

**CITY OF GARDINER, MAINE**

**Financial Report**

**For the Fiscal Year Ended June 30, 2012**



**CITY OF GARDINER, MAINE**  
**Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

---

**Table of Contents**

	<u>Statements</u>	<u>Page</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	11
Statement of Activities	2	12
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	15
Statement of Net Assets – Proprietary Funds	6	16
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	7	17
Statement of Cash Flows – Proprietary Funds	8	18
Notes to Basic Financial Statements		19-34
	<u>Exhibits</u>	<u>Page</u>
Required Supplementary Information and Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	A-1	37
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Required Supplementary Information)	A-2	38
All Other Governmental Funds:		
Combining Balance Sheet	B-1	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	B-2	42
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	C-1	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	46
Nonmajor Permanent Funds:		
Combining Balance Sheet	D-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	50



Independent Auditor's Report

City Council  
City of Gardiner, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardiner, Maine as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gardiner, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Gardiner, Maine, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

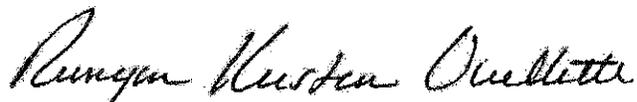
In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of the City of Gardiner, Maine's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the budgetary comparison information (Exhibit A-2) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

---

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

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



December 10, 2012  
South Portland, Maine

**CITY OF GARDINER, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2012**

---

As management of the City of Gardiner, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Gardiner for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in the notes to the financial statements, which can be found on pages 19-34 of this report.

**Financial Highlights**

- The assets of the City of Gardiner exceeded its liabilities at the close of the most recent fiscal year by \$18,861,052 (*net assets*) (Statement 1). Of this amount, \$2,289,568 (*unrestricted net assets*) (Statement 1) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Gardiner's total net assets decreased by \$206,065 (Statement 2). This represents an increase of \$34,258 in governmental activities and a decrease of \$240,323 in business-type activities (Ambulance and Wastewater).
- As of the close of the current fiscal year, the City of Gardiner's governmental funds reported combined ending fund balances of \$2,919,796 (Statement 3), an increase of \$321,749 (Statement 4) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,918,418 (Statement 3) or 22% of total general fund expenditures of \$8,752,070 (Statement 4).
- The City of Gardiner issued new debt totaling \$425,000 during the fiscal year. This was for the purchase of vehicles and equipment, a pellet boiler at city hall, and for the Capen Road project.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Gardiner'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's finances, in a manner similar to a private-sector business.

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

The *statement of activities*, Statement 2, presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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).

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

---

Both of the government-wide financial statements distinguish functions of the City of Gardiner 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, 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 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 types of 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 16-18 of this report.

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

**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 19-34 of this report.

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

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Gardiner, assets exceeded liabilities by \$18,861,052 at the close of the most recent fiscal year (Statement 1).

By far the largest portion of the City of Gardiner's net assets (81 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'S NET ASSETS**

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 3,456,724	3,341,151	1,260,354	1,953,825	4,717,078	5,294,976
Capital assets, net	15,293,736	15,678,833	11,151,442	10,939,219	26,445,178	26,618,052
<b>Total assets</b>	<b>18,750,460</b>	<b>19,019,984</b>	<b>12,411,796</b>	<b>12,893,044</b>	<b>31,162,256</b>	<b>31,913,028</b>
Long-term debt outstanding	7,695,918	7,858,404	4,289,085	4,603,592	11,985,003	12,461,996
Other liabilities	150,721	292,017	165,480	91,898	316,201	383,915
<b>Total liabilities</b>	<b>7,846,639</b>	<b>8,150,421</b>	<b>4,454,565</b>	<b>4,695,490</b>	<b>12,301,204</b>	<b>12,845,911</b>
Net assets:						
Invested in capital assets,						
net of related debt	8,426,158	8,423,193	7,027,537	6,491,077	15,453,695	14,914,270
Restricted	1,117,789	1,135,188	-	-	1,117,789	1,135,188
Unrestricted	1,359,874	1,311,182	929,694	1,706,477	2,289,568	3,017,659
<b>Total net assets</b>	<b>\$ 10,903,821</b>	<b>10,869,563</b>	<b>7,957,231</b>	<b>8,197,554</b>	<b>18,861,052</b>	<b>19,067,117</b>

The City's restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,289,568) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City of Gardiner's net assets decreased \$206,065 during the current fiscal year. This change is broken out in the following categories:

- **Governmental activities:** The City's governmental activities increased the net assets by \$34,258.
- **Business-type activities:** The City's two business-type activities, the ambulance service and wastewater treatment plant, decreased the City of Gardiner's net assets by \$240,323.

**City of Gardiner's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 53,960	\$ 49,798	\$ 2,107,472	\$ 2,267,420	\$ 2,161,432	\$ 2,317,218
Operating grants and contributions	373,961	361,134	-	-	373,961	361,134
Capital grants and contributions	137,351	1,419,373	53,093	410,907	190,444	1,830,280
<b>General revenues:</b>						
Property taxes	7,149,291	6,945,610	-	-	7,149,291	6,945,610
Other taxes	855,255	884,807	-	-	855,255	884,807
Grants not restricted to specific programs	833,131	796,557	-	-	833,131	796,557
Other	186,421	92,962	1,637	5,338	188,058	98,300
Total revenues	<u>9,589,370</u>	<u>10,550,241</u>	<u>2,162,202</u>	<u>2,683,665</u>	<u>11,751,572</u>	<u>13,233,906</u>
<b>Expenses:</b>						
General government	978,630	1,132,327	-	-	978,630	1,132,327
Public safety	1,487,466	1,617,284	-	-	1,487,466	1,617,284
Public works	1,120,442	1,524,719	-	-	1,120,442	1,524,719
Health and welfare	166,374	151,068	-	-	166,374	151,068
Community services	470,084	434,863	-	-	470,084	434,863
Education	3,304,432	3,136,859	-	-	3,304,432	3,136,859
County	350,350	360,679	-	-	350,350	360,679
Unclassified	995,453	956,905	-	-	995,453	956,905
Minor capital outlay	440,016	-	-	-	440,016	-
Interest of debt	241,865	285,346	-	-	241,865	285,346
Ambulance	-	-	996,558	948,246	996,558	948,246
Wastewater	-	-	1,405,967	1,439,445	1,405,967	1,439,445
Total expenses	<u>9,555,112</u>	<u>9,600,050</u>	<u>2,402,525</u>	<u>2,387,691</u>	<u>11,957,637</u>	<u>11,987,741</u>
Increase in net assets	34,258	950,191	(240,323)	295,974	(206,065)	1,246,165
Net assets - July 1	10,869,563	9,919,373	8,197,554	7,901,580	19,067,117	17,820,953
Net assets - June 30	<u>\$ 10,903,821</u>	<u>\$ 10,869,564</u>	<u>\$ 7,957,231</u>	<u>\$ 8,197,554</u>	<u>\$ 18,861,052</u>	<u>\$ 19,067,118</u>

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

---

**Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the City of Gardiner'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's governmental funds reported combined ending fund balances of \$2,919,796. Approximately 43% of this total amount (\$1,263,996) constitutes *unassigned fund balance*.

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's general fund increased \$596,272 (Statement 4) during the current fiscal year.

**General Fund Budgetary Highlights**

For the current fiscal year, revenues exceeded budgetary projections by \$151,563 and expenditures were below appropriations by \$559,916.

This created a positive variance of \$711,479 to the fund balance. However, the budgeted use of prior year carry forwards of \$99,850 and an unbudgeted transfer to other funds of \$15,357 netted an increase of \$596,272 to the fund balance.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Gardiner's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$15,293,736 (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 new police cruiser and new dump truck and loader for the public works department;
- the purchase of a thermal imaging camera for the fire department, and a mower for the building and grounds department;
- a pellet boiler and upgrades to the air conditioning at City Hall.

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

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

---

**Long-term debt.** At the end of the current fiscal year, the City of Gardiner had total bonded debt outstanding of \$11,249,880. Of this amount, \$4,123,905 is business-type activities and \$7,125,975 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 is \$51,217,500 which is in excess of the City of Gardiner's outstanding general obligation debt of \$11,249,880.

Additional information on the City of Gardiner'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.

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 2012, the unemployment rate for Kennebec County 7.1%, compared to the State's rate of 7.5% and the national rate of 8.2%.

**Next Year's Budgets and Tax Rates**

The above economic factors were considered in preparing the City's budget for the 2012-13 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 2012-13 fiscal year budget adopted by the City Council resulted in a zero percent increase to property taxes, keeping the mil rate at 19.9.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Gardiner'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 Assets**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 3,091,537	6,234	3,097,771
Receivables:			
Taxes receivable	14,490	-	14,490
Tax liens	452,719	-	452,719
Other receivables, net of allowances	147,979	755,759	903,738
Notes receivable	248,360	-	248,360
Internal balances	(498,361)	498,361	-
Capital assets, not being depreciated	928,648	829,677	1,758,325
Capital assets, net of accumulated depreciation	14,365,088	10,321,765	24,686,853
Total assets	18,750,460	12,411,796	31,162,256
<b>LIABILITIES</b>			
Accounts payable	73,060	98,655	171,715
Accrued expenses	36,098	17,153	53,251
Due to other governments	4,037	-	4,037
Accrued interest	37,526	43,500	81,026
Deferred revenue	-	6,172	6,172
Noncurrent liabilities:			
Due within one year	679,691	290,035	969,726
Due in more than one year	7,016,227	3,999,050	11,015,277
Total liabilities	7,846,639	4,454,565	12,301,204
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,426,158	7,027,537	15,453,695
Restricted for:			
Permanent funds	437,458	-	437,458
Revolving loan funds	628,012	-	628,012
Grants	52,319	-	52,319
Unrestricted	1,359,874	929,694	2,289,568
Total net assets	\$ 10,903,821	7,957,231	18,861,052

*See accompanying notes to basic financial statements.*

CITY OF GARDINER, MAINE  
Statement of Activities  
For the year ended June 30, 2012

Functions/programs	Net (expense) revenue and changes in net assets						
	Program revenues			Primary Government			
	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 978,630	-	-	(941,816)	-	(941,816)	
Public safety	1,487,466	-	-	(1,487,466)	-	(1,487,466)	
Public works	1,120,442	77,432	-	(1,039,650)	-	(1,039,650)	
Health and welfare	166,374	12,701	-	(153,673)	-	(153,673)	
Community services	470,084	83,828	-	(372,470)	-	(372,470)	
Education	3,304,432	-	-	(3,304,432)	-	(3,304,432)	
County	350,350	-	-	(350,350)	-	(350,350)	
Unclassified	995,453	200,000	-	(795,453)	-	(795,453)	
Miscellaneous capital costs	440,016	-	137,351	(302,665)	-	(302,665)	
Interest on debt	241,865	-	-	(241,865)	-	(241,865)	
Total governmental activities	9,555,112	373,961	137,351	(8,989,840)	-	(8,989,840)	
<b>Business-type activities:</b>							
Ambulance	996,558	-	-	-	(47,513)	(47,513)	
Wastewater	1,405,967	-	-	-	(247,540)	(247,540)	
Total business-type activities	2,402,525	-	-	-	(295,053)	(295,053)	
<b>Total primary government</b>	<b>\$ 11,957,637</b>	<b>373,961</b>	<b>137,351</b>	<b>(8,989,840)</b>	<b>(295,053)</b>	<b>(9,284,893)</b>	
General revenues:							
Property taxes				7,149,291	-	7,149,291	
Other taxes				855,255	-	855,255	
Grants and contributions not restricted to specific programs:							
State revenue sharing				629,051	-	629,051	
Homestead exemption				149,443	-	149,443	
Other				54,637	-	54,637	
Interest earned				5,887	1,637	7,524	
Unclassified				180,534	-	180,534	
Contributed assets, net				-	53,093	53,093	
Total general revenues				9,024,098	54,730	9,078,828	
Change in net assets				34,258	(240,323)	(206,065)	
Net assets - beginning				10,869,563	8,197,554	19,067,117	
<b>Net assets - ending</b>	<b>\$</b>			<b>10,903,821</b>	<b>7,957,231</b>	<b>18,861,052</b>	

See accompanying notes to basic financial statements.

**CITY OF GARDINER, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General	TIF Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 2,273,855	-	817,682	3,091,537
Receivables:				
Taxes receivable	14,490	-	-	14,490
Tax liens	452,719	-	-	452,719
Other receivables	135,234	-	12,745	147,979
Notes receivable	-	-	248,360	248,360
Interfund loans receivable	139,158	-	31,535	170,693
<b>Total assets</b>	<b>\$ 3,015,456</b>	<b>-</b>	<b>1,110,322</b>	<b>4,125,778</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accrued payroll and related liabilities	36,098	-	-	36,098
Interfund loans payable	-	654,392	14,662	669,054
Accounts payable	66,924	30	6,106	73,060
Due to other governments	4,037	-	-	4,037
Deferred revenue	423,733	-	-	423,733
<b>Total liabilities</b>	<b>530,792</b>	<b>654,422</b>	<b>20,768</b>	<b>1,205,982</b>
Fund balances (deficit):				
Nonspendable	-	-	555,759	555,759
Restricted	-	-	533,795	533,795
Assigned	566,246	-	-	566,246
Unassigned	1,918,418	(654,422)	-	1,263,996
<b>Total fund balances (deficit)</b>	<b>2,484,664</b>	<b>(654,422)</b>	<b>1,089,554</b>	<b>2,919,796</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,015,456</b>	<b>-</b>	<b>1,110,322</b>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				15,293,736
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				423,733
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:				
Accrued compensated absences				(254,967)
Accrued interest				(37,526)
Capital leases				(314,976)
Bonds payable				(7,125,975)
<b>Net assets of governmental activities</b>				<b>\$ 10,903,821</b>

*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, 2012**

	General	TIF Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 8,073,452	-	-	8,073,452
Licenses and permits	36,814	-	-	36,814
Intergovernmental	1,176,103	-	137,351	1,313,454
Charges for services	17,146	-	30,989	48,135
Unclassified	97,674	35,000	47,860	180,534
Interest earned	4,894	-	992	5,886
<b>Total revenues</b>	<b>9,406,083</b>	<b>35,000</b>	<b>217,192</b>	<b>9,658,275</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	882,544	184,606	-	1,067,150
Public safety	1,247,665	-	57,205	1,304,870
Public works	921,127	-	-	921,127
Health and welfare	162,729	-	-	162,729
Community services	466,439	-	-	466,439
Education	3,304,432	-	-	3,304,432
County	350,350	-	-	350,350
Unclassified	889,124	80,059	26,270	995,453
Capital expenditures	347,158	-	131,807	478,965
Debt service	180,502	507,712	21,797	710,011
<b>Total expenditures</b>	<b>8,752,070</b>	<b>772,377</b>	<b>237,079</b>	<b>9,761,526</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>654,013</b>	<b>(737,377)</b>	<b>(19,887)</b>	<b>(103,251)</b>
<b>Other financing sources (uses):</b>				
Proceeds from debt / capital leases	425,000	-	-	425,000
Transfers in	-	738,488	-	738,488
Transfers out	(482,741)	(230,000)	(25,747)	(738,488)
<b>Total other financing sources (uses)</b>	<b>(57,741)</b>	<b>508,488</b>	<b>(25,747)</b>	<b>425,000</b>
<b>Net change in fund balances</b>	<b>596,272</b>	<b>(228,889)</b>	<b>(45,634)</b>	<b>321,749</b>
<b>Fund balances (deficit), beginning of year</b>	<b>1,888,392</b>	<b>(425,533)</b>	<b>1,135,188</b>	<b>2,598,047</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 2,484,664</b>	<b>(654,422)</b>	<b>1,089,554</b>	<b>2,919,796</b>

*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, 2012**

Net change in fund balances - total governmental funds (from Statement 4)	\$	321,749
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
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 (\$856,274) exceeded capital outlays (\$471,177).		(385,097)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(68,905)
Lease proceeds provide current financial resources to governmental funds, but issuing leases increases long-term liabilities in the statement of net assets. 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 (\$130,822) exceeded new lease proceeds (\$0).		130,822
Change in accruals recorded on the statement of net assets, but not on the governmental fund - balance sheet:		
Change in compensated absence accrual		(7,457)
Change in accrued interest		4,025
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond 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 (\$464,121) exceeded proceeds from new bonds and notes (\$425,000).		39,121
<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>34,258</b>

*See accompanying notes to basic financial statements.*

**CITY OF GARDINER, MAINE**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

<b>Business-type Activities - Enterprise Funds</b>			
	<b>Ambulance</b>	<b>Wastewater</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ -	6,234	6,234
Accounts receivable - (net of allowance of \$60,000 in ambulance fund)	216,800	538,959	755,759
Interfund loans receivable	-	735,457	735,457
<b>Total current assets</b>	<b>216,800</b>	<b>1,280,650</b>	<b>1,497,450</b>
Capital assets:			
Land	-	381,668	381,668
Construction in process - Harrison avenue	-	448,009	448,009
Capital assets, being depreciated	445,486	14,111,326	14,556,812
Accumulated depreciation	(397,552)	(3,837,495)	(4,235,047)
<b>Total capital assets, net</b>	<b>47,934</b>	<b>11,103,508</b>	<b>11,151,442</b>
<b>Total assets</b>	<b>264,734</b>	<b>12,384,158</b>	<b>12,648,892</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	3,626	95,029	98,655
Accrued payroll	10,501	6,652	17,153
Accrued interest	-	43,500	43,500
Deferred revenue	-	6,172	6,172
Interfund loans payable	237,096	-	237,096
Current portion of noncurrent liabilities	-	290,035	290,035
<b>Total current liabilities</b>	<b>251,223</b>	<b>441,388</b>	<b>692,611</b>
Noncurrent liabilities:			
Accrued compensated absences	131,237	33,943	165,180
Bonds payable	-	3,833,870	3,833,870
<b>Total noncurrent liabilities</b>	<b>131,237</b>	<b>3,867,813</b>	<b>3,999,050</b>
<b>Total liabilities</b>	<b>382,460</b>	<b>4,309,201</b>	<b>4,691,661</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	47,934	6,979,603	7,027,537
Unrestricted	(165,660)	1,095,354	929,694
<b>Total net assets</b>	<b>\$ (117,726)</b>	<b>8,074,957</b>	<b>7,957,231</b>

*See accompanying notes to basic financial statements.*

**CITY OF GARDINER, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2012**

<b>Business-type Activities - Enterprise Funds</b>			
	Ambulance	Wastewater	Total
<b>Operating revenues:</b>			
Charges for services	\$ 949,045	1,158,427	2,107,472
<b>Total operating revenues</b>	<b>949,045</b>	<b>1,158,427</b>	<b>2,107,472</b>
<b>Operating expenses</b>			
Operating expenses	982,987	899,928	1,882,915
Depreciation expense	12,085	346,913	358,998
<b>Total operating expenses</b>	<b>995,072</b>	<b>1,246,841</b>	<b>2,241,913</b>
<b>Operating loss</b>	<b>(46,027)</b>	<b>(88,414)</b>	<b>(134,441)</b>
<b>Nonoperating revenues (expenses):</b>			
Contributed capital	-	53,093	53,093
Interest revenue	102	1,535	1,637
Interest expense	(1,486)	(159,126)	(160,612)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,384)</b>	<b>(104,498)</b>	<b>(105,882)</b>
<b>Change in net assets</b>	<b>(47,411)</b>	<b>(192,912)</b>	<b>(240,323)</b>
<b>Net assets, beginning of year</b>	<b>(70,315)</b>	<b>8,267,869</b>	<b>8,197,554</b>
<b>Net assets, end of year</b>	<b>\$ (117,726)</b>	<b>8,074,957</b>	<b>7,957,231</b>

*See accompanying notes to basic financial statements.*

**CITY OF GARDINER, MAINE**  
**Combining Statement of Cash Flows - Proprietary Funds**  
**Year ended June 30, 2012**

<b>Business-type Activities - Enterprise Funds</b>			
	<b>Ambulance</b>	<b>Wastewater</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 914,501	1,788,552	2,703,053
Payments to employees	(625,619)	(315,948)	(941,567)
Payments to suppliers	(342,459)	(507,050)	(849,509)
Net cash provided by (used in) operating activities	(53,577)	965,554	911,977
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from long-term debt	-	-	-
Capital asset purchases	-	(571,221)	(571,221)
Interest paid on bonds/leases	(1,486)	(159,126)	(160,612)
Principal payments on capital leases	(34,416)	-	(34,416)
Contributed capital	-	53,093	53,093
Principal payments on bonds	-	(289,821)	(289,821)
Net cash used in capital and related financing activities	(35,902)	(967,075)	(1,002,977)
<b>Cash flows from investing activities:</b>			
Interest received	102	1,535	1,637
Net cash provided by investing activities	102	1,535	1,637
Net increase (decrease) in cash	(89,377)	14	(89,363)
Cash, beginning of year	89,377	6,220	95,597
<b>Cash, end of year</b>	<b>\$ -</b>	<b>6,234</b>	<b>6,234</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (46,027)	(88,414)	(134,441)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation and amortization	12,085	346,913	358,998
(Increase) decrease in receivables	(34,544)	374,609	340,065
Increase (decrease) in accounts payable	(934)	74,833	73,899
Increase (decrease) in accrued payroll	1,125	2,082	3,207
Increase (decrease) in accrued interest	-	(3,524)	(3,524)
Increase (decrease) in accrued comp absences	6,191	3,539	9,730
Increase (decrease) in interfund loans payable	8,527	-	8,527
(Increase) decrease in interfund loans receivable	-	255,516	255,516
Net cash provided by (used in) operating activities	(53,577)	965,554	911,977

*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 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 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**

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

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

**B. Government-wide and Fund Financial Statements**

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

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

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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 of more than \$1,000 and an estimated useful life in excess of one year. 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.

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

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years.

**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. Long-term Obligations**

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

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

**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.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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.

**J. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2012:

	Governmental activities	Business-type activities
Capital assets, net of depreciation	\$ 15,293,736	11,151,442
Bonds and notes payable	(7,125,975)	(4,123,905)
Add non-capital debt (IRP)	337,692	-
Capital leases payable	(314,976)	-
Unspent bond proceeds	235,681	-
<b><u>Total invested in capital assets, net of related debt</u></b>	<b><u>\$ 8,426,158</u></b>	<b><u>7,027,537</u></b>

**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.

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

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**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.

---

**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, 2012, expenditures exceeded appropriations in the following categories:

General government	\$ 171
Health and welfare	4,385

Capital expenditures were over budget due to the City not budgeting for these amounts as they were mostly paid for using the new \$425,000 bond that was also not budgeted in FY12. Overall, total expended amounts were less than appropriations by a net of \$134,916. Revenues came in over estimated revenues by \$151,563.

**C. Deficit Fund Balances**

At June 30, 2012, the following funds had a deficit fund balances:

TIF Fund	\$ 654,422
Orton Family Foundation	6,097

The deficits 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, 2012.

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

---

**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, 2012, the City reported deposits of \$3,097,771 with a bank balance of \$3,286,074. 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.

---

**INTERFUND BALANCES AND TRANSFERS**

---

As of June 30, 2012, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	139,158	-
TIF Fund	-	654,392
Nonmajor Governmental Funds:		
Revolving Loan Fund	-	-
Harrison Ave Fund	-	4,532
Bradstreet Fund	-	-
Economic Development	30,654	-
Orton Family Foundation	-	5,887
Public Safety Grants	-	4,243
Conservation Grant	881	-
Permanent Funds		
Enterprise Funds:		
Ambulance	-	237,096
Sewer	735,457	-
<b>Total interfund balances</b>	<b>\$ 906,150</b>	<b>906,150</b>

Individual interfund transfers for the year ended June 30, 2012 were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	482,741
Nonmajor Governmental Funds:		
Economic Development	-	25,747
Libby Hill	-	-
TIF Fund	738,488	230,000
<b>Total interfund transfers</b>	<b>\$ 738,488</b>	<b>738,488</b>

In addition, capital assets and related debt were transferred from the governmental activities to the business type activities and has been reflected as contributed capital on Statements 2 and 7 (\$53,093).

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

**PROPERTY TAX**

Property taxes for the current period were committed on July 29, 2011 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 \$83,387 for the year ended June 30, 2012.

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 deferred revenues.

The following summarizes the levy:

	<u>2012</u>	<u>2011</u>
Assessed value	\$ 363,026,000	362,045,400
<u>Tax rate (per \$1,000)</u>	<u>19.90</u>	<u>19.20</u>
Commitment	7,224,217	6,951,272
Less:		
Abatements / write offs	69,499	4,593
<u>Collections</u>	<u>6,887,255</u>	<u>6,632,234</u>
Current year taxes receivable at end of year	267,463	314,445
<u>Taxes and liens receivable - prior years</u>	<u>199,746</u>	<u>196,710</u>
<b><u>Total taxes and liens receivable</u></b>	<b><u>\$ 467,209</u></b>	<b><u>511,155</u></b>

	1st half	September 15, 2011	September 15, 2010
Due date	2nd half	March 15, 2012	March 15, 2011
		<u>2012</u>	<u>2011</u>
Interest rate on delinquent taxes		7.00%	7.00%
Collection rate		96.30%	95.47%

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

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 928,648	-	-	928,648
Construction in progress – Harrison Ave.	260,000	-	260,000	-
Total capital assets not being depreciated	1,188,648	-	260,000	928,648
Capital assets, being depreciated:				
Buildings and building improvements	377,783	-	-	377,783
Furniture and equipment	939,906	172,117	-	1,112,023
Vehicles	2,999,631	260,111	125,000	3,134,742
Infrastructure	44,268,737	298,949	-	44,567,686
Total capital assets being depreciated	48,586,057	731,177	125,000	49,192,234
Less accumulated depreciation for:				
Buildings and building improvements	245,218	4,230	-	249,448
Furniture and equipment	605,791	82,574	-	688,365
Vehicles	1,675,712	237,689	125,000	1,788,401
Infrastructure	31,569,151	531,781	-	32,100,932
Total accumulated depreciation	34,095,872	856,274	125,000	34,827,146
Total capital assets being depreciated, net	14,490,185	(125,097)	-	14,365,088
<b>Governmental activities capital assets, net</b>	<b>\$ 15,678,833</b>	<b>(125,097)</b>	<b>260,000</b>	<b>15,293,736</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 381,668	-	-	381,668
Construction in progress – Harrison Ave.	646,907	448,009	646,907	448,009
Total capital assets not being depreciated	1,028,575	448,009	646,907	829,677
Capital assets, being depreciated:				
Building/sewer system	4,664,603	70,119	-	4,734,722
Vehicles	425,841	-	-	425,841
Furniture and equipment	248,339	-	-	248,339
Infrastructure	8,447,910	700,000	-	9,147,910
Total capital assets being depreciated	13,786,693	770,119	-	14,556,812
Less accumulated depreciation for:				
Building/sewer system	2,265,843	113,551	-	2,379,394
Vehicles	355,521	13,193	-	368,714
Furniture and equipment	239,450	3,556	-	243,006
Infrastructure	1,015,235	228,698	-	1,243,933
Total accumulated depreciation	3,876,049	358,998	-	4,235,047
Total capital assets being depreciated, net	9,910,644	411,121	-	10,321,765
<b>Business-type activities capital assets, net</b>	<b>\$ 10,939,219</b>	<b>859,130</b>	<b>646,907</b>	<b>11,151,442</b>

**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	\$ 82,574
Public safety	237,689
Public works	536,011
<b><u>Total depreciation expense – governmental activities</u></b>	<b><u>\$ 856,274</u></b>
Business-type activities:	
Ambulance	12,085
Wastewater	346,913
<b><u>Total depreciation expense – business-type activities</u></b>	<b><u>\$ 358,998</u></b>

---

**LONG-TERM DEBT**

---

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds and notes	\$ 7,165,096	425,000	464,121	7,125,975	554,171
Capital leases	445,798	-	130,822	314,976	125,520
Compensated absences	247,510	7,457	-	254,967	-
<b><u>Governmental activities long-term liabilities</u></b>	<b><u>\$ 7,858,404</u></b>	<b><u>432,457</u></b>	<b><u>594,943</u></b>	<b><u>7,695,918</u></b>	<b><u>679,691</u></b>
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Business-type activities:</b>					
General obligation bonds and notes	\$ 4,413,726	-	289,821	4,123,905	290,035
Capital leases	34,416	-	34,416	-	-
Compensated absences	155,450	9,730	-	165,180	-
<b><u>Business-type activities long-term liabilities</u></b>	<b><u>\$ 4,603,592</u></b>	<b><u>9,730</u></b>	<b><u>324,237</u></b>	<b><u>4,289,085</u></b>	<b><u>290,035</u></b>

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

**LONG-TERM DEBT, CONTINUED**

Long-term debt payable at June 30, 2012 is comprised of the following:

	Date of issue	Original amount issued	Date of maturity	Interest rate	Balance June 30, 2012
<b>Governmental activities:</b>					
General obligation bonds	5/25/95	\$ 750,000	11/01/15	5.508-6.208%	138,000
General obligation bonds	5/27/99	2,096,483	11/01/19	4.039-5.239%	838,595
IRP loan (Rural Development)	12/20/00	475,000	3/31/29	1.00%	337,692
General obligation bonds	10/28/04	775,000	11/01/19	4.099-4.295%	413,336
General obligation bonds	9/26/07	319,700	11/01/27	5.9-6.0%	255,760
General obligation bonds	5/27/10	4,067,093	11/01/24	2.773-5.746%	3,741,725
Ladder Truck	10/28/10	767,000	11/01/25	2.124-4.267%	715,867
General obligation bonds	5/26/11	260,000	11/01/39	2.02-5.52%	260,000
General obligation bonds	11/30/11	425,000	11/30/15	1.89%	425,000
<b>Total governmental activities</b>					<b>7,125,975</b>
<b>Business-type activities:</b>					
1997 State revolving loan	3/14/97	1,296,500	11/01/17	2.95%	388,950
1999 State revolving loan	6/23/99	818,500	11/01/19	2.29%	286,475
2000 State revolving loan	5/15/00	790,000	4/01/20	3.20%	397,977
2004 Rural Development	9/07/05	1,635,000	9/07/33	4.125%	1,250,551
2004 Rural Development	9/07/05	1,507,000	9/07/31	4.125%	1,125,716
2007 Rural Development	3/23/07	540,900	3/23/35	4.125%	443,989
2011 Rural Development	5/26/11	236,000	5/26/40	3.75%	230,247
<b>Total business-type activities</b>					<b>4,123,905</b>
<b>Total long-term debt</b>					<b>\$ 11,249,880</b>

The annual requirements to amortize long-term debt outstanding as of June 30, 2012 are as follows:

June 30,	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 554,171	223,816	777,987	290,035	151,830	441,865
2014	554,350	201,895	756,245	291,796	142,165	433,961
2015	554,531	180,770	735,301	293,620	132,443	426,063
2016	554,714	164,465	719,179	295,510	122,661	418,171
2017	414,149	150,284	564,433	297,469	112,818	410,287
2018-2022	1,760,602	572,451	2,333,053	1,018,819	432,320	1,451,139
2023-2027	1,244,896	340,252	1,585,148	715,844	272,128	987,972
2028-2032	926,225	166,328	1,092,553	690,170	120,710	810,880
2033-2037	534,480	36,842	571,322	194,547	17,460	212,007
2038-2040	27,857	2,307	30,164	36,095	2,852	38,947
<b>Total</b>	<b>\$ 7,125,975</b>	<b>2,039,410</b>	<b>9,165,385</b>	<b>4,123,905</b>	<b>1,507,387</b>	<b>5,631,292</b>

**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 (\$341,450,000). At June 30, 2012, the statutory limit for the City was \$51,217,500. The City's outstanding long-term debt of \$11,249,880 at June 30, 2012 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, 2012:

<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	\$ 30,000	3.38%	1,014
MSAD 11	1,890,250	39.15%	740,033

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, 2012.

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 125,520	12,645	-	-
2014	122,909	7,657	-	-
2015	66,547	2,627	-	-
<b>Total</b>	<b>\$ 314,976</b>	<b>22,929</b>	<b>-</b>	<b>-</b>

**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 is required to contribute an actuarially determined rate. The current rate is 4.4%, except for Public Safety, which the rate is 8.3% of annual covered payroll. The contribution rates of plan members and the City of Gardiner 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 \$630,655 as of June 30, 2011 (latest date available). This credit is being used in lieu of the City making monthly employer contributions to the plan. Contributions would have approximated \$172,613 in 2012 had these credits not been available.

---

**DEFERRED COMPENSATION PLAN**

---

The City of Gardiner 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 2012, the per capita fee was based on 5,800 residents for a total of \$89,985. This was based on a rate of \$23,243 per quarter for the first two quarters in fiscal year 2012 and \$21,750 per quarter for the second half of the fiscal year.

---

**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. However, Associated Grocers ended operations during 2012 which effectively terminated the TIF agreement prior to the original agreed upon date of retirement.

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

---

**TAX INCREMENT FINANCING DISTRICTS, CONTINUED**

---

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 vacant lots within Libby Hill Phase I and II. 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 for properties 007-A-018-010 and 007-A-018-011.

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 high specific costs of the high-tech facility by paying for a portion of the marginal increase in debt service. This district was amended effective November 2, 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. For the remainder of the TIF, 34% of the captured assessed value will be applied to the Credit Enhancement Agreement.

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. 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 1-6, and 50% for years 7-10; 25% to be returned to City for debt service on Libby Hill, economic development expenditures, and the Main Street program. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. Prior credit enhancement agreement remains unchanged.

The City established the **Associated Grocers Tax Incremental Financing District** in 2006. 75% for years 1-2 and 50% for years 3-10 of the captured assessed value is paid to the developer while the balance is used for economic development. 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 City collected most of the TIF payment but opted to abate \$13,125 of the tax payment for fiscal year 2012 as it was deemed to be unlikely to be collectable.

---

**JOINT VENTURE**

---

The City of Gardiner 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:

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

**JOINT VENTURE, CONTINUED**

**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. The Authority derives the bulk of its revenue from participants, but also receives some grant revenues from the State of Maine. In fiscal 2012, the City of Gardiner contributed \$34,113. Complete financial statements may be obtained from Kennebec Regional Development Authority/FirstPark at P.O. Box 246, Oakland, Maine 04963.

**FUND BALANCE**

As of June 30, 2012, fund balances components consisted of the following:

	General Fund	TIF. Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Long-term notes receivable	\$ -	-	248,360	248,360
Principal for permanent funds	-	-	307,399	307,399
<b>Total nonspendable</b>	-	-	555,759	555,759
<b>Restricted:</b>				
Revolving loan funds	-	-	379,652	379,652
Grants for capital projects	-	-	27,848	27,848
Grant for Gardiner community (Orton Family)	-	-	(6,097)	(6,097)
Grants for public safety	-	-	1,452	1,452
Grant for conservation	-	-	881	881
Permanent funds	-	-	130,059	130,059
<b>Total restricted</b>	-	-	533,795	533,795
<b>Assigned:</b>				
GIS project	4,455	-	-	4,455
Book restoration - City Clerk	5,000	-	-	5,000
Assistant Planner	24,250	-	-	24,250
Comprehensive plan update	20,570	-	-	20,570
Gardiner website	5,000	-	-	5,000
Libby Hill outreach	5,000	-	-	5,000
Public works - locating/mapping consultant	10,000	-	-	10,000
Public works - street resurfacing	166,790	-	-	166,790
Library heating study	2,500	-	-	2,500
MDOT project	87,000	-	-	87,000
Capen Road project	235,681	-	-	235,681
<b>Total assigned</b>	566,246	-	-	566,246
<b>Total unassigned</b>	1,918,418	(654,422)	-	1,263,996
<b>Total fund balance</b>	<b>\$ 2,484,664</b>	<b>(654,422)</b>	<b>1,089,554</b>	<b>2,919,796</b>

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

---

**SPECIAL ABATEMENT- WASTEWATER FEES**

---

Effective July 1, 2012, the City of Gardiner City Council approved a sewer rate billing schedule and structure change. The City of Gardiner had employed an Equivalent User Rate (EUR) schedule that determined the minimum quarterly billing and metered flow charges based on categories of equivalent users (i.e. single family dwelling, multi-family, small businesses, other businesses). In order to better align sewer billing with water billing the City Council opted to abate the final quarter (April, May, June) of fiscal year 2012 sewer billings to put sewer billings on a schedule more concurrent with water billings. The special abatement resulted in the write-off of \$260,954 in wastewater revenues for the year. The new billing structure sets a base rate (\$87) for minimum quarterly billings based on number of connections. The charges above and beyond minimum quarterly billings are based on a fixed rate (\$10) multiplied by the usage in excess of 1,200 cubic feet.

## **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, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
Cash	\$ 2,273,855	2,043,637
Receivables:		
Taxes - current year, net of prepayments (\$15,506 in 2012)	(4,839)	2,954
Taxes - prior years	19,329	21,056
Tax liens - prior years	180,417	175,654
Real estate taxes / liens - current year	272,302	311,491
Interfund loans receivable	139,158	-
Other receivables	135,234	95,748
<b>Total assets</b>	<b>\$ 3,015,456</b>	<b>2,650,540</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	66,924	66,085
Accrued payroll	36,098	27,697
Interfund loans payable	-	170,108
Deferred tax revenue	423,733	492,639
Due to other governments	4,037	5,619
<b>Total liabilities</b>	<b>530,792</b>	<b>762,148</b>
Fund balances:		
Assigned	566,246	186,850
Unassigned	1,918,418	1,701,542
<b>Total fund balances</b>	<b>2,484,664</b>	<b>1,888,392</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,015,456</b>	<b>2,650,540</b>

**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, 2012**

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 8,044,217	8,044,217	8,073,452	29,235
Licenses and permits	67,000	67,000	36,814	(30,186)
Intergovernmental	946,563	946,563	1,176,103	229,540
Charges for services	16,500	16,500	17,146	646
Unclassified	153,000	153,000	97,674	(55,326)
Interest earned	27,240	27,240	4,894	(22,346)
<b>Total revenues</b>	<b>9,254,520</b>	<b>9,254,520</b>	<b>9,406,083</b>	<b>151,563</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	882,373	882,373	882,544	(171)
Public safety	1,263,900	1,263,900	1,247,665	16,235
Public works	1,062,031	1,062,031	921,127	140,904
Health and welfare	158,344	158,344	162,729	(4,385)
Community services	473,110	473,110	466,439	6,671
Other expenditures	891,873	891,873	889,124	2,749
County	350,350	350,350	350,350	-
Education	3,304,432	3,304,432	3,304,432	-
Capital - All department	161,845	586,845	347,158	239,687
Debt service	338,728	338,728	180,502	158,226
<b>Total expenditures</b>	<b>8,886,986</b>	<b>9,311,986</b>	<b>8,752,070</b>	<b>559,916</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>367,534</b>	<b>(57,466)</b>	<b>654,013</b>	<b>711,479</b>
<b>Other financing sources (uses):</b>				
Use of fund balance	99,850	99,850	-	(99,850)
Proceeds from issuance of debt	-	425,000	425,000	-
Transfer to other funds	(697,384)	(697,384)	(712,741)	(15,357)
Transfer from other funds	230,000	230,000	230,000	-
<b>Total other financing sources (uses)</b>	<b>(367,534)</b>	<b>57,466</b>	<b>(57,741)</b>	<b>(115,207)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>596,272</b>	<b>596,272</b>
Fund balance, beginning of year			1,888,392	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>2,484,664</b>	

**ALL OTHER GOVERNMENTAL FUNDS**



CITY OF GARDINER, MAINE  
All Other Governmental Funds  
Combining Balance Sheet  
June 30, 2012

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash	\$ 380,224	437,458	817,682
Other receivables	12,745	-	12,745
Notes receivable	248,360	-	248,360
Interfund loans receivable	31,535	-	31,535
<b>Total assets</b>	<b>\$ 672,864</b>	<b>437,458</b>	<b>1,110,322</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	6,106	-	6,106
Interfund loans payable	14,662	-	14,662
<b>Total liabilities</b>	<b>20,768</b>	<b>-</b>	<b>20,768</b>
Fund balances:			
Nonspendable	248,360	307,399	555,759
Restricted	403,736	130,059	533,795
<b>Total fund balances</b>	<b>652,096</b>	<b>437,458</b>	<b>1,089,554</b>
<b>Total liabilities and fund balances</b>	<b>\$ 672,864</b>	<b>437,458</b>	<b>1,110,322</b>

**CITY OF GARDINER, MAINE**  
**All Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
<b>Revenues:</b>			
Intergovernmental	\$ 137,351	-	137,351
Charges for services	30,989	-	30,989
Interest income	-	992	992
Other income	47,860	-	47,860
<b>Total revenues</b>	<b>216,200</b>	<b>992</b>	<b>217,192</b>
<b>Expenditures:</b>			
Public safety	57,205	-	57,205
Capital outlay	131,807	-	131,807
Unclassified	26,270	-	26,270
Debt service	21,797	-	21,797
<b>Total expenditures</b>	<b>237,079</b>	<b>-</b>	<b>237,079</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(20,879)</b>	<b>992</b>	<b>(19,887)</b>
<b>Other financing sources (uses):</b>			
Transfer (to) from other funds	(25,747)	-	(25,747)
<b>Total other financing sources (uses)</b>	<b>(25,747)</b>	<b>-</b>	<b>(25,747)</b>
<b>Net change in fund balances</b>	<b>(46,626)</b>	<b>992</b>	<b>(45,634)</b>
<b>Fund balances, beginning of year</b>	<b>698,722</b>	<b>436,466</b>	<b>1,135,188</b>
<b>Fund balances, end of year</b>	<b>\$ 652,096</b>	<b>437,458</b>	<b>1,089,554</b>

## **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, 2012

	Special Revenue Funds										Total
	24	20	41	21	23	25	26	27			
	Bradstreet Fund	Revolving Loan Fund	Harrison Avenue Fund	Economic Development Projects	Public Safety Grants	Orton Family Foundation Grant	School Reserve Officer	Conservation Grant			
<b>ASSETS</b>											
Cash and cash equivalents	-	380,224	-	-	-	-	-	-	-	380,224	
Accounts receivable	-	-	5,250	-	7,495	-	-	-	-	12,745	
Interfund loans receivable	-	-	-	30,654	-	-	-	881	-	31,535	
Notes receivable	-	248,360	-	-	-	-	-	-	-	248,360	
<b>Total assets</b>	<b>\$ -</b>	<b>628,584</b>	<b>5,250</b>	<b>30,654</b>	<b>7,495</b>	<b>-</b>	<b>-</b>	<b>881</b>	<b>-</b>	<b>672,864</b>	
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	-	572	718	2,806	1,800	210	-	-	-	6,106	
Interfund loans payable	-	-	4,532	-	4,243	5,887	-	-	-	14,662	
Total liabilities	-	572	5,250	2,806	6,043	6,097	-	-	-	20,768	
Fund balances:											
Nonspendable	-	248,360	-	-	-	-	-	-	-	248,360	
Restricted	-	379,652	-	27,848	1,452	(6,097)	-	881	-	403,736	
Total fund balances (deficits)	-	628,012	-	27,848	1,452	(6,097)	-	881	-	652,096	
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>628,584</b>	<b>5,250</b>	<b>30,654</b>	<b>7,495</b>	<b>-</b>	<b>-</b>	<b>881</b>	<b>-</b>	<b>672,864</b>	

**CITY OF GARDINER, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2012**

	Special Revenue Funds										Total
	24	20	41	21	23	25	26	27			
	Bradstreet Fund	Revolving Loan Fund	Harrison Avenue Fund	Economic Development Projects	Public Safety Grants	Orton Family Foundation	School Reserve Officer	Conservation Grant			
<b>Revenues:</b>											
Intergovernmental:											
Waterfront cameras	-	-	-	12,000	-	-	-	-	-	12,000	
Cobboossee stream bike path	-	-	-	26,770	-	-	-	-	-	26,770	
Waterfront	-	-	-	51,613	-	-	-	44	-	51,657	
Harrison Avenue	-	-	46,924	-	-	-	-	-	-	46,924	
Charges for services	-	-	-	-	-	-	-	-	30,989	30,989	
Other income	4,156	11,162	-	1,027	26,313	5,202	-	-	-	47,860	
Total revenues	4,156	11,162	46,924	91,410	26,313	5,202	30,989	44	-	216,200	
<b>Expenditures:</b>											
Current:											
Public safety	-	-	-	-	26,216	-	30,989	-	-	57,205	
Unclassified	7,216	7,755	-	-	-	11,299	-	-	-	26,270	
Capital outlay:											
Art in the park	-	-	-	1,000	-	-	-	-	-	1,000	
Waterfront - phase II	-	-	-	62,642	-	-	-	-	-	62,642	
Harrison Avenue	-	-	65,665	-	-	-	-	-	-	65,665	
Park furniture	-	-	-	2,500	-	-	-	-	-	2,500	
Debt Service	-	21,797	-	-	-	-	-	-	-	21,797	
Total expenditures	7,216	29,552	65,665	66,142	26,216	11,299	30,989	-	-	237,079	
Excess (deficiency) of revenues over (under) expenditures	(3,060)	(18,390)	(18,741)	25,268	97	(6,097)	-	44	-	(20,879)	
Other financing sources (uses):											
Transfer to other funds	-	-	-	(25,747)	-	-	-	-	-	(25,747)	
Total other financing sources (uses)	-	-	-	(25,747)	-	-	-	-	-	(25,747)	
Net change in fund balances	(3,060)	(18,390)	(18,741)	(479)	97	(6,097)	-	44	-	(46,626)	
Fund balances, beginning of year	3,060	646,402	18,741	28,327	1,355	-	-	837	-	698,722	
<b>Fund balances (deficits), end of year</b>	<b>\$ -</b>	<b>628,012</b>	<b>-</b>	<b>27,848</b>	<b>1,452</b>	<b>(6,097)</b>	<b>-</b>	<b>881</b>	<b>-</b>	<b>652,096</b>	

## 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, 2012**

	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
<b>ASSETS</b>								
Cash	\$ 123,827	21,577	11,481	20,002	2,083	240,385	18,103	437,458
Interfund loans receivable	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 123,827</b>	<b>21,577</b>	<b>11,481</b>	<b>20,002</b>	<b>2,083</b>	<b>240,385</b>	<b>18,103</b>	<b>437,458</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Interfund loan payable	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-
<b>Fund balances:</b>								
Nonspendable	10,000	20,000	10,000	10,250	2,050	239,599	15,500	307,399
Restricted	113,827	1,577	1,481	9,752	33	786	2,603	130,059
Total fund balances	123,827	21,577	11,481	20,002	2,083	240,385	18,103	437,458
<b>Total liabilities and fund balances</b>	<b>\$ 123,827</b>	<b>21,577</b>	<b>11,481</b>	<b>20,002</b>	<b>2,083</b>	<b>240,385</b>	<b>18,103</b>	<b>437,458</b>

**CITY OF GARDINER, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the year ended June 30, 2012**

	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	286	49	24	44	6	541	42	992
Total revenues	286	49	24	44	6	541	42	992
Expenditures	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	-	-
Net change in fund balances	286	49	24	44	6	541	42	992
Fund balances, beginning of year	123,541	21,528	11,457	19,958	2,077	239,844	18,061	436,466
<b>Fund balances, end of year</b>	<b>\$ 123,827</b>	<b>21,577</b>	<b>11,481</b>	<b>20,002</b>	<b>2,083</b>	<b>240,385</b>	<b>18,103</b>	<b>437,458</b>