1,974) | 860,818 | 858,844 |
| Cash flows from capital and related financing activities: | | | |
| Proceeds from long-term debt | 200,000 | - | 200,000 |
| Capital asset purchases | (236,780) | (426,557) | (663,337) |
| Interest paid on bonds/leases | (2,390) | (151,048) | (153,438) |
| Sale of property | 40,000 | - | 40,000 |
| Principal payments on bonds | - | (291,062) | (291,062) |
| Net cash provided by (used in) capital and related financing activities | 830 | (868,667) | (867,837) |
| Cash flows from investing activities: | | | |
| Interest received | 1,144 | 1,615 | 2,759 |
| Net cash provided by investing activities | 1,144 | 1,615 | 2,759 |
| Net increase (decrease) in cash | - | (6,234) | (6,234) |
| Cash, beginning of year | - | 6,234 | 6,234 |
| Cash, end of year | \$ - | - | - |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (1,483) | 210,594 | 209,111 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 49,639 | 372,540 | 422,179 |
| (Increase) decrease in receivables | (84,007) | (29,424) | (113,431) |
| Increase (decrease) in accounts payable | (452) | 7,749 | 7,297 |
| Increase (decrease) in accrued payroll | 1,339 | (269) | 1,070 |
| Increase (decrease) in accrued interest | 600 | (2,692) | (2,092) |
| Increase (decrease) in accrued comp absences | (5,253) | 6,362 | 1,109 |
| Increase (decrease) in deferred revenue | - | (6,172) | (6,172) |
| Increase (decrease) in interfund loans payable | 37,643 | - | 37,643 |
| (Increase) decrease in interfund loans receivable | - | 302,130 | 302,130 |
| Net cash provided by (used in) operating activities | (1,974) | 860,818 | 858,844 |

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gardiner, Maine is located in Kennebec County. It was organized in 1754 and operates under a City Manager - City Council form of government.

The financial statements of the City of Gardiner, Maine have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements of the City of Gardiner, Maine presents the government and any of its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The City of Gardiner, Maine currently has no blended or discretely presented component units.

B. Government-wide and Fund Financial Statements

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

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 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 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. 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. 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 City 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 City reports the following major governmental funds:

The General Fund is the City'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 TIF Fund is a special revenue fund that accounts primarily for revenues and expenditures associated with the City's tax increment financing districts. It also contains activity specific to costs associated with the development of the Libby Hill Business Park and revenue related to the sale of related lots.

The City reports the following major proprietary funds:

The Wastewater Fund accounts for the operation of a sewer system.

The Ambulance Fund accounts for emergency rescue unit in Gardiner.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental activities and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 revenues of the City's proprietary fund is 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. Cash

Cash includes amounts in demand deposits as well as time deposits and certificates of deposit owned by the City. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

E. Interfund Loans

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund loans receivable" or "interfund loans payable" on the balance sheet.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than the thresholds listed below and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The City's policy is to capitalize assets exceeding the thresholds for various asset classes as follows:

| | |
|--------------------------------|-----------|
| • Land and Improvements | \$ 25,000 |
| • Buildings and Improvements | 10,000 |
| • Machinery/Equipment/Vehicles | 10,000 |
| • Infrastructure | 25,000 |

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset's 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 are depreciated using the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Fund Equity

Governmental Fund 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 fund balance, including unspent budgeted amounts, for specific purposes in the General Fund at year end based on Department requests.

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

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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. The City's net investment in capital assets was calculated as follows at June 30, 2013:

| | Governmental <u>activities</u> | Business-type <u>activities</u> |
|--|-----------------------------------|------------------------------------|
| Capital assets, net of depreciation | \$14,689,302 | 11,392,600 |
| Bonds and notes payable | (6,771,804) | (4,032,843) |
| Add non-capital debt (IRP) | 319,849 | - |
| Capital leases payable | (213,705) | - |
| Unspent bond proceeds | 250,980 | - |
| <u>Total net investment in capital assets</u> | <u>\$ 8,274,622</u> | <u>7,359,757</u> |

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

L. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

However, comparative data has not been presented in all statements because its inclusion would make certain statements unduly complex and difficult to understand.

M. Use of Estimates

Preparation of the City'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.

NEW PRONOUNCEMENTS AND ACCOUNTING CHANGES

For the fiscal year ended June 30, 2013, the City has elected to implement the following Statements of the Governmental Accounting Standards Board:

- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Statement No. 65 – *Items Previously Reported as Assets and Liabilities*

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. These budgets are established in accordance with the various laws of the State of Maine which govern the City's operations. The budget has been prepared consistent with the modified accrual basis of accounting.

All unexpended appropriations lapse at year end unless specific approval is granted at a City Council meeting to carry such amounts forward. Department level total expenditures cannot exceed City appropriations by law.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations in the following categories:

| | |
|--------------|----------|
| Debt service | \$ 1,547 |
|--------------|----------|

Debt service was over budget due to the City budgeting for debt payments in various department lines. This amount represents an interest payment that was not budgeted for in other categories. Overall, total expended amounts were less than appropriations by a net of \$564,497. Revenues came in over estimated revenues by \$106,188.

C. Deficit Fund Balances

At June 30, 2013, the following funds had a deficit fund balances:

| | |
|----------|------------|
| TIF Fund | \$ 809,098 |
|----------|------------|

The deficit will be funded by future tax revenue, sale of lots in Libby Hill or transfers from the General fund.

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 sponsored by the Maine Municipal Association for workers' compensation coverage.

Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claims liabilities that should be recorded at June 30, 2013.

DEPOSITS

Custodial credit risk-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 not have a formal policy with respect to custodial credit risk. As of June 30, 2013, the City reported deposits of \$2,756,867 with a bank balance of \$3,020,221. All of the bank balance was covered by F.D.I.C. or by additional insurance or letters of credit purchased or provided by the financial institutions.

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

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2013, interfund loans receivable and payable were as follows:

| <u>Fund</u> | <u>Interfund receivable</u> | <u>Interfund payable</u> |
|---------------------------------|---------------------------------|------------------------------|
| General Fund | \$ 582,117 | - |
| TIF Fund | - | 809,098 |
| Nonmajor Governmental Funds: | | |
| Harrison Ave Fund | - | 812 |
| Economic Development | 66,386 | - |
| Orton Family Foundation | 2,227 | - |
| Public Safety Grants | - | 289 |
| Conservation Grant | 881 | - |
| Enterprise Funds: | | |
| Ambulance | - | 274,739 |
| Sewer | 433,327 | - |
| Total interfund balances | \$ 1,084,938 | 1,084,938 |

Individual interfund transfers for the year ended June 30, 2013 were as follows:

| <u>Fund</u> | <u>Transfers in</u> | <u>Transfers out</u> |
|----------------------------------|---------------------|----------------------|
| General Fund | \$ - | 496,512 |
| TIF Fund | 689,041 | 192,529 |
| Total interfund transfers | \$ 689,041 | 689,041 |

PROPERTY TAX

Property taxes for the current period were committed on August 7, 2012 on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

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 the City budgeted an amount of \$70,547 for the year ended June 30, 2013.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX, CONTINUED

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 the tax liens and associated costs remain unpaid.

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

The following summarizes the levy:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|----------------|
| Assessed value | \$ 361,348,500 | 363,026,000 |
| Tax rate (per \$1,000) | 19.90 | 19.90 |
| Commitment | 7,190,835 | 7,224,217 |
| Plus: | | |
| Supplementals | 2,868 | - |
| Less: | | |
| Abatements / write offs | 1,226 | 69,499 |
| Collections | 6,898,357 | 6,871,749 |
| Current year taxes receivable at end of year | 294,120 | 282,969 |
| Taxes and liens receivable - prior years | 207,854 | 199,746 |
| Total taxes and liens receivable | \$ 501,974 | 482,715 |

| | | | |
|----------|----------|--------------------|--------------------|
| Due date | 1st half | September 14, 2012 | September 15, 2011 |
| | 2nd half | March 15, 2013 | March 15, 2012 |

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------|-------------|
| Interest rate on delinquent taxes | 7.00% | 7.00% |
| Collection rate | 95.91% | 96.08% |

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

| | Balance June 30, <u>2012</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2013</u> |
|---|------------------------------------|------------------|------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 928,648 | - | - | 928,648 |
| Total capital assets not being depreciated | 928,648 | - | - | 928,648 |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | 377,783 | - | - | 377,783 |
| Furniture and equipment | 1,112,023 | 27,281 | - | 1,139,304 |
| Vehicles | 3,134,742 | 126,139 | - | 3,260,881 |
| Infrastructure | 44,567,686 | 85,000 | - | 44,652,686 |
| Total capital assets being depreciated | 49,192,234 | 238,420 | - | 49,430,654 |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | 249,448 | 4,230 | - | 253,678 |
| Furniture and equipment | 688,365 | 83,697 | - | 772,062 |
| Vehicles | 1,788,401 | 222,261 | - | 2,010,662 |
| Infrastructure | 32,100,932 | 532,666 | - | 32,633,598 |
| Total accumulated depreciation | 34,827,146 | 842,854 | - | 35,670,000 |
| Total capital assets being depreciated, net | 14,365,088 | (604,434) | - | 13,760,654 |
| Governmental activities capital assets, net | \$ 15,293,736 | (604,434) | - | 14,689,302 |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 381,668 | - | - | 381,668 |
| Construction in progress – Harrison Ave. | 448,009 | - | (448,009) | - |
| Total capital assets not being depreciated | 829,677 | - | (448,009) | 381,668 |
| Capital assets, being depreciated: | | | | |
| Building/sewer system | 4,734,722 | 87,337 | - | 4,822,059 |
| Vehicles | 425,841 | 181,945 | - | 607,786 |
| Furniture and equipment | 248,339 | 139,526 | - | 387,865 |
| Infrastructure | 9,147,910 | 702,538 | - | 9,850,448 |
| Total capital assets being depreciated | 14,556,812 | 1,111,346 | - | 15,668,158 |
| Less accumulated depreciation for: | | | | |
| Building/sewer system | 2,379,394 | 115,735 | - | 2,495,129 |
| Vehicles | 368,714 | 45,565 | - | 414,279 |
| Furniture and equipment | 243,006 | 14,619 | - | 257,625 |
| Infrastructure | 1,243,933 | 246,260 | - | 1,490,193 |
| Total accumulated depreciation | 4,235,047 | 422,179 | - | 4,657,226 |
| Total capital assets being depreciated, net | 10,321,765 | 689,166 | - | 11,010,932 |
| Business-type activities capital assets, net | \$ 11,151,442 | 689,166 | (448,009) | 11,392,600 |

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

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

| | |
|---------------------------------|-----------|
| Governmental activities: | |
| General government | \$ 83,697 |
| Public safety | 222,261 |
| Public works | 536,896 |

| | |
|--|--------------------------|
| <u>Total depreciation expense – governmental activities</u> | <u>\$ 842,854</u> |
|--|--------------------------|

| | |
|----------------------------------|---------|
| Business-type activities: | |
| Ambulance | 49,639 |
| Wastewater | 372,540 |

| | |
|---|--------------------------|
| <u>Total depreciation expense – business-type activities</u> | <u>\$ 422,179</u> |
|---|--------------------------|

LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013, was as follows:

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Due within one year</u> |
|--|------------------------------|-----------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds and notes | \$ 7,125,975 | 200,000 | 554,171 | 6,771,804 | 621,017 |
| Capital leases | 314,976 | 32,095 | 133,366 | 213,705 | 125,672 |
| Compensated absences | 254,967 | 20,136 | - | 275,103 | - |
| Governmental activities long-term liabilities | <u>\$ 7,695,918</u> | <u>252,231</u> | <u>687,537</u> | <u>7,260,612</u> | <u>746,689</u> |

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Due within one year</u> |
|---|------------------------------|-----------------------|-----------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | | |
| General obligation bonds and notes | \$ 4,123,905 | 200,000 | 291,062 | 4,032,843 | 316,796 |
| Compensated absences | 165,180 | 1,109 | - | 166,289 | - |
| Business-type activities long-term liabilities | <u>\$ 4,289,085</u> | <u>201,109</u> | <u>291,062</u> | <u>4,199,132</u> | <u>316,796</u> |

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

Long-term debt payable at June 30, 2013 is comprised of the following:

| | Date of <u>issue</u> | Original amount <u>issued</u> | Date of <u>maturity</u> | Interest <u>rate</u> | Balance June 30, <u>2013</u> |
|---------------------------------------|-------------------------|-------------------------------------|----------------------------|-------------------------|------------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | 5/25/95 | \$ 750,000 | 11/01/15 | 5.508-6.208% | 103,500 |
| General obligation bonds | 5/27/99 | 2,096,483 | 11/01/19 | 4.039-5.239% | 733,771 |
| IRP loan (Rural Development) | 12/20/00 | 475,000 | 3/31/29 | 1.00% | 319,849 |
| General obligation bonds | 10/28/04 | 775,000 | 11/01/19 | 4.099-4.295% | 361,669 |
| General obligation bonds | 9/26/07 | 319,700 | 11/01/27 | 5.9-6.0% | 239,775 |
| General obligation bonds | 5/27/10 | 4,067,093 | 11/01/24 | 2.773-5.746% | 3,579,042 |
| Ladder Truck | 10/28/10 | 767,000 | 11/01/25 | 2.124-4.267% | 664,733 |
| General obligation bonds | 5/26/11 | 260,000 | 11/01/39 | 2.02-5.52% | 250,715 |
| General obligation bonds | 11/30/11 | 425,000 | 11/30/15 | 1.89% | 318,750 |
| General obligation bonds | 11/01/12 | 200,000 | 11/01/15 | 1.57% | 200,000 |
| Total governmental activities | | | | | 6,771,804 |
| Business-type activities: | | | | | |
| 1997 State revolving loan | 3/14/97 | 1,296,500 | 11/01/17 | 2.95% | 324,125 |
| 1999 State revolving loan | 6/23/99 | 818,500 | 11/01/19 | 2.29% | 245,550 |
| 2000 State revolving loan | 5/15/00 | 790,000 | 4/01/20 | 3.20% | 354,178 |
| 2004 Rural Development | 9/07/05 | 1,635,000 | 9/07/33 | 4.125% | 1,192,056 |
| 2004 Rural Development | 9/07/05 | 1,507,000 | 9/07/31 | 4.125% | 1,066,835 |
| 2007 Rural Development | 3/23/07 | 540,900 | 3/23/35 | 4.125% | 424,664 |
| 2011 Rural Development | 5/26/11 | 236,000 | 5/26/40 | 3.75% | 225,435 |
| 2013 Ambulance | 11/01/12 | 200,000 | 11/01/20 | 1.79% | 200,000 |
| Total business-type activities | | | | | 4,032,843 |
| Total long-term debt | | | | | \$ 10,804,647 |

The annual requirements to amortize long-term debt outstanding as of June 30, 2013 are as follows:

| <u>June 30,</u> | <u>Governmental activities</u> | | | <u>Business-type activities</u> | | |
|-----------------|--------------------------------|------------------|------------------|---------------------------------|------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | \$ 621,017 | 204,490 | 825,507 | 316,796 | 145,569 | 462,365 |
| 2015 | 621,198 | 182,339 | 803,537 | 318,620 | 135,394 | 454,014 |
| 2016 | 621,381 | 164,989 | 786,370 | 320,510 | 125,165 | 445,675 |
| 2017 | 414,149 | 150,284 | 564,433 | 322,469 | 114,862 | 437,331 |
| 2018 | 414,336 | 137,260 | 551,596 | 324,499 | 104,501 | 429,000 |
| 2019-2023 | 1,605,071 | 522,397 | 2,127,468 | 936,947 | 396,238 | 1,333,185 |
| 2024-2028 | 1,194,773 | 296,590 | 1,491,363 | 717,250 | 241,475 | 958,725 |
| 2029-2033 | 889,511 | 137,912 | 1,027,423 | 633,897 | 95,498 | 729,395 |
| 2034-2038 | 371,796 | 21,539 | 393,335 | 118,866 | 13,850 | 132,716 |
| 2039-2040 | 18,572 | 1,025 | 19,597 | 22,989 | 1,443 | 24,432 |
| Total | \$ 6,771,804 | 1,818,825 | 8,590,629 | 4,032,843 | 1,373,995 | 5,406,838 |

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City of \$361,348,500. At June 30, 2013, the statutory limit for the City was \$54,202,275. The City's outstanding long-term debt of \$10,804,647 at June 30, 2013 was significantly less than the statutory limit.

OVERLAPPING DEBT

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2013:

| <u>Governmental unit</u> | <u>Net debt outstanding</u> | <u>Applicable to Gardiner</u> | <u>City of Gardiner's share of debt</u> |
|--------------------------|---------------------------------|-----------------------------------|---|
| Kennebec County | \$ 15,000 | 3.35% | 502 |
| MSAD 11 | 1,350,500 | 37.83% | 510,894 |

The City's proportionate share of the County and District debt is paid through annual assessments. The City's share of MSAD 11 debt service payments is voted on annually.

CAPITAL LEASES

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

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2013.

| | <u>Governmental activities</u> | |
|--------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | 125,672 | 7,511 |
| 2015 | 68,693 | 3,097 |
| 2016 | 6,292 | 472 |
| 2017 | 6,445 | 319 |
| 2018 | 6,603 | 161 |
| Total | \$ 213,705 | 11,560 |

The amount capitalized under capital leases totals \$781,431 for governmental activities.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

Maine PERS - Consolidated Plan

Description of the Plan - The City contributes to Maine Public Employees Retirement System 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, 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. 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, with the exception of Public Safety, which contributes 8%, and the City of Gardiner, Maine is required to contribute an actuarially determined rate. The current rate is 6.5%, except for Public Safety, which the rate is 10.5% of annual covered payroll. The contribution rates of plan members and the City of Gardiner, Maine are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City had an Initial Unpooled Unfunded Actuarial Credit when joining the consolidated plan. The credit amounted to \$471,994 as of June 30, 2012 (latest date available). This credit is being used in lieu of the City making monthly employer contributions to the plan. Contributions would have approximated \$208,975, \$172,613, and \$132,752 in 2013, 2012, and 2011, respectively, had these credits not been available.

DEFERRED COMPENSATION PLAN

The City of Gardiner, Maine offers all its employees not participating in Maine Public Employees Retirement 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 City's financial statements.

LANDFILL

The City pays a per capita fee for use of the Hatch Hill landfill facility in Augusta. In 2013, the per capita fee was based on 5,800 residents for a total of \$87,000. This was based on a rate of \$21,750 per quarter.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICTS

The City has established six tax increment financing districts under the terms of applicable state laws, which are accounted for in the TIF Fund.

The City established the **Libby Hill Area Wide Tax Incremental Financing District** in the spring of 2009. This thirty year TIF includes all the remaining lots within Libby Hill Phase I and Phase II that were not already in a separate TIF agreement as of that date. Credit enhancement agreements are decided on a case by case basis. Any captured assessed value will be applied to debt service on Libby Hill and economic development expenditures. Current credit enhancement agreements include Dennison Lubricants, 10 years at 25% reimbursement beginning in 2009, and Black Diamond Consultants, with a 25% reimbursement on land only (not to exceed 5 years) and an added 25% reimbursement for a further ten years upon building development.

The City established the **Harper's II LLC Municipal Development Tax Incremental Financing District** on March 23, 2001, for the purpose of economic development in the Libby Hill Business Park. The TIF will help offset the specific costs of the high-tech facility by paying for a portion of the marginal increase in debt service. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. There is a 34% credit enhancement agreement on this TIF through 2020.

The City established the **Downtown Municipal Development Tax Incremental Financing District** on March 20, 2003, for the purpose of improving the downtown area. The TIF will fund debt service payments for a bond issued for downtown improvements. The TIF has been designated for 10 years or until the project costs are expended. This district was amended in 2009 to 30 years, and increased in size to include City owned areas including the City Common, and portions of Church and School Streets leading to the Downtown area. There is no credit enhancement agreement associated with this TIF which allows the City to keep 100% of the tax payments to be used in their entirety towards economic development.

The City established the **Pine State Trading Municipal Development Tax Incremental Financing District** on March 30, 2004, for the purpose of economic development in the Libby Hill Business Park. The TIF will help offset the costs of a new building by paying for a portion of the project. The TIF has been designated for 10 years and 50% of the captured assessed value will be applied to the Credit Enhancement Agreement. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. The prior credit enhancement agreement remains unchanged.

The City established the **EJ Prescott Tax Incremental Financing District** in March 2005. The TIF has been designated as follows: 75% of the captured assessed value to be paid to developer for years one through six and 50% for years seven through ten. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. The prior credit enhancement agreement remains unchanged.

The City established the **Associated Grocers Tax Incremental Financing District** in 2006, encompassing the facilities 40,000 square foot expansion completed in 2005. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas, as well as fire suppression system which supports the property. However, in 2011 Associated Grocers ended operations, the property was purchased by KNG, LLC, and is occupied by Pine State Trading.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

JOINT VENTURE

The City of Gardiner, Maine has entered into a joint venture with a number of other municipalities. This joint venture is considered to be a separate reporting entity and has not been included within the financial statements of the City. The joint venture is as follows:

FirstPark

Kennebec Regional Development Authority (FirstPark) was formed in 1998 through an act of the Maine State Legislature. Its primary purposes according to the act were to strengthen the financial condition of local governments within the geographic territory of the Authority, while combining resources and sharing costs for meeting regional and economic development needs and challenges; to promote and develop infrastructure and programs for employment and economic development opportunities and other conditions to positively affect regional development. The intent was that the members would fund the start up costs and then all benefit from the tax revenues later on. There are currently 24 local governments who are members of the Authority, including the City of Gardiner, Maine. The Authority derives the bulk of its revenue from participants, but also receives some grant revenues from the State of Maine. In fiscal 2013, the City of Gardiner, Maine contributed \$32,767. Complete financial statements may be obtained from Kennebec Regional Development Authority/FirstPark at P.O. Box 246, Oakland, Maine 04963.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

FUND BALANCE

As of June 30, 2013, fund balance components consisted of the following:

| | General <u>Fund</u> | TIF <u>Fund</u> | Other Governmental <u>Funds</u> | <u>Total</u> |
|---|------------------------|--------------------|---------------------------------------|------------------|
| Nonspendable: | | | | |
| Long-term notes receivable | \$ - | - | 242,184 | 242,184 |
| Principal for permanent funds | - | - | 307,399 | 307,399 |
| Total nonspendable | - | - | 549,583 | 549,583 |
| Restricted: | | | | |
| Revolving loan funds | - | - | 350,762 | 350,762 |
| Grants for capital projects | - | - | 80,401 | 80,401 |
| Grant for Gardiner community (Orton Family) | - | - | 1,646 | 1,646 |
| Grants for public safety | - | - | 12,920 | 12,920 |
| Grant for conservation | - | - | 881 | 881 |
| Permanent funds | - | - | 126,633 | 126,633 |
| Total restricted | - | - | 573,243 | 573,243 |
| Assigned: | | | | |
| Assigned for subsequent year's budget | 221,025 | - | - | 221,025 |
| Call crew gear room | 500 | - | - | 500 |
| Window replacement | 2,000 | - | - | 2,000 |
| CIP Engineer | 6,000 | - | - | 6,000 |
| Hose tower roof | 8,000 | - | - | 8,000 |
| Paving | 1,500 | - | - | 1,500 |
| WIFI | 2,500 | - | - | 2,500 |
| Light poles and banner arm | 6,572 | - | - | 6,572 |
| Air conditioning – City Hall | 442 | - | - | 442 |
| Culverts | 13,446 | - | - | 13,446 |
| Software and API | 55,000 | - | - | 55,000 |
| FY12 loan balance – Capen Road | 230,481 | - | - | 230,481 |
| Total assigned | 547,466 | - | - | 547,466 |
| Total unassigned | 2,012,584 | (809,098) | - | 1,203,486 |
| Total fund balance | \$ 2,560,050 | (809,098) | 1,122,826 | 2,873,778 |

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund (Exhibit A-2) is information required by the Governmental Accounting Standards Board as required supplementary information. Comparative Balance Sheets (Exhibit A-1) is presented for additional analysis only.

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. The fund pays general operating expenditures, fixed charges and capital improvement costs which are not paid through other funds.

CITY OF GARDINER, MAINE
General Fund
Comparative Balance Sheets
June 30, 2013 and 2012

| | 2013 | 2012 |
|--|---------------------|------------------|
| ASSETS | | |
| Cash | \$ 1,962,949 | 2,273,855 |
| Receivables: | | |
| Taxes - current year | 11,706 | 10,667 |
| Taxes - prior years | 23,144 | 19,329 |
| Tax liens - prior years | 184,710 | 180,417 |
| Tax liens - current year | 282,414 | 272,302 |
| Interfund loans receivable | 582,117 | 139,158 |
| Other receivables | 105,881 | 135,234 |
| Total assets | \$ 3,152,921 | 3,030,962 |
| LIABILITIES | | |
| Accounts payable | 109,191 | 66,924 |
| Accrued payroll | 35,083 | 36,098 |
| Taxes paid in advance | 7,023 | 15,506 |
| Due to other governments | 6,090 | 4,037 |
| Total liabilities | 157,387 | 122,565 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue - property taxes | 435,484 | 423,733 |
| Total deferred inflows of resources | 435,484 | 423,733 |
| FUND BALANCES: | | |
| Assigned | 547,466 | 566,246 |
| Unassigned | 2,012,584 | 1,918,418 |
| Total fund balances | 2,560,050 | 2,484,664 |
| Total liabilities, deferred inflows and fund balances | \$ 3,152,921 | 3,030,962 |

CITY OF GARDINER, MAINE
Required Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
General Fund
For the year ended June 30, 2013

| | Budget | | Actual | Variance with final budget positive (negative) |
|--|--------------|-----------|-----------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 8,075,944 | 8,075,944 | 8,086,615 | 10,671 |
| Licenses and permits | 57,000 | 57,000 | 104,063 | 47,063 |
| Intergovernmental | 946,134 | 1,120,134 | 1,135,165 | 15,031 |
| Charges for services | 20,970 | 20,970 | 17,291 | (3,679) |
| Unclassified | 124,575 | 124,575 | 163,737 | 39,162 |
| Interest earned | 7,000 | 7,000 | 4,940 | (2,060) |
| Total revenues | 9,231,623 | 9,405,623 | 9,511,811 | 106,188 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,236,558 | 1,236,558 | 1,135,537 | 101,021 |
| Public safety | 1,556,260 | 1,556,260 | 1,468,719 | 87,541 |
| Public works | 1,772,321 | 1,772,321 | 1,707,809 | 64,512 |
| Community services | 391,828 | 391,828 | 375,713 | 16,115 |
| Other expenditures | 398,326 | 572,326 | 554,373 | 17,953 |
| County | 345,207 | 345,207 | 345,207 | - |
| Education | 3,195,907 | 3,195,907 | 3,195,907 | - |
| Capital | 317,950 | 634,003 | 355,101 | 278,902 |
| Debt service not included above in departments* | - | - | 1,547 | (1,547) |
| Total expenditures | 9,214,357 | 9,704,410 | 9,139,913 | 564,497 |
| Excess (deficiency) of revenues over (under) expenditures | 17,266 | (298,787) | 371,898 | 670,685 |
| Other financing sources (uses): | | | | |
| Use of fund balance | 479,246 | 595,299 | - | (595,299) |
| Proceeds from issuance of debt | - | 200,000 | 200,000 | - |
| Transfer to other funds | (689,041) | (689,041) | (689,041) | - |
| Transfer from other funds | 192,529 | 192,529 | 192,529 | - |
| Total other financing sources (uses) | (17,266) | 298,787 | (296,512) | (595,299) |
| Net change in fund balance | - | - | 75,386 | 75,386 |
| Fund balance, beginning of year | | | 2,484,664 | |
| Fund balance, end of year | \$ | | 2,560,050 | |

*Debt service is budgeted in the department in which debt was incurred.

ALL OTHER GOVERNMENTAL FUNDS

CITY OF GARDINER, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2013

| | Nonmajor Special Revenue Funds | Nonmajor Permanent Funds | Total Other Governmental Funds |
|--|--------------------------------------|--------------------------------|---|
| ASSETS | | | |
| Cash | \$ 359,886 | 434,032 | 793,918 |
| Other receivables | 21,306 | - | 21,306 |
| Notes receivable | 242,184 | - | 242,184 |
| Interfund loans receivable | 69,494 | - | 69,494 |
| Total assets | \$ 692,870 | 434,032 | 1,126,902 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | 2,975 | - | 2,975 |
| Interfund loans payable | 1,101 | - | 1,101 |
| Total liabilities | 4,076 | - | 4,076 |
| Fund balances: | | | |
| Nonspendable | 242,184 | 307,399 | 549,583 |
| Restricted | 446,610 | 126,633 | 573,243 |
| Total fund balances | 688,794 | 434,032 | 1,122,826 |
| Total liabilities and fund balances | \$ 692,870 | 434,032 | 1,126,902 |

CITY OF GARDINER, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2013

| | Nonmajor Special Revenue Funds | Nonmajor Permanent Funds | Total Other Governmental Funds |
|---|--------------------------------------|--------------------------------|---|
| Revenues: | | | |
| Intergovernmental | \$ 88,381 | - | 88,381 |
| Charges for services | 31,734 | - | 31,734 |
| Interest income | - | 1,574 | 1,574 |
| Other income | 150,701 | - | 150,701 |
| Total revenues | 270,816 | 1,574 | 272,390 |
| Expenditures: | | | |
| Public safety | 84,138 | - | 84,138 |
| Capital outlay | 41,817 | - | 41,817 |
| Unclassified | 76,707 | 5,000 | 81,707 |
| Debt service | 31,456 | - | 31,456 |
| Total expenditures | 234,118 | 5,000 | 239,118 |
| Excess (deficiency) of revenues over (under) expenditures | 36,698 | (3,426) | 33,272 |
| Net change in fund balances | 36,698 | (3,426) | 33,272 |
| Fund balances, beginning of year | 652,096 | 437,458 | 1,089,554 |
| Fund balances, end of year | \$ 688,794 | 434,032 | 1,122,826 |

NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.

CITY OF GARDINER, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2013

| | Special Revenue Funds | | | | | | | | Total |
|--|--------------------------|---------------------------------|----------------------------------|---|----------------------------------|---|------------------------------------|-----------------------------|----------------|
| | 24 Bradstreet Fund | 20 Revolving Loan Fund | 41 Harrison Avenue Fund | 21 Economic Development Projects | 23 Public Safety Grants | 25 Orton Family Foundation Grant | 26 School Reserve Officer | 27 Conservation Grant | |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | - | 351,571 | - | - | 8,315 | - | - | - | 359,886 |
| Accounts receivable | \$ - | - | 1,497 | 14,089 | 5,720 | - | - | - | 21,306 |
| Interfund loans receivable | - | - | - | 66,386 | - | 2,227 | - | 881 | 69,494 |
| Notes receivable | - | 242,184 | - | - | - | - | - | - | 242,184 |
| Total assets | \$ - | 593,755 | 1,497 | 80,475 | 14,035 | 2,227 | - | 881 | 692,870 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | - | 809 | 685 | 74 | 826 | 581 | - | - | 2,975 |
| Interfund loans payable | - | - | 812 | - | 289 | - | - | - | 1,101 |
| Total liabilities | - | 809 | 1,497 | 74 | 1,115 | 581 | - | - | 4,076 |
| Fund balances: | | | | | | | | | |
| Nonspendable | - | 242,184 | - | - | - | - | - | - | 242,184 |
| Restricted | - | 350,762 | - | 80,401 | 12,920 | 1,646 | - | 881 | 446,610 |
| Total fund balances | - | 592,946 | - | 80,401 | 12,920 | 1,646 | - | 881 | 688,794 |
| Total liabilities and fund balances | \$ - | 593,755 | 1,497 | 80,475 | 14,035 | 2,227 | - | 881 | 692,870 |

CITY OF GARDINER, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2013

| | Special Revenue Funds | | | | | | | | Total |
|---|--------------------------|---------------------------------|----------------------------------|---|----------------------------------|-------------------------------------|------------------------------------|-----------------------------|---------|
| | 24 Bradstreet Fund | 20 Revolving Loan Fund | 41 Harrison Avenue Fund | 21 Economic Development Projects | 23 Public Safety Grants | 25 Orton Family Foundation | 26 School Reserve Officer | 27 Conservation Grant | |
| Revenues: | | | | | | | | | |
| Intergovernmental: | | | | | | | | | |
| Grants - general | \$ - | - | - | - | - | 24,250 | - | - | 24,250 |
| Preserve America | - | - | - | 5,421 | - | - | - | - | 5,421 |
| Waterfront | - | - | - | 50,000 | - | - | - | - | 50,000 |
| Harrison Avenue | - | - | 8,710 | - | - | - | - | - | 8,710 |
| Charges for services | - | - | - | - | - | - | 31,734 | - | 31,734 |
| Other income | 4,408 | 11,890 | - | 30,239 | 63,872 | 40,292 | - | - | 150,701 |
| Total revenues | 4,408 | 11,890 | 8,710 | 85,660 | 63,872 | 64,542 | 31,734 | - | 270,816 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| Public safety | - | - | - | - | 52,404 | - | 31,734 | - | 84,138 |
| Unclassified | 4,408 | 15,500 | - | - | - | 56,799 | - | - | 76,707 |
| Capital outlay: | | | | | | | | | |
| Art in the park | - | - | - | 2,082 | - | - | - | - | 2,082 |
| Waterfront - phase II | - | - | - | 5,000 | - | - | - | - | 5,000 |
| Comprehensive plan | - | - | - | 3,000 | - | - | - | - | 3,000 |
| Preserve America | - | - | - | 10,421 | - | - | - | - | 10,421 |
| Heritage signs | - | - | - | 1,000 | - | - | - | - | 1,000 |
| Historic preservation | - | - | - | 8,669 | - | - | - | - | 8,669 |
| Brownfield | - | - | - | 2,935 | - | - | - | - | 2,935 |
| Harrison Avenue | - | - | 8,710 | - | - | - | - | - | 8,710 |
| Debt service | - | 31,456 | - | - | - | - | - | - | 31,456 |
| Total expenditures | 4,408 | 46,956 | 8,710 | 33,107 | 52,404 | 56,799 | 31,734 | - | 234,118 |
| Excess (deficiency) of revenues over (under) expenditures | - | (35,066) | - | 52,553 | 11,468 | 7,743 | - | - | 36,698 |
| Net change in fund balances | - | (35,066) | - | 52,553 | 11,468 | 7,743 | - | - | 36,698 |
| Fund balances (deficit), beginning of year | - | 628,012 | - | 27,848 | 1,452 | (6,097) | - | 881 | 652,096 |
| Fund balances, end of year | \$ - | 592,946 | - | 80,401 | 12,920 | 1,646 | - | 881 | 688,794 |

NONMAJOR PERMANENT FUNDS

Nonmajor permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The **Henrietta Johnson Fire Department Fund** of \$10,000 is a fund intended for the assistance and relief of sick or unfortunate members of the Gardiner Fire Department, former member(s), or their families.

Lucy Harriman Children's Fund holds \$20,000 of nonexpendable gifts to the City. This trust was established for the assistance of needy children in Gardiner.

Christmas Dinner Fund holds \$10,000 of nonexpendable gifts to the City. The purpose of this fund is to purchase groceries to provide Christmas dinners for the needy.

Gardiner Fire Department Fund holds \$10,250 of nonexpendable gifts to the City. The purpose of this fund is the same as the Henrietta Johnson Fire Department fund.

The Cemetery Perpetual Care Fund holds \$2,050 of nonexpendable gifts to the City. They were established by various donors for the ongoing care of City cemeteries from the income of the trust funds.

The **Isabel Harriman fund** of \$239,599 is for scholarships for deserving Gardiner area High School graduates to defray the cost of further vocational education.

All Other Funds hold \$15,500 of nonexpendable gifts to the City. The income generated from these various funds is to be used to help the poor and help maintain the City's parks, libraries and cemeteries.

CITY OF GARDINER, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2013

| | Henrietta Johnson Fire Dept. Fund | Lucy Harriman Children's Fund | Christmas Dinner Fund | Gardiner Fire Department Fund | Cemetery Perpetual Care | Isabel Harriman Fund | All Other Funds | Total |
|--|--|--|-----------------------------|--|-------------------------------|----------------------------|-----------------------|----------------|
| ASSETS | | | | | | | | |
| Cash | \$ 119,262 | 21,655 | 11,523 | 20,075 | 2,091 | 241,258 | 18,168 | 434,032 |
| Interfund loans receivable | - | - | - | - | - | - | - | - |
| Total assets | \$ 119,262 | 21,655 | 11,523 | 20,075 | 2,091 | 241,258 | 18,168 | 434,032 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Interfund loan payable | - | - | - | - | - | - | - | - |
| Total liabilities | - | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | | |
| Nonspendable | 10,000 | 20,000 | 10,000 | 10,250 | 2,050 | 239,599 | 15,500 | 307,399 |
| Restricted | 109,262 | 1,655 | 1,523 | 9,825 | 41 | 1,659 | 2,668 | 126,633 |
| Total fund balances | 119,262 | 21,655 | 11,523 | 20,075 | 2,091 | 241,258 | 18,168 | 434,032 |
| Total liabilities and fund balances | \$ 119,262 | 21,655 | 11,523 | 20,075 | 2,091 | 241,258 | 18,168 | 434,032 |

CITY OF GARDINER, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2013

| | Henrietta Johnson Fire Dept. Fund | Lucy Harriman Children's Fund | Christmas Dinner Fund | Gardiner Fire Department Fund | Cemetery Perpetual Care | Isabel Harriman Fund | All Other Funds | Total |
|----------------------------------|--|--|-----------------------------|--|-------------------------------|----------------------------|-----------------------|---------|
| Revenues: | | | | | | | | |
| Other revenue | \$ - | - | - | - | - | - | - | - |
| Investment income | 435 | 78 | 42 | 73 | 8 | 873 | 65 | 1,574 |
| Total revenues | 435 | 78 | 42 | 73 | 8 | 873 | 65 | 1,574 |
| Expenditures | 5,000 | - | - | - | - | - | - | 5,000 |
| Total expenditures | 5,000 | - | - | - | - | - | - | 5,000 |
| Net change in fund balances | (4,565) | 78 | 42 | 73 | 8 | 873 | 65 | (3,426) |
| Fund balances, beginning of year | 123,827 | 21,577 | 11,481 | 20,002 | 2,083 | 240,385 | 18,103 | 437,458 |
| Fund balances, end of year | \$ 119,262 | 21,655 | 11,523 | 20,075 | 2,091 | 241,258 | 18,168 | 434,032 |