

Financial Statements

Town of York, Maine

June 30, 2006

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Town of York, Maine

June 30, 2006

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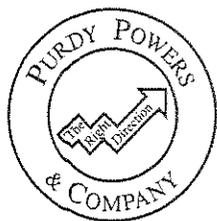
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PURDY POWERS & COMPANY

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Independent Auditors' Report

**To the Selectboard
Town of York
York, 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 Town of York, Maine, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the York School Department's general fund, other governmental funds (special revenue funds and capital project funds) and fiduciary funds (agency funds). Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the general fund, other governmental funds and fiduciary funds, is based solely on the report of the other auditors.

We conducted our audit in accordance with United States generally accepted auditing standards 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 opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of York, Maine as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof and for the year then ended, in conformity with United States generally accepted accounting principles.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by United States generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2006, on our consideration of the Town of York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Purdy Pownall & Company

Professional Association

Portland, Maine
November 9, 2006



Town of York

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York, Maine 03909-1314

Town Manager/
Selectmen
(207)363-1000

Town Clerk/
Tax Collector
(207)363-1003

Finance/
Treasurer
(207)363-1004

Code Enforcement
(207)363-1002

Planning
(207)363-1007

Assessor
(207)363-1005

Police Department
(207)363-1031

Dispatch
(207)363-2557

York Beach Fire
Department
(207)363-1014

York Village Fire
Department
(207)363-1015

Public Works
(207) 363-1011

Harbor Master
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Senior Center/
General Assistance
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Parks and
Recreation
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of York's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2006. Please read it in conjunction with the Town's financial statements, which begin on page 4.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 4 and 5) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 6. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins on page 3. One of the most important questions asked about the Town's finances is, "Is the Town as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

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

Governmental activities - Most of the Town's basic services are reported here, including the police, fire, general administration, roads, parks, and beaches. Property taxes, auto excise taxes, franchise fees, fines, parking revenues, state revenue sharing and state and federal grants finance most of these activities.

Business-type activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Recreation, Sohler Park, Senior Transportation, Mt. Agamenticus, Goodrich Park, Printing Enterprise and Police Outside Duty activities are reported here.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS FINANCIAL STATEMENTS

Our analysis of the Town's major funds begins on page 8. The fund financial statements begin on page 8 and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Selectmen establishes many other funds to help it control and manage money for particular purposes.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations on pages 7 and 9.

- **Proprietary funds**-When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Reporting the Town's Fiduciary Responsibilities

We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWN AS A WHOLE

For the year ended June 30, 2006, net assets changed as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 12,788,784	\$ 12,383,422	\$ 44,239	\$ 49,760	\$ 12,833,023	\$ 12,433,182
Capital Assets	<u>52,423,383</u>	<u>51,757,639</u>			<u>52,423,383</u>	<u>51,757,639</u>
Total Assets	65,212,167	64,141,061	44,239	49,760	65,256,406	64,190,821
Long Term Liabilities	19,486,454	20,635,714			19,486,454	20,635,714
Other Liabilities	<u>2,640,301</u>	<u>2,432,307</u>	<u>17,660</u>	<u>16,830</u>	<u>2,657,961</u>	<u>2,449,137</u>
Total Liabilities	22,126,755	23,068,021	17,660	16,830	22,144,415	23,084,851
Net Assets:						
Invested in capital assets,						
Net of related debt	33,669,332	31,789,171			33,669,332	31,789,171
Restricted	21,177	20,955			21,177	20,955
Reserved for specific purposes						
Unrestricted	<u>9,394,903</u>	<u>9,262,914</u>	<u>26,579</u>	<u>32,930</u>	<u>9,421,482</u>	<u>9,295,844</u>
Total Net Assets	<u>\$ 43,085,412</u>	<u>\$ 41,073,040</u>	<u>\$ 26,579</u>	<u>\$ 32,930</u>	<u>\$ 43,111,991</u>	<u>\$ 41,105,970</u>

These numbers reflect an increase of 4.90 percent for governmental activities and 19.29 percent decrease for business-type activities, largely due to the accounting for vehicle use by Outside Duty accounts. Two land purchases, one for open space (\$150,000) and one for a municipal facility (\$755,279) account for \$905,279 of the increase in capital assets. In addition, we have invested over \$1.45M in road resurfacing and rebuilding, as well as \$149,844 in new parking meters at the beaches. With the recent purchase of software to account for asset acquisition, disposition and depreciation the reporting of these activities has improved; depreciation adjustments have been made as necessary, and updated asset retirements account for the modest \$665,744 increase in capital assets.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General Government	Charges for photocopies, maps, building permits, plumbing permits, shoreland permits, cable TV franchise fees, gas tax refund, clerk fees, a portion of parking meter and permit receipts, parking ticket receipts.
Public Safety	Mooring receipts, police reports, dispatching services agreement with Ogunquit, gas tax refund, COPS grants, other grants, dog license fees and an agreement with York Hospital to provide officers on a regular basis.
Public Works	Urban/Rural Initiative program, gas tax refund, FEMA reimbursements, other state grants to improve certain street intersections.

Community Services	General Assistance state reimbursement and a portion of the gas tax refund.
Boards and Commissions	An Historic District Commission grant, shellfish licenses, Ellis Park/Short Sands funds (a trust fund set up early in the last century to oversee a park at Short Sands Beach).
Education	Food service, grants, state subsidy.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

The Town operates a number of Enterprise Funds, designed to be mostly self-sustaining through user fees and grants.

	Recreation	Mt. Agamenti- cus	Sohier Park	Goodrich Park	Outside Duty	Printing	Senior Transport- ation
Charges for Services	\$ 339,562	\$ 46,004	\$ 129,818	\$ 7,076	\$ 73,772	\$ 25	\$ 6,058
Donations/Sponsorships	50,550		4,493				3,114
Total Revenues	390,112	46,004	134,311	7,076	73,772	25	9,172
Salaries and Benefits	247,380	21,887	47,971		71,499		22,234
Cost of Goods Sold			60,397				
Contracts/Repairs	156,827	7,763	13,923	4,920	21,000		1,554
Supplies	42,156	18,796	5,536	1,000			
Utilities	8,103	3,131	7,758	2,665			1,779
Total Operating Exp	454,466	51,577	135,585	8,585	92,499		25,557
Operating Income/(Loss)	(64,354)	(5,573)	(1,274)	(1,509)	(18,727)	25	(16,385)
Tax Appropriations	64,535						26,573
Other Revenues	4,600	5,738					
Total Other Revenues	69,135	5,738					26,573
Net Increase(decrease)	4,781	165	(1,274)	(1,509)	(18,727)	25	10,188
Beg Net Assets	(15,694)	(1,952)	3,269	(955)	19,016	(1,407)	30,653
Ending Net Assets (Deficit)	<u>\$ (10,913)</u>	<u>\$ (1,787)</u>	<u>\$ 1,995</u>	<u>\$ (2,464)</u>	<u>\$ 289</u>	<u>\$ (1,382)</u>	<u>\$ 40,841</u>

The Town's Enterprise Funds

The **Recreation Enterprise** is funded primarily by user fees with a heavy participation by 'sponsors', local businesses who sponsor teams participating in the various programs. There is a town tax subsidy in the amount of \$64,535 which was originally intended to cover the full time salaries and benefits required to run the department. In addition, there was \$4,600 in funds collected from local businesses to cover part of the cost of fireworks display in the summer that is handled by this department. The Recreation Department offers programs for all ages – children through senior citizens, including soccer, tai chi, photography, dance and everything in between.

The **Mt. Agamenticus Enterprise** was established to maintain the summit of Mt. Agamenticus which includes a lodge and other viewing areas, trails and grounds. Revenues are generated through tower rentals, lodge rentals, the rental of the apartment in the lodge and viewer fees. The Town is re-negotiating with the businesses that use the communications towers, so it is expected there will be a significant increase in fees generated in FY07.

The **Sohier Park Enterprise** was established to maintain Sohier Park and the Cape Neddick Light Station viewable from the beaches (also known as the Nubble Lighthouse). There is a gift shop in the park that sells trinkets and collectibles that generates sufficient revenue to maintain the park and make substantial repairs to the light station. The installation of a POS register and inventory software this year dramatically improved inventory tracking and valuation.

The Grant House at Goodrich Park is a wonderful community building restored by a volunteer group. It currently houses the Parks and Recreation offices and is used by community groups for meetings. The revenue from the upstairs apartment offsets some of the costs of maintaining the building.

An account for **Outside Duty** was established to handle the demand for police services outside the normal patrol responsibilities. Outside entities such as the water and sewer districts might hire an officer to handle traffic around the job site. Billing rates are set to cover the costs of the officer, some administration of the program and the use of a cruiser, if necessary. The revenues generated by administration and cruiser usage are credited to the public safety accounts, to offset those expenses. This year the cruisers were used on many of the details and a charge of \$21,000 was made to this account to cover the expense and reimburse the police department, which maintains the cruisers.

Printing Enterprise was set up to cover the cost of printing ordinances and revenues are credited to this account as copies of the ordinances are sold. There was one copy of the ordinance sold in FY2006.

Senior Transportation was established in response to a need. Two generous citizens donated cars; one was older and a good starter car; the other one donated was brand new. In addition, there have been fund raisers in anticipation of replacing those cars or adding another (the earlier used car is only for backup) should the program grow to that extent. The tax appropriation is designed to cover the cost of the drivers' salaries and benefits. The user fees cover the cost of gas, oil, maintenance, repairs and insurance. The users of this program are being driven to doctors' appointments, therapies, shopping, and to the Senior Center and other activities. It has been quite successful and serves a very important need in the community.

Net Expense

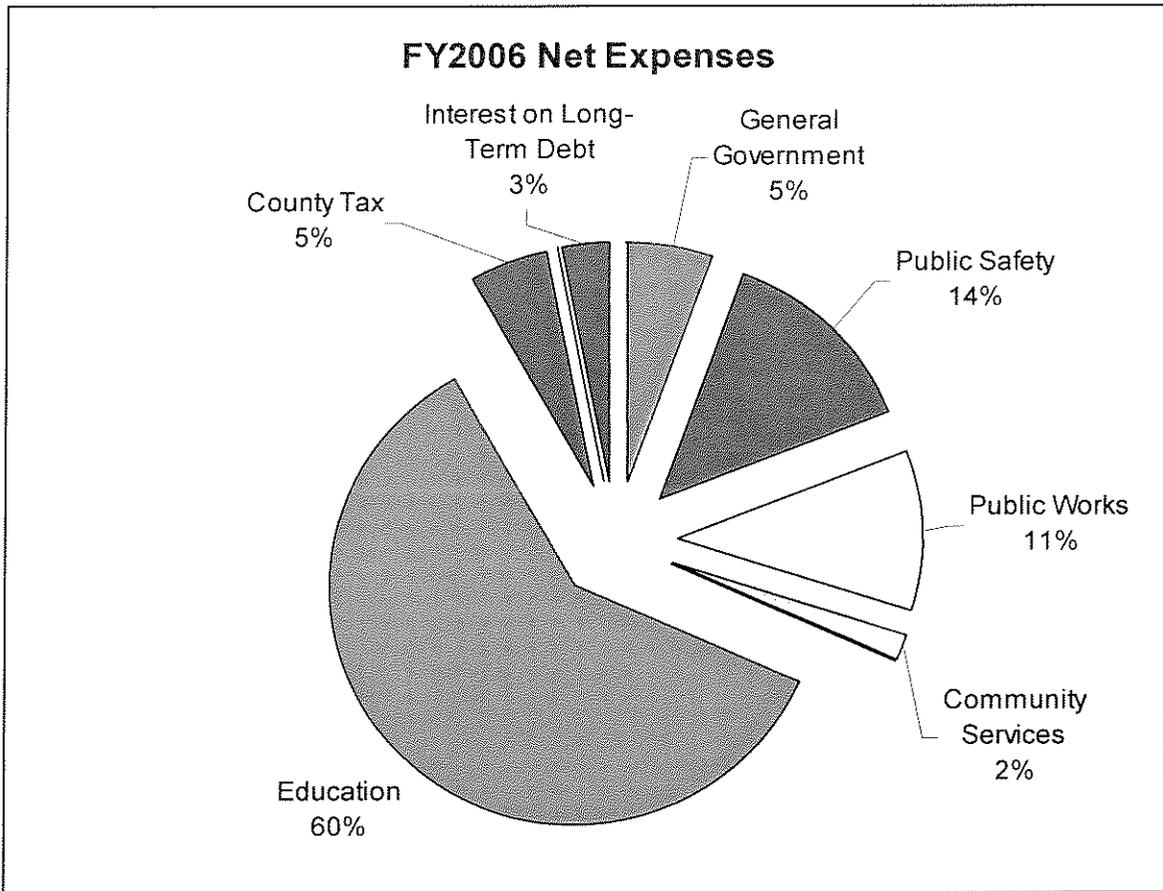
The Net Expense is the financial burden that was placed on the taxpayers by each of these functions. Over \$9 million dollars worth of activity was paid by grants, user fees, parking tickets and meter revenues and fees other than taxes. There is not a significant difference in allocation from FY2005 to FY2006.

Function/ Program	Expenses		Revenues		Net Expense	
	2006	2005	2006	2005	2006	2005
General Government	\$ 2,260,997	\$ 1,822,388	\$ 506,982	\$ 277,910	\$ 1,754,015	\$ 1,544,478
Public Safety	5,004,589	4,747,252	570,356	577,315	4,434,233	4,169,937
Public Works	3,738,448	3,791,067	246,207	486,608	3,492,241	3,304,459
Public Works – federally funded projects	291,118		552,646		(261,528)	
Community Services	573,834	377,706	4,554	9,342	569,280	368,364
Boards and Commissions	29,132	19,709	34,064	25,501	(4,932)	(5,792)
Education	23,268,364	20,854,551	3,932,998	2,559,083	19,335,366	18,295,468
Maine State Retirement on behalf payments	2,114,098	1,920,198	2,114,098	1,920,198		
County Tax	1,662,857	1,596,782			1,662,857	1,596,782
Abatements	36,810	95,178			36,810	95,178
Unclassified	691,655	869,409	1,057,607	1,207,963	(365,952)	(338,554)
Capital Outlay		165,399				165,399
Interest on long-term debt	948,614	1,057,336			948,614	1,057,336
Total Governmental Activities	<u>\$ 40,620,516</u>	<u>\$ 37,316,975</u>	<u>\$ 9,019,512</u>	<u>\$ 7,063,920</u>	<u>\$ 31,601,004</u>	<u>\$ 30,253,055</u>

Public Safety revenues derive from dispatching services provided to a neighboring town as well as patrol and security services for the local hospital in addition to COPS and other public safety grants. Rural roads subsidies make up the bulk of the Public Works revenues, in addition to reimbursements for some paving projects, mostly from the local water and sewer districts.

Over the May 14, 2006 weekend, the Town sustained 36 hours of rain which resulted in \$1.6M in road, bridge and culvert damage, closing many roads for a period of time. Emergency measures and minor repairs were performed by year-end and the bulk of the work will be done in FY07. FEMA and Maine Emergency Management will cover 90% of the costs and the Town will be responsible for the remaining 10%, which will be covered by carrying forward some of the excess funds shown above in the 'Public Works – federally funded projects' line.

Not including the excess created by the FEMA event, the net expenditures are up 5.3% over the prior year, which is close to the 4.8% increase in tax bills from one year to the next.



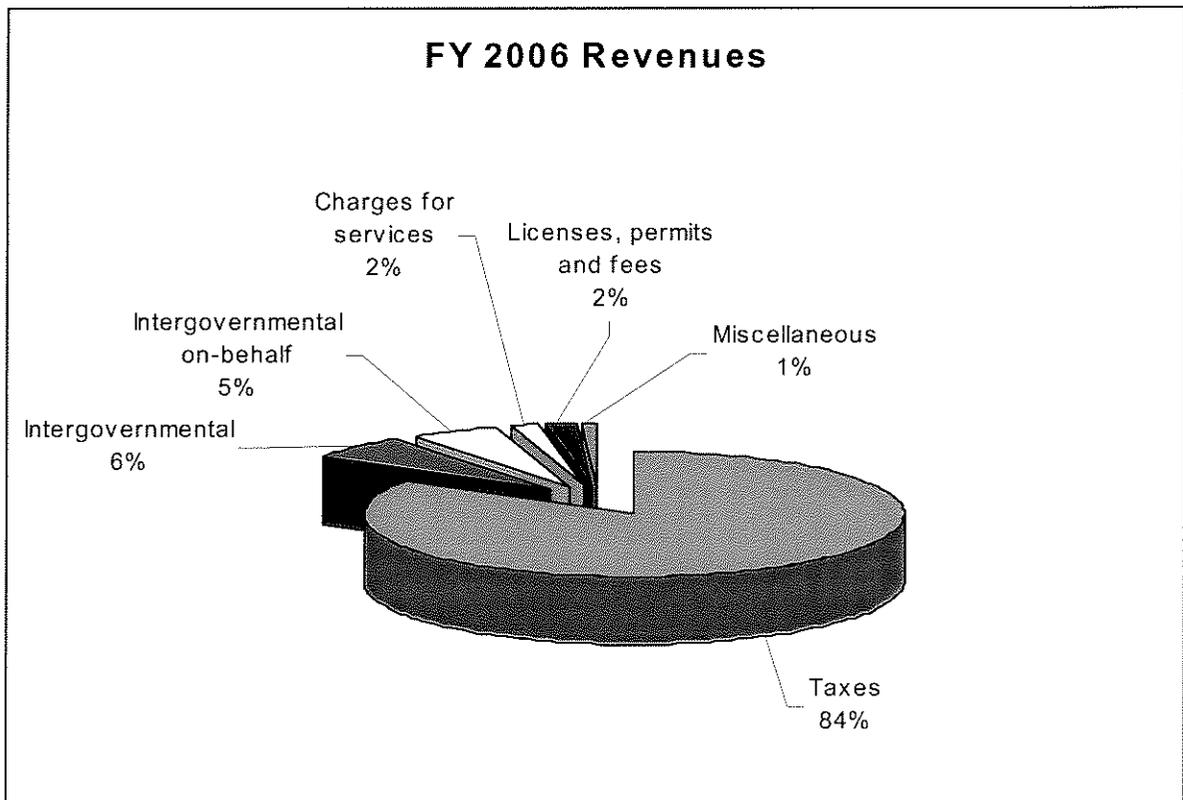
Percentages do not seem to vary much year to year. Education has been between 58% and 60% over the last few years with a significant increase in state revenue sharing for York this year; county tax is consistently 5% of total net expenditures, and the other governmental expenditure groups have not varied much as to their percentage. There are plans to increase capital expenditures through bonding, as there are several large projects on the horizon, so it is expected that the interest on long-term debt would begin to increase after many years of decreasing numbers. Boards and management have been looking for ways to offset taxpayer burden by the increased application of user fees to particular government functions.

THE TOWN'S FUNDS

The following schedule presents a summary of General Fund revenues for the fiscal year ended June 30, 2006 with a comparison to 2005:

<u>Revenues:</u>	<u>FY 2006 Amount</u>	<u>Percent of Total</u>	<u>FY 2005 Amount</u>	<u>Percent of Total</u>
Taxes	\$ 32,137,727	79.89%	\$ 30,712,315	84.02%
Intergovernmental	4,026,918	10.01%	2,261,064	6.18%
Intergovernmental on behalf payments	2,114,098	5.26%	1,920,198	5.25%
Charges for services	496,169	1.23%	599,494	1.64%
Licenses and permits	848,447	2.11%	767,671	2.10%
Miscellaneous	603,508	1.50%	294,398	.81%
Total Revenues	\$ 40,226,867	100.00%	\$ 36,555,140	100.00%

Revenues from all sources increased 10.04% from the previous year. Auto excise taxes collected increased about 1.8% from last year to this. All revenues related to parking (beach parking stickers, meter collections and parking tickets) are somewhat dependent on the summer weather and sufficient staffing to collect the revenues and monitor the parking. Property taxes are up 4.92% from the previous year and make up the large majority of revenues. The state contribution to education revenues reflects the largest increase, 355%, from \$636K to \$2.258M.



The following schedule presents a summary of expenditures for the fiscal year ended June 30, 2006:

<u>Expenditures:</u>	<u>FY 2006</u>	<u>Percent</u>	<u>FY 2005</u>	<u>Percent</u>
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>
<i>General Government</i>	\$ 2,201,994	5.51%	\$ 1,767,821	4.84%
<i>Public Safety</i>	4,835,244	12.11%	4,573,529	12.56%
<i>Public Works</i>	3,180,951	7.98%	3,194,479	8.78%
<i>Public Works federally funded</i>	291,118	.73%		
<i>Community services</i>	565,324	1.42%	466,183	1.28%
<i>Boards and Commissions</i>	29,132	.07%	16,890	.05%
<i>Education</i>	20,133,551	50.42%	18,785,622	51.61%
<i>Maine State Retirement on behalf</i>	2,114,098	5.29%	1,920,198	5.27%
<i>County Tax</i>	1,662,857	4.16%	1,596,782	4.39%
<i>Abatements</i>	36,810	.09%	95,178	.26%
<i>Capital Outlays</i>	2,309,138	5.78%	1,337,706	3.67%
<i>Interest on Long-Term Debt</i>	967,670	2.42%	1,058,386	2.91%
<i>Principal Payment on Long-Term Debt</i>	1,606,908	4.02%	1,593,824	4.38%
<u>Total Expenditures</u>	<u>\$ 39,934,795</u>	<u>100.00%</u>	<u>\$ 36,406,598</u>	<u>100.00%</u>

Overall expenditures increased 9.69%, which can be attributed to a variety of policy and voter decisions. The Town Manager's budget increased almost 15% (\$32,763) in anticipation of replacing the Town Manager vacancy at a competitive salary rate; the Code Enforcement budget was increased 20% (\$28,975) in an effort to have tax appropriations fund a larger percentage of the core salaries and use permit fees for the additional temporary positions. Reflected in the total expenditures is that portion of the Code Enforcement operations that was funded by fees (\$199,394) that was reported in Special Revenues last year. Due to a change in the State formula for Rent and Property Tax refund and an effort by the Town to inform potential recipients of this program, more taxpayers took advantage of the Town's Circuit Breaker program (an additional \$95,000). Education expenditures increased by 7.2%, much offset by increased state revenues. A substantial increase in capital outlays is attributed to the purchase of land for a municipal facility (\$755,279), a parcel purchased for Open Space (\$150,000), and some road reconstruction and repair funded by FEMA from an event in FY2005.

GENERAL FUND BUDGETARY HIGHLIGHTS

FY2006 saw the completion of FEMA repairs from the FY2005 storm event as well as a \$1.6M FEMA event as a result of a Mother's Day weekend storm which would become a major project for FY2007. Voter approval of land in York Village, which is hard to come by, foretells a possible replacement of aging municipal buildings. The York Village Fire Station, constructed in 1976, is the last and only municipal building to be built. All the other buildings were acquired over time as buildings were no longer needed for their original purpose, as in the Police Station/Senior Center which was a York Beach school.

Although a \$500,000 utilization of fund balance was approved by voters to reduce tax appropriations, a net \$224,029 was added to undesignated general fund balance, bringing it to \$5,346,535, keeping York in a very healthy fund balance position. Public Safety, Public Works and the Parks department make good use of grant funds, leveraging them with matching tax appropriations.

With taxes receivable of only \$624,316 on total tax bills of \$29.3 million, the Town of York enjoys a remarkable tax collection rate of 97.9%. The balance due on tax liens at year-end is only \$233,318, less than 1% of total taxes due. Along with a healthy fund balance and prudent investments, the Town's cash flow is managed well, and does not require any short-term borrowing. The Town continues to maintain its Standard and Poor's AA rating.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2006, the Town had \$52.4 million invested in capital assets including substantial funding for paving and construction of town roads. Funds were earmarked for replacement fire vehicles, police vehicles, plow and pickup trucks. Municipal buildings are decades- and centuries-old requiring some roof replacements.

	Capital Assets	Accumulated Depreciation at June 30, 2006	Capital Assets Net of Depreciation
Land	\$ 8,081,342	\$ -	\$ 8,081,342
Buildings & Improvements	35,801,411	11,576,395	24,225,016
Land Improvements	29,714,514	11,981,905	17,732,609
Equipment	2,357,502	1,468,405	889,097
Vehicles	4,845,674	3,350,355	1,495,319
TOTALS	<u>\$ 80,800,443</u>	<u>\$ 28,377,060</u>	<u>\$ 52,423,383</u>

This year's major additions included:

Purchase of 34 Long Sands Road (Municipal facility)	\$ 755,279
Parking meters for beaches	149,844
Heavy Plow Truck	101,099
Sidewalk Snowblower	80,575
Backhoe	86,967
Acquisition of Open Space Acreage (Josiah Norton)	150,000
Repaving and reconstructing town roads	1,459,083
Other Additions	<u>370,529</u>
	<u>\$ 3,153,376</u>

Debt

At year-end, the Town had \$18,421,553 in outstanding notes representing a net reduction of \$1,330,456:

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General Obligation Debt	\$ 18,421,553	\$ 19,752,009	\$ -	\$ -	\$ 18,421,553	\$ 19,752,009
Capital Lease obligations	332,498	216,459			332,498	216,459
Compensated absences	732,403	667,246			732,403	677,246
Totals	<u>\$ 19,486,454</u>	<u>\$ 20,635,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,486,454</u>	<u>\$ 20,635,714</u>

There was no new bonded debt issued in 2006. However, the Town did fund both a portion of the parking meters (\$79,047) and the sidewalk snow blower (\$27,779) with capital leases over two years. In a joint project with the York Sewer District, a portion of Long Sands Road was rebuilt for almost \$300,000 as the new sewer line was being installed, allowing the Town to secure a favorable repayment rate in conjunction with the Sewer District for a fifteen-year term. Other obligations of the Town include accrued compensated absences in the amount of \$732,403. An ambitious Five-Year Capital Plan identifies \$35M in potentially bondable projects. It remains to be seen if the voters will agree to major expenditures and debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

FY 2006 and the storm event highlighted the concerns about the condition of the Town's drainage system and the extensive work that would be required and is a major part of the Five-Year Capital Plan. A separate Tax Task Force appointed by the Board of Selectmen determined that the Town can afford \$7M in bonding per year and designed a capital plan around those figures.

The assessor continues to use his extensive resources to keep values within the 90-100% range as dictated by state statute. Property values continue to rise, with waterfront properties showing the largest percentage increases. Tourism still continues to be a major industry here in the Town.

Year	Total Valuation	Valuation Increase	Total Tax Bills	Tax Bill Increase	Mil Rate
2003	\$ 2,564,463,024		26,285,720		\$10.25
2004	\$ 2,805,191,350	9.39%	27,205,357	3.50%	\$ 9.70
2005	\$ 3,197,719,520	13.99%	27,980,046	2.85%	\$ 8.75
2006	\$ 3,503,231,200	9.55%	29,322,153	4.80%	\$ 8.46
2007	\$ 3,775,924,530	7.78%	30,736,026	4.82%	\$ 8.14

With rising values and extensive new building, York's valuation increases each year enough to reduce tax rates and keep tax bills almost flat for a large percentage of the property owners. Those closest to the water see that property valuation translates to larger tax bills, yet there are segments of the population for which tax bills decrease each year. The tax rate for FY 2003 was \$10.25/thousand and for FY 2004 was \$9.70/thousand and fell to \$8.75/thousand for FY 2005. For FY 2006, the mil rate will be \$8.46. Total tax bills increased 3.25% from FY03 to FY04, 2.85% from FY04 to FY05 and 4.8% from FY05 to FY06, and 4.82% from FY06 to FY07 for a total increase FY03 to FY07 of 16.9%. During that same time period, the total valuation of the Town has increased 47.2%, from \$2.564 billion to \$3.736 billion.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager's Office at 186 York Street, York, Maine, or by phone at (207)363-1000.

Statement of Net Assets

Town of York, Maine

As of June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,973,673	\$ -	\$ 9,973,673
Investments	870,911	32,644	903,555
Taxes receivable	624,316	-	624,316
Tax liens receivable	213,318	-	213,318
Accounts receivable	928,259	10,240	938,499
Inventory	18,778	43,749	62,527
Internal balances	42,394	(42,394)	-
Tax acquired property	22,266	-	22,266
Prepaid expenses	94,869	-	94,869
Capital assets, net of accumulated depreciation	<u>52,423,383</u>	<u>-</u>	<u>52,423,383</u>
Total Assets	65,212,167	44,239	65,256,406
Liabilities			
Accounts payable	886,576	17,660	904,236
Other accrued liabilities	13,243	-	13,243
Accrued payroll	1,235,247	-	1,235,247
Accrued interest payable	248,756	-	248,756
Deferred revenues	29,271	-	29,271
Escrow payable	225,111	-	225,111
Security deposits	2,097	-	2,097
Long-term liabilities:			
Portion due or payable within one year:			
Bonds payable	1,602,142	-	1,602,142
Capital lease obligations	151,921	-	151,921
Accrued vacation and sick leave	496,077	-	496,077
Portion due or payable after one year:			
Bonds payable	16,819,411	-	16,819,411
Capital lease obligations	180,577	-	180,577
Accrued vacation and sick leave	<u>236,326</u>	<u>-</u>	<u>236,326</u>
Total Liabilities	<u>22,126,755</u>	<u>17,660</u>	<u>22,144,415</u>
Net Assets			
Invested in capital assets, net of related debt	33,669,332	-	33,669,332
Restricted for endowments	21,177	-	21,177
Unrestricted	<u>9,394,903</u>	<u>26,579</u>	<u>9,421,482</u>
Total Net Assets	<u>\$ 43,085,412</u>	<u>\$ 26,579</u>	<u>\$ 43,111,991</u>

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

Balance Sheet - Governmental Funds

Town of York, Maine

As of June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 9,928,402	\$ 45,271	\$ 9,973,673
Investments	-	870,911	870,911
Taxes receivable	624,316	-	624,316
Tax liens receivable	213,318	-	213,318
Accounts receivable	726,583	201,676	928,259
Due from other funds	527,135	2,029,362	2,556,497
Inventory	-	18,778	18,778
Prepaid expenses	94,869	-	94,869
Tax acquired property	22,266	-	22,266
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 12,136,889	\$ 3,165,998	\$ 15,302,887
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 718,497	\$ 168,079	\$ 886,576
Other accrued liabilities	13,243	-	13,243
Accrued payroll	1,226,704	8,543	1,235,247
Due to other funds	2,071,171	442,932	2,514,103
Deferred revenues	535,000	-	535,000
Escrow payable	225,111	-	225,111
Security deposits	2,097	-	2,097
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	4,791,823	619,554	5,411,377
Fund Balances			
Reserved for:			
Endowments	-	21,177	21,177
Unreserved:			
Designated for subsequent year's expenditures	1,998,531	2,525,267	4,523,798
Undesignated	5,346,535	-	5,346,535
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	7,345,066	2,546,444	9,891,510
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ 12,136,889	\$ 3,165,998	\$ 15,302,887

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

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets**

Town of York, Maine

As of June 30, 2006

Total Fund Balances - Governmental Funds \$ 9,891,510

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 as assets in governmental
funds. The cost of capital assets, net of accumulated depreciation is: 52,423,383

Property tax revenues are presented on the modified accrual basis
of accounting in the governmental funds but in the Statement of
Activities, property tax revenue is reported under the accrual method.
The balance in deferred property tax revenue in the governmental
funds as a liability is: 505,729

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds. Long-term
and related liabilities at year-end consist of:

Bonds payable	\$ (18,421,553)	
Capital lease obligations	(332,498)	
Accrued interest payable	(248,756)	
Accrued vacation and sick leave	<u>(732,403)</u>	
		<u>(19,735,210)</u>

Total Net Assets - Governmental Activities \$ 43,085,412

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Town of York, Maine

For the Year Ended June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 32,137,727	\$ -	\$ 32,137,727
Intergovernmental	4,026,918	1,096,089	5,123,007
Intergovernmental on-behalf payments	2,114,098	-	2,114,098
Charges for services	496,169	1,173,591	1,669,760
Licenses, permits, and fees	848,447	-	848,447
Miscellaneous	603,508	326,861	930,369
Total Revenues	<u>40,226,867</u>	<u>2,596,541</u>	<u>42,823,408</u>
Expenditures			
Current			
General government	2,201,994	-	2,201,994
Public safety	4,835,244	-	4,835,244
Public works and sanitation	3,180,951	-	3,180,951
Public works - federally funded projects	291,118	-	291,118
Community services	565,324	-	565,324
Boards and commissions	29,132	-	29,132
Education	20,133,551	1,652,922	21,786,473
MSRS on-behalf payments	2,114,098	-	2,114,098
County tax	1,662,857	-	1,662,857
Abatements	36,810	-	36,810
Unclassified	-	647,468	647,468
Debt service - principal	1,606,908	-	1,606,908
- interest	967,670	-	967,670
Capital outlays	2,309,138	827,269	3,136,407
Total Expenditures	<u>39,934,795</u>	<u>3,127,659</u>	<u>43,062,454</u>
Revenues Over (Under) Expenditures	292,072	(531,118)	(239,046)
Other Financing Sources (Uses)			
Proceeds from capital lease obligation	177,623	-	177,623
Proceeds from borrowing	276,452	-	276,452
Operating transfers in	-	76,000	76,000
Operating transfers out	(167,108)	(10,338)	(177,446)
Total Other Financing Sources (Uses)	<u>286,967</u>	<u>65,662</u>	<u>352,629</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	579,039	(465,456)	113,583
Fund balances at beginning of year	<u>6,766,027</u>	<u>3,011,900</u>	<u>9,777,927</u>
Fund Balances at End of Year	<u>\$ 7,345,066</u>	<u>\$ 2,546,444</u>	<u>\$ 9,891,510</u>

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

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

Town of York, Maine

As of June 30, 2006

Net Change in Fund Balances - Total Governmental Funds		\$ 113,583
Amounts reported for governmental activities in the Statement of Activities 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. Donations of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. This is the amount by which capital asset additions exceeded depreciation expense in the current period:</p>		
Additions to capital assets	3,153,376	
Depreciation expense	<u>(2,333,829)</u>	819,547
<p>Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The current year change in deferred property tax revenue reported in the governmental funds and not in the Statement of Activities is:</p>		
		64,729
<p>Governmental funds report the sale of capital assets as revenues. However, in the Statement of Activities, the sale of those assets is recognized as a gain or loss, depending on the sale and accumulated depreciation amounts.</p>		
Loss on sale of capital assets		(153,803)
<p>Bond proceeds and entering into capital lease obligations provide current resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt and capital lease obligation 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 long-term debt and capital lease payments exceeded proceeds from entering into capital lease obligations and long-term borrowing in the current period:</p>		
Proceeds from long-term borrowing	(276,452)	
Principal portion of debt service payments	1,606,908	
Proceeds from capital lease obligations	(177,623)	
Reductions in capital lease obligations	<u>61,584</u>	1,214,417
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	19,056	
Change in accrued vacation and sick leave	<u>(65,157)</u>	(46,101)
Change in Net Assets of Governmental Activities		<u>\$ 2,012,372</u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Budgetary Basis)**

Town of York, Maine

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 32,200,925	\$ 32,200,925	\$ 32,137,727	\$ (63,198)
Intergovernmental	3,217,474	3,886,786	4,026,918	140,132
Intergovernmental on-behalf payments	-	-	2,114,098	2,114,098
Charges for services	658,583	848,681	496,169	(352,512)
Licenses, permits, and fees	411,620	411,620	848,447	436,827
Miscellaneous	438,355	438,355	603,508	165,153
Total Revenues	36,926,957	37,786,367	40,226,867	2,440,500
Expenditures				
Current				
General government	2,328,177	2,328,177	2,201,994	126,183
Public safety	4,908,164	5,209,066	4,835,244	373,822
Public works and sanitation	3,216,601	3,222,464	3,180,951	41,513
Public works - federally funded projects	-	552,645	291,118	261,527
Community services	595,731	595,731	565,324	30,407
Boards and commissions	62,996	62,996	29,132	33,864
Education	20,235,747	20,235,747	20,133,551	102,196
MSRS on-behalf payments	-	-	2,114,098	(2,114,098)
County tax	1,662,857	1,662,857	1,662,857	-
Abatements	-	-	36,810	(36,810)
Debt service - principal	1,588,823	1,588,823	1,606,908	(18,085)
- interest	1,001,320	1,001,320	967,670	33,650
Capital outlays	2,105,695	2,105,695	2,309,138	(203,443)
Total Expenditures	37,706,111	38,565,521	39,934,795	(1,369,274)
Revenues Over (Under) Expenditures	(779,154)	(779,154)	292,072	1,071,226
Other Financing Sources (Uses)				
Proceeds from capital lease obligation	27,779	27,779	177,623	149,844
Proceeds from borrowing	-	-	276,452	276,452
Operating transfers out	(167,108)	(167,108)	(167,108)	-
Utilization of designated surplus	829,708	829,708	-	(829,708)
Utilization of undesignated surplus	300,000	300,000	-	(300,000)
Total Other Financing Sources (Uses)	990,379	990,379	286,967	(703,412)
Revenues and Other Sources Over Expenditures and Other Uses	\$ 211,225	\$ 211,225	579,039	\$ 367,814
Fund balance at beginning of year			<u>6,766,027</u>	
Fund Balance at End of Year			<u>\$ 7,345,066</u>	

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

Combined Statement of Net Assets
All Proprietary Fund Types - Business-type Activities - Enterprise Funds

Town of York, Maine

As of June 30, 2006

Assets

Investments	\$	32,644
Accounts receivable		10,240
Due from other funds		41,809
Inventory		<u>43,749</u>
Total Assets		128,442

Liabilities

Accounts payable		17,660
Due to other funds		<u>84,203</u>
Total Liabilities		<u>101,863</u>

Net Assets

Unrestricted		<u>26,579</u>
Total Net Assets	\$	<u><u>26,579</u></u>

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

**Combined Statement of Revenues, Expenses and Changes in Fund Net Assets
All Proprietary Fund Types - Business-type Activities - Enterprise Funds**

Town of York, Maine

For the Year Ended June 30, 2006

Operating Revenues		
Charges for services	\$	602,315
Other		<u>58,157</u>
Total Operating Revenues		<u>660,472</u>
Operating Expenses		
Designated purposes		<u>768,269</u>
Total Operating Expenses		<u>768,269</u>
	Operating Loss	(107,797)
Other Financing Sources (Uses)		
Operating transfers in		<u>101,446</u>
Total Other Financing Sources		<u>101,446</u>
	Decrease in Net Assets	(6,351)
Net assets at beginning of year		<u>32,930</u>
	Net Assets at End of Year	<u>\$ 26,579</u>

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

Statement of Cash Flows

All Proprietary Fund Types - Business-type Activities - Enterprise Funds

Town of York, Maine

For the Year Ended June 30, 2006

Cash Flows from Operating Activities

Receipts from customers and users	\$ 631,528
Receipts from intergovernmental sources	-
Other operating receipts	58,157
Payments to and on behalf of employees	(410,971)
Payments to suppliers and vendors	<u>(379,130)</u>
Net Cash Used by Operating Activities	(100,416)

Cash Flows from Noncapital Financing Activities

Transfers in from other funds	101,446
Transfers out to other funds	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	101,446

Cash Flows from Investing Activities

Purchase of investments	<u>(1,030)</u>
Net Cash Used by Investing Activities	<u>(1,030)</u>

Increase (Decrease) in Cash -

Cash at beginning of year -

Cash at End of Year **\$ -**

Reconciliation of Operating Income (Loss) to

Net Cash Provided (Used) by Operating Activities:

Operating income (loss)	\$ (107,797)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	29,213
Due from other funds	(11,006)
Inventory	(5,537)
Increase (decrease) in operating liabilities:	
Accounts payable	830
Due to other funds	<u>(6,119)</u>

Net Cash Used by Operating Activities **\$ (100,416)**

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

Statement of Fiduciary Net Assets
Fiduciary Fund - Agency Fund

Town of York, Maine

As of June 30, 2006

	<u>Student Activity Accounts</u>
Assets	
Cash	\$ 79,573
Total Assets	<u>79,573</u>
Liabilities	
Held for student activities and other purposes	<u>79,573</u>
Total Liabilities	<u>79,573</u>
Net Assets	<u><u>\$ -</u></u>

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

Notes to Financial Statements

Town of York, Maine

Note A - Summary of Significant Accounting Policies

The Town of York, Maine was incorporated in 1652 and currently operates under a Selectboard -Town Manager-Town Meeting form of government. The accounting policies of the Town of York conform to generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

The basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of York has no component units.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 services for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities.

Notes to Financial Statements - Continued

Town of York, Maine

Note A - Summary of Significant Accounting Policies - Continued

Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges 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 fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization as stipulated by the specific trust instrument.

Proprietary (Business-type) Activities

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Notes to Financial Statements - Continued

Town of York, Maine

Note A - Summary of Significant Accounting Policies - Continued

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Town's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary Funds (not included in Government-wide statements)

The Town's fiduciary funds are presented in the fiduciary fund statements by type. Since by definition these assets are being held for the benefit of a third party and can not be used to address activities or obligations of the Town, these funds are not incorporated into the Government-wide statements.

Agency Funds are used to account for assets held by the Town as an agent for individuals, private organizations, and/or other government units.

Basis of Accounting

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

Accrual

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

Modified Accrual

Governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60

Notes to Financial Statements - Continued

Town of York, Maine

Note A - Summary of Significant Accounting Policies - Continued

days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Cash and Cash Equivalents

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

Investments

The Town follows GASBS No. 31, Accounting and Reporting of Certain Investments and External Investment Pools. Under GASBS No. 31, certain investments held by governments are reported at their fair value in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenditures and changes in fund balance.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase.

Inventories consisting of food and supplies for the special revenue fund, and general merchandise for the proprietary fund, are accounted for at the lower of cost or market on a first-in, first out (FIFO) basis. Government surplus items donated to the School Lunch Program are included in special revenue inventory and are valued at fair market value on a first-in, first-out (FIFO) basis.

Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: land improvements, 15 to 20 years; buildings and improvements, 20 to 50 years; infrastructure, 5 to 60 years; and vehicles and equipment, 3 to 15 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

Vacation and Sick Leave

Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. The Town accrues unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentation.

Notes to Financial Statements - Continued

Town of York, Maine

Note A - Summary of Significant Accounting Policies - Continued

Budget

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

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

- Early in the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A vote of the inhabitants of the Town was then taken for the purpose of adopting the proposed budget after public notice of the vote was given.
- The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for special revenue funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund loan receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide presentation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. Since not all funds maintain a separate cash account, cash is pooled in the General Fund cash account and activity for individual funds are recorded through the General Fund and each respective individual fund through the recognition of a "due to/due from" as appropriate. The due to/from other funds balances are subject to elimination upon consolidation in the government-wide presentation. All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Notes to Financial Statements - Continued

Town of York, Maine

Note A - Summary of Significant Accounting Policies - Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. 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.

Debt Issuance Costs

In governmental funds, debt issuance costs are recognized in the current period. For the government-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

Revenue Recognition - Property Taxes

The Town's property tax for the current year was levied July 26, 2005, on the assessed value listed as of April 1, 2005, for all real and personal property located in the Town. Taxes were due September 9, 2005 and February 3, 2006. Interest on unpaid taxes commenced on September 10, 2005 and February 4, 2006, at 7.75% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$211,225 (.7%) for the year ended June 30, 2006.

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

Notes to Financial Statements - Continued

Town of York, Maine

Note B - Cash and Investments

The Town conducts all its banking and investment transactions with depository banks and investment firms.

Custodial Credit Risk - Deposits

At June 30, 2006, the carrying amount of the Town's deposits was \$10,053,246 and the bank balance was \$10,618,691. The difference between these balances relates to deposits in transit, outstanding checks and cash on hand at year-end.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy on custodial credit risk. At June 30, 2006, \$111,728 of the Town's bank balance of \$10,618,691 was exposed to credit risk as follows:

Uninsured and uncollateralized	<u>\$ 111,728</u>
--------------------------------	-------------------

Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks and bonds and mutual funds.

At June 30, 2006, the Town's investment portfolio consisted of stocks and U.S. Government Securities. The carrying amount of the Town's investments was \$903,555 (market).

The Town's investments are categorized to give an indication of the level of risk assumed by the Town at year-end. These categories are defined as follows:

Category # 1 - Includes investments that are insured or registered, or securities held by The Town or its agent in the Town's name.

Category # 2 - Includes uninsured and unregistered investments with securities held by the broker, or dealer, or by its trust department or agent but not in the Town's name.

Category # 3 - Includes uninsured and unregistered investments with securities held by the broker, dealer, bank, or by its trust department or agent but not in the Town's name.

<u>Investment vehicle</u>	<u>Balance</u>	<u>#1</u>	<u>Category #2</u>	<u>#3</u>
Mutual funds	<u>\$ 903,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in mutual funds are not subject to categorization.

Notes to Financial Statements - Continued

Town of York, Maine

Note C - Capital Assets

A summary of capital assets transactions for the year ended June 30, 2006, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 7,176,061	\$ 905,281	\$ -	\$ 8,081,342
Depreciable Assets:				
Buildings and improvements	35,771,336	30,075	-	35,801,411
Land improvements	28,255,448	1,459,066	-	29,714,514
Equipment	2,026,154	508,651	177,303	2,357,502
Vehicles	<u>5,353,463</u>	<u>250,303</u>	<u>758,092</u>	<u>4,845,674</u>
Totals at historical cost	78,582,462	3,153,376	935,395	80,800,443
Less accumulated depreciation:				
Buildings and improvements	9,987,564	1,588,831	-	11,576,395
Land improvements	11,547,661	434,244	-	11,981,905
Equipment	1,529,073	64,900	125,568	1,468,405
Vehicles	<u>3,760,525</u>	<u>245,854</u>	<u>656,024</u>	<u>3,350,355</u>
Total accumulated depreciation	<u>26,824,823</u>	<u>2,333,829</u>	<u>781,592</u>	<u>28,377,060</u>
Net Capital Assets	<u>\$ 51,757,639</u>	<u>\$ 819,547</u>	<u>\$ 153,803</u>	<u>\$ 52,423,383</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 41,070
Public safety	146,461
Public works and sanitation	599,434
Community services	3,389
Education	<u>1,543,475</u>
Total governmental activities depreciation expense	<u>\$ 2,333,829</u>

Notes to Financial Statements - Continued

Town of York, Maine

Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2006 consisted of the following individual fund receivables and payables:

Governmental Activities	Receivables	Payables	Net
<u>General Fund:</u>	<u>Due from</u>	<u>(Due to)</u>	<u>Internal</u>
<u>Special Revenue:</u>			<u>Balances</u>
Airport Drive	\$ -	\$ (27,506)	
Athletic Fields	-	(252)	
Beach Reserve	-	(5,253)	
Bog Road	-	(14,559)	
Bog Road Playground	-	(25,650)	
Code Enforcement	-	(78,000)	
Earned Time	2,351	-	
FEMA Fire Grant	-	(689)	
Fireworks	4,241	-	
Fisherman's Memorial	-	(50)	
GIS Mapping	-	(114,038)	
Harbor and Wharf	-	(8,511)	
Harbor Beach Bathhouse	-	(1,675)	
Harbor Dredge	-	(6,964)	
Homeland Security	32,793	-	
Impact Fees	93,500	-	
Long Sands Bathhouse	-	(468)	
MMA Wellness	-	(514)	
Mt. Agamenticus Trails 2006	8,703	-	
Mt. Agamenticus Coordinator	-	(7,234)	
Mt. Agamenticus Landscape	2,221	-	
Performance Accounts	-	(287,830)	
Public Works Equipment	31,514	-	
350 th Committee	-	(2,805)	
Wheeler Marsh Restoration	-	(17,976)	
York Corner	109,959	-	
School categorical programs	22,835	(125,765)	
School lunch program	<u>133,677</u>	<u>-</u>	
	<u>\$ 441,794</u>	<u>\$ (725,739)</u>	

Notes to Financial Statements - Continued

Town of York, Maine

Note D - Interfund Receivables and Payables - Continued

	Receivables <u>Due from</u>	Payables <u>(Due to)</u>	Net Internal <u>Balances</u>
Capital Projects:			
Middle School renovations	\$ -	\$(1,295,306)	
High School renovations	<u>-</u>	<u>(8,317)</u>	
	-	(1,303,623)	
Permanent Fund:			
Clark/Emerson Trust Fund	1,138	-	
<i>Business-type Activities:</i>			
Enterprise Funds:			
Recreation	1,896	-	
Mt. Agamenticus	675	-	
Sohier Park	68,219	-	
Goodrich Park	2,464	-	
Outside Duty	9,567	-	
Printing	1,382	-	
Senior Transportation	<u>-</u>	<u>(41,809)</u>	
	<u>84,203</u>	<u>(41,809)</u>	
General Fund	\$ <u>527,135</u>	<u>\$(2,071,171)</u>	

Notes to Financial Statements - Continued

Town of York, Maine

Note D - Interfund Receivables and Payables - Continued

	Receivables <u>Due from</u>	Payables <u>(Due to)</u>	Net Internal <u>Balances</u>
<u>Other Governmental Funds:</u>			
<i>Special Revenue:</i>			
General Fund:			
Airport Drive	\$ 27,506	\$ -	
Athletic Fields	252	-	
Beach Reserve	5,253	-	
Bog Road	14,559	-	
Bog Road Playground	25,650	-	
Code Enforcement	78,000	-	
Earned Time	-	(2,351)	
FEMA Fire Grant	689	-	
Fireworks	-	(4,241)	
Fisherman's Memorial	50	-	
GIS Mapping	114,038	-	
Harbor and Wharf	8,511	-	
Harbor Beach Bathhouse	1,675	-	
Harbor Dredge	6,964	-	
Homeland Security	-	(32,793)	
Impact Fees	-	(93,500)	
Long Sands Bathhouse	468	-	
MMA Wellness	514	-	
Mt. Agamenticus Trails 2006	-	(8,703)	
Mt. Agamenticus Coordinator	7,234	-	
Mt. Agamenticus Landscape	-	(2,221)	
Performance Accounts	287,830	-	
Public Works Equipment	-	(31,514)	
350 th Committee	2,805	-	
Wheeler Marsh Restoration	17,976	-	
York Corner	-	(109,959)	
School categorical programs	125,765	(22,835)	
School lunch program	-	(133,677)	
Special Revenue subtotal	\$ 725,739	\$ (441,794)	

Notes to Financial Statements - Continued

Town of York, Maine

Note D - Interfund Receivables and Payables - Continued

	Receivables <u>Due from</u>	Payables <u>(Due to)</u>	Net Internal <u>Balances</u>
<i>Capital Projects:</i>			
General Fund:			
Middle School renovations	\$ 1,295,306	\$ -	
High School renovations	<u>8,317</u>	<u>-</u>	
Capital Projects subtotal	1,303,623	-	
 <i>Permanent Fund:</i>			
General Fund:			
Clark/Emerson Trust Fund	<u>-</u>	<u>(1,138)</u>	
Other Governmental Funds	<u>2,029,362</u>	<u>(442,932)</u>	
Total Governmental Funds	<u>\$ 2,556,497</u>	<u>\$ (2,514,103)</u>	<u>\$ 42,394</u>
 Business-type Activities:			
<u>Enterprise Funds:</u>			
<i>General Fund:</i>			
Recreation	\$ -	1,896	
Mt. Agamenticus	-	675	
Sohier Park	-	68,219	
Goodrich Park	-	2,464	
Outside Duty	-	9,567	
Printing	-	1,382	
Senior Transportation	<u>41,809</u>	<u>-</u>	
Total Business-type Activities	<u>\$ 41,809</u>	<u>\$ (84,203)</u>	<u>\$ (42,394)</u>

All interfund balances resulted from the Town pooling cash in the General Fund for other funds disclosed above, for greater efficiency and physical control, with each fund having an interest in the pooled cash account and reporting its interest in its balance sheet and statement of net assets.

Notes to Financial Statements - Continued

Town of York, Maine

Note E - Interfund Transfers

Interfund transfers for the year ended June 30, 2006 consisted of the following amounts:

Governmental Activities	Transfers <u>In</u>	Transfers <u>Out</u>	<u>Net</u> <u>Transfers</u>
<u>General Fund:</u>			
<i>Other Governmental Funds:</i>			
Special Revenues	\$ -	\$ (76,000)	\$ (76,000)
Enterprise	-	(91,108)	(91,108)
 <u>Other Governmental Funds:</u>			
<i>Special Revenue:</i>			
General Fund	76,000	-	76,000
Enterprise Fund	-	(10,338)	(10,338)
 <i>Enterprise:</i>			
General Fund	91,108	-	91,108
Special Revenue Fund	<u>10,338</u>	<u>-</u>	<u>10,338</u>
Total Interfund Transfers	<u>\$ 177,446</u>	<u>\$ (177,446)</u>	<u>\$ -</u>

Transfers are used to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note F - Deferred Revenue

At June 30, 2006 deferred revenues consisted of the following:

Deferred property taxes	\$ 505,729
Overpayment by State for State Revenue Sharing	<u>29,271</u>
	<u>\$ 535,000</u>

Notes to Financial Statements - Continued

Town of York, Maine

Note G - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
Governmental Activities:					
General obligation debt	\$ 19,752,009	\$ 276,452	\$ 1,606,908	\$ 18,421,553	\$ 1,602,142
Capital lease obligations	216,459	177,623	61,584	332,498	151,921
Compensated absences	<u>667,246</u>	<u>393,979</u>	<u>328,822</u>	<u>732,403</u>	<u>496,077</u>
Total Governmental	<u>\$ 20,635,714</u>	<u>\$ 848,054</u>	<u>\$ 1,997,314</u>	<u>\$ 19,486,454</u>	<u>\$ 2,250,140</u>

Long-Term Debt:

At June 30, 2006 long-term debt consisted of the following individual issues:

1998 General Obligation Refunding Bond maturing March 1, 2011, annual payment ranging from \$330,000 to \$390,000, variable interest rate from 4.1% to 4.6%.	\$ 1,730,000
1999 General Obligation Bond maturing April 1, 2019, annual payments of \$230,000 each to 2003, and \$275,000 each to 2019 with annual rate of interest from 4.2% to 4.8%.	3,575,000
2000 General Obligation Bond maturing April 1, 2020, annual payments of \$800,000 to 2019, and one payment of \$780,000, with annual rate of interest from 5% to 5.5%.	11,180,000
2001 General Obligation Bond maturing September 1, 2021, annual payments of \$90,000 to 2021, with annual rate of interest from 3.5% to 4.8%.	1,440,000
Revolving Renovation Fund Loan, maturing June 1, 2011, annual payments of \$30,858 each. This loan is interest free.	154,290
Revolving Renovation Fund Loan, maturing June 1, 2009, annual payments of \$27,965 each. This loan is interest free.	83,896

Notes to Financial Statements - Continued

Town of York, Maine

Note G - Long-Term Liabilities - Continued

York Sewer District Loan, maturing November 14, 2020, annual payment ranging from \$17,559 to \$20,627, with annual rate of interest of 1.3%.

247,719

York Sewer District Loan, maturing November 14, 2020, annual payments of \$761 each. This loan is interest free.

10,648
\$ 18,421,553

The annual requirements to amortize long-term debt are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,602,142	\$ 876,693	\$ 2,478,835
2008	1,597,379	806,231	2,403,610
2009	1,587,621	735,398	2,323,019
2010	1,554,899	664,376	2,219,275
2011	1,545,146	593,404	2,138,550
2012-2016	5,925,262	2,044,699	7,969,961
2017-2021	4,519,104	583,844	5,102,948
2022	90,000	2,160	92,160
Total	<u>\$ 18,421,553</u>	<u>\$ 6,306,805</u>	<u>\$ 24,728,358</u>

Notes to Financial Statements - Continued

Town of York, Maine

Note G - Long-Term Liabilities - Continued

Capital Lease Obligations:

The Town of York and the School Department have entered into lease agreements as lessee for financing the acquisition of equipment and vehicles. These agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms) and, therefore have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of future minimum payments required under the leases as of June 30, 2006:

Year ending	
<u>June 30</u>	
2007	\$ 157,729
2008	86,264
2009	71,405
2010	<u>42,415</u>
Total minimum lease payments	357,813
Less amount representing interest	<u>25,315</u>
Present value of minimum lease payments	<u>\$ 332,498</u>

Note H - Debt Reimbursement

The State of Maine currently reimburses the Town for a portion of financing costs of various school construction projects. Continuation of such reimbursements is dependent upon continued appropriations by the state legislature.

Notes to Financial Statements - Continued

Town of York, Maine

Note I - Designated Fund Balance

At June 30, 2006 the designated fund balance applicable to future periods was as follows:

Debt service - Long Sands sewer	\$ 45,565
Elections	15,600
Academic reimbursement	1,606
Cemetery	800
Josiah Norton Road	22,870
Police vehicles	68,678
Fisherman's Walk renovations	45,445
Fire truck reserve	256,766
Bell Marsh Road	1,066
York Corner traffic signals	7,646
Route 1/Route 91 redesign	39,119
Septic system at York Beach garage	10,000
Police Dept facility plan	55,000
Road repair/rebuild	6,083
GPS vehicle locator	11,960
Storm water Management Plan	11,562
Ocean Avenue sidewalk	34,000
Seawall repair	18,040
Bog Road State Park	3,800
COPS grant funds from FY04	63,424
COPS grant funds from FY05	69,137
COPS grant funds from FY06	41,666
FEMA reimbursements	146,958
Education	<u>1,021,740</u>
	<u>\$ 1,998,531</u>

Note J - Commitment and Contingencies

Grant Funds

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Notes to Financial Statements - Continued

Town of York, Maine

Note K - Retirement Plan

Maine State Retirement - Consolidated Plan

Description of the Plan - The Town contributes to Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine State Retirement System provided 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 State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. A complete report is available from the Maine State Retirement System.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of York are established and may be amended by the Maine State Retirement System Board of Trustees. The Town's contributions to the Maine State Retirement System Consolidated Plan for the year ended June 30, 2006 was \$168,563, equal to the required contribution.

Teacher Group - Description of the Plan - All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost sharing plan with a special funding situation, established by the Maine State legislature. The Maine State 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 State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. A complete report is available from the Maine State Retirement System.

Notes to Financial Statements - Continued

Town of York, Maine

Note K - Retirement Plan - Continued

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,114,098 (19.15%) for the fiscal year 2006. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the School except for federally funded teachers, for which the School contributed 19.15% of their compensation. This cost of charged to the applicable grant.

In addition, the Town offers its employees a deferred compensation plan created in accordance the Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation. The deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The Town's computed contribution to this plan for the year ended June 30, 2006 was approximately \$242,488. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

The Town has also established a 401(a) Money Purchase Plan covering eligible employees of the York Police Department. Contributions by the Town to the plan during the year ended June 30, 2006 were approximately \$47,610.

Note L - Expenditures Over Appropriations

The following appropriations were exceeded by actual expenditures:

<u>Appropriations</u>	<u>Excess</u>
Purchase of land at Long Sands Road	\$ 755,279

Notes to Financial Statements - Continued

Town of York, Maine

Note M - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities that should be recorded at June 30, 2006.

The Town of York agrees to indemnify police officers for claims and suits, which exceed the liability limits of the \$1,000,000 police liability policy, provided there is no willful negligence on behalf of the officers who are sued or against whom litigation is filed.

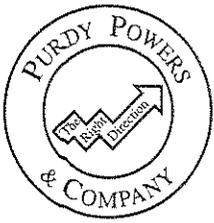
Note N - Litigation

The Town is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town. The Town has vigorously defended these claims and believes an unfavorable outcome is unlikely.

Note O - Subsequent Event - May Flooding

On May 14, 2006 the Town of York sustained \$1.6 million worth of flood damage to roads, bridges and culverts during what is known as the "Mothers' Day Storm" as a week of rain culminated in thirty-six hours of intense downpour. Federal Emergency Management Agency (FEMA) representatives, along with the York Police Chief and Public Works Director spent considerable time assessing the damage and developing project costs.

By June 30, 2006, only a small extent of the damage had been repaired. During that time, most of the effort was emergency repairs and emergency signage and lighting to notify motorists of closures and damage. At the worst of it, fourteen roads were closed due to wash-outs of bridges and culverts. The bulk of the repair work, will be done over the summer and fall of 2006 and will be finished by the end of fiscal year 2007. The Town anticipates incurring costs of approximately \$160,000 with the balance of the repair costs being reimbursed by FEMA and the Maine Emergency Management Agency.



PURDY POWERS & COMPANY

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Founder

Independent Auditors' Report on Supplemental Information

**To the Selectboard
Town of York
York, Maine**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information contained in the following schedules for the year ended June 30, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Purdy Powers & Company
Professional Association

**Portland, Maine
November 9, 2006**

**Combining Balance Sheet
Nonmajor Governmental Funds - Other Governmental Funds**

Town of York, Maine

As of June 30, 2006

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	Total Nonmajor Governmental Funds
Assets				
Cash	\$ 44,624	\$ -	\$ 647	\$ 45,271
Investments	849,243	-	21,668	870,911
Due from other funds	725,739	1,303,623	-	2,029,362
Accounts receivable	201,676	-	-	201,676
Inventory	18,778	-	-	18,778
	<u>\$ 1,840,060</u>	<u>\$ 1,303,623</u>	<u>\$ 22,315</u>	<u>\$ 3,165,998</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 168,079	\$ -	\$ -	\$ 168,079
Accrued payroll	8,543	-	-	8,543
Due to other funds	441,794	-	1,138	442,932
Total Liabilities	618,416	-	1,138	619,554
Fund Balances				
Reserved for:				
Endowments	-	-	21,177	21,177
Unreserved:				
Designated	1,221,644	1,303,623	-	2,525,267
Total Fund Balances	<u>1,221,644</u>	<u>1,303,623</u>	<u>21,177</u>	<u>2,546,444</u>
Total Liabilities and Fund Balances	<u>\$ 1,840,060</u>	<u>\$ 1,303,623</u>	<u>\$ 22,315</u>	<u>\$ 3,165,998</u>

See accompanying independent auditors' report on supplemental financial information.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Other Governmental Funds**

Town of York, Maine

For the Year Ended June 30, 2006

	Special Revenue	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
Revenues				
Intergovernmental	\$ 1,096,089	\$ -	\$ -	\$ 1,096,089
Charges for services	1,173,591	-	-	1,173,591
Miscellaneous	<u>278,791</u>	<u>47,158</u>	<u>912</u>	<u>326,861</u>
Total Revenues	2,548,471	47,158	912	2,596,541
Expenditures				
Designated purpose	2,287,103	12,597	690	2,300,390
Capital outlay	<u>827,269</u>	<u>-</u>	<u>-</u>	<u>827,269</u>
Total Expenditures	<u>3,114,372</u>	<u>12,597</u>	<u>690</u>	<u>3,127,659</u>
Revenues Over (Under) Expenditures	(565,901)	34,561	222	(531,118)
Other Financing Sources (Uses)				
Operating transfers in	76,000	-	-	76,000
Operating transfers out	<u>(10,338)</u>	<u>-</u>	<u>-</u>	<u>(10,338)</u>
Total Other Sources (Uses)	<u>65,662</u>	<u>-</u>	<u>-</u>	<u>65,662</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(500,239)	34,561	222	(465,456)
Fund balances at beginning of year	<u>1,721,883</u>	<u>1,269,062</u>	<u>20,955</u>	<u>3,011,900</u>
Fund Balances at End of Year	<u>\$ 1,221,644</u>	<u>\$ 1,303,623</u>	<u>\$ 21,177</u>	<u>\$ 2,546,444</u>

See accompanying independent auditors' report on supplemental financial information.

Combining Balance Sheet - Special Revenue Funds (1 of 2)

Town of York, Maine

As of June 30, 2006

	Assets					Liabilities				Fund Balance (Deficit) Designated	
	Cash	Investments	Due from Other Funds	Accounts Receivable	Inventory	Total Assets	Accounts Payable	Accrued Payroll	Due to Other Funds		Total Liabilities
Airport Drive	\$ -	\$ -	\$ 27,506	\$ -	\$ -	\$ 27,506	\$ -	\$ -	\$ -	\$ -	\$ 27,506
Athletic Fields	-	-	252	-	-	252	-	-	-	-	252
Beach Fire Truck	-	6,113	-	-	-	6,113	-	-	-	-	6,113
Beach Reserve	-	73,797	5,253	-	-	79,050	-	-	-	-	79,050
Bog Road	-	3,614	14,559	-	-	18,173	-	-	-	-	18,173
Bog Road Playground	-	-	25,650	-	-	25,650	-	-	-	-	25,650
Building Fund	-	1,768	-	-	-	1,768	-	-	-	-	1,768
Capital Equipment	-	7,133	-	-	-	7,133	-	-	-	-	7,133
CMP Spur Road	-	21,060	-	-	-	21,060	-	-	-	-	21,060
Code Enforcement	-	-	78,000	-	-	78,000	-	-	-	-	78,000
Conservation Commission	-	3,976	-	-	-	3,976	-	-	-	-	3,976
Eamed Time	-	143,913	-	-	-	143,913	-	-	2,351	2,351	141,562
FEMA Fire Grant	-	-	689	-	-	689	-	-	-	-	689
Fireworks	-	5,002	-	-	-	5,002	-	-	4,241	4,241	761
Fisher's Memorial	-	695	50	-	-	745	-	-	-	-	745
GIS Mapping	-	-	114,038	-	-	114,038	20,142	-	-	20,142	93,896
Goodrich Park	-	325	-	-	-	325	-	-	-	-	325
Harbor & Wharf	-	126,982	8,511	-	-	135,493	102,600	-	-	102,600	32,893
Harbor Beach Bathhouse	-	-	1,675	-	-	1,675	-	-	-	-	1,675
Harbor Dredge	-	167,236	6,964	-	-	174,200	-	-	-	-	174,200
Historic Markers	-	3,702	-	-	-	3,702	986	-	-	986	2,716
Hoist Repair	-	884	-	-	-	884	-	-	-	-	884
Homeland Security	-	-	-	29,298	-	29,298	-	-	32,793	32,793	(3,495)
Ice Pond	-	8,605	-	-	-	8,605	-	-	-	-	8,605

See accompanying independent auditors' report on supplemental financial information.

Combining Balance Sheet - Special Revenue Funds (2 of 2)

Town of York, Maine

As of June 30, 2006

	Assets					Liabilities				Fund Balance (Deficit) Designated
	Cash	Investments	Due from		Total Assets	Accounts Payable	Accrued Payroll	Due to		
			Other Funds	Receivable				Inventory	Other Funds	
Impact Fees	\$ -	\$ 123,337	\$ -	\$ -	\$ 123,337	\$ -	\$ -	\$ 93,500	\$ 93,500	\$ 29,837
Long Sands Bathhouse	-	-	468	-	468	-	-	-	-	468
Nubble Light	-	21,312	-	-	21,312	-	-	-	-	21,312
MMA Wellness	-	-	514	-	514	43	-	-	43	471
Mt. Agamenticus Trails 2005	-	-	-	-	-	-	-	-	-	-
Mt. Agamenticus Trails 2006	-	-	-	-	-	-	-	8,703	8,703	(8,703)
Mt. Agamenticus Coordinator	-	-	7,234	-	7,234	-	-	-	-	7,234
Mt. Agamenticus Landscape	-	-	-	-	-	-	-	2,221	2,221	(2,221)
Off Premises Signs	-	4,145	-	-	4,145	-	-	-	-	4,145
Open Space	-	74,921	-	-	74,921	-	-	-	-	74,921
Park Commission	-	8	-	-	8	-	-	-	-	8
Performance Accounts	-	-	287,830	-	287,830	-	-	-	-	287,830
Public Works Equipment	-	33,335	-	-	33,335	-	-	31,514	31,514	1,821
350th Committee	-	-	2,805	-	2,805	-	-	-	-	2,805
Tree Planting	-	5,785	-	-	5,785	-	-	-	-	5,785
Unemployment Compensation	-	8,218	-	-	8,218	-	-	-	-	8,218
Village Fire Truck	-	3,377	-	-	3,377	-	-	-	-	3,377
Wheeler Marsh Restoration	-	-	17,976	-	17,976	-	-	-	-	17,976
York Corner	-	-	-	109,959	109,959	-	-	109,959	109,959	-
School Categoricals	-	-	125,765	34,463	160,228	30,677	8,543	22,835	62,055	98,173
School Lunch Program	44,624	-	-	27,956	91,358	13,631	-	133,677	147,308	(55,950)
	\$ 44,624	\$ 849,243	\$ 725,739	\$ 201,676	\$ 1,840,060	\$ 168,079	\$ 8,543	\$ 441,794	\$ 618,416	\$ 1,221,644

See accompanying independent auditors' report on supplemental financial information.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Special Revenue Funds (1 of 2)**

Town of York, Maine

For the Year Ended June 30, 2006

	Revenues				Expenditures			Transfers In (Out)	Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance (Deficit) at Beginning of Year	Fund Balance (Deficit) at End of Year	
	Intergovern- mental	Charges for Services	Other	Total Revenues	Designated Purpose	Capital						Total Expenditures
						Outlay	Expenditures					
Airport Drive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,506	\$ 27,506	
Athletic Fields	-	-	100	100	(7,137)	-	(7,137)	-	(7,037)	7,289	252	
Beach Fire Truck	-	-	107	107	-	-	-	-	107	6,006	6,113	
Beach Reserve	-	-	30,500	30,500	-	-	-	-	30,500	48,550	79,050	
Bog Road	21,449	-	654	22,103	-	(6,890)	(6,890)	-	15,213	2,960	18,173	
Bog Road Playground	-	-	25,892	25,892	(242)	-	(242)	-	25,650	-	25,650	
Building Fund	-	-	16,223	16,223	-	(572,902)	(572,902)	-	(556,679)	558,447	1,768	
Capital Equipment	-	-	497	497	-	(25,000)	(25,000)	-	(24,503)	31,636	7,133	
CMP Spur Road	-	-	664	664	-	-	-	-	664	20,396	21,060	
Code Enforcement	-	184,378	-	184,378	(181,418)	-	(181,418)	-	2,960	75,040	78,000	
Conservation Commission	-	-	125	125	-	-	-	-	125	3,851	3,976	
Earned Time	-	-	3,212	3,212	-	-	-	20,000	23,212	118,350	141,562	
FEMA Fire Grant	-	-	-	-	(284)	-	(284)	-	(284)	973	689	
Fireworks	-	-	5,315	5,315	(141)	-	(141)	(4,600)	574	187	761	
Fisherman's Memorial	-	-	69	69	-	-	-	-	69	676	745	
GIS Mapping	-	160,875	-	160,875	(167,419)	(12,453)	(179,872)	-	(18,997)	112,893	93,896	
Goodrich Park	-	-	76	76	-	-	-	-	76	249	325	
Harbor & Wharf	-	28,175	3,490	31,665	(2,670)	-	(2,670)	-	28,995	3,898	32,893	
Harbor Beach Bathhouse	-	-	11,766	11,766	(12,502)	-	(12,502)	-	(736)	2,411	1,675	
Harbor Dredge	-	23,053	4,066	27,119	-	-	-	-	27,119	147,081	174,200	
Historic Markers	-	-	117	117	(986)	-	(986)	-	(869)	3,585	2,716	
Hoist Repair	-	-	15	15	-	-	-	-	15	869	884	
Homeland Security	77,913	-	-	77,913	(9,465)	(68,551)	(78,016)	-	(103)	(3,392)	(3,495)	
Ice Pond	-	-	271	271	-	-	-	-	271	8,334	8,605	

See accompanying independent auditors' report on supplemental financial information.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Special Revenue Funds (2 of 2)**

Town of York, Maine

For the Year Ended June 30, 2006

	Revenues			Expenditures			Transfers In (Out)	Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance (Deficit) at Beginning of Year	Fund Balance (Deficit) at End of Year	
	Intergovern- mental	Charges for Services	Other	Total Revenues	Designated Purpose	Capital Outlay					Total Expenditures
Impact Fees	-	\$ 127,500	\$ 6,816	\$ 134,316	\$ (127,500)	-	\$ (127,500)	\$ 6,816	\$ 23,021	\$ 29,837	
Long Sands Bathhouse	-	-	-	-	-	-	-	-	468	468	
Nubble Light	-	-	662	662	-	-	-	662	20,650	21,312	
MMA Wellness	-	-	1,653	1,653	(1,231)	-	(1,231)	422	49	471	
Mt. Agamenticus Trails 2005	24,670	-	-	24,670	(23,663)	-	(738)	269	(269)	-	
Mt. Agamenticus Trails 2006	-	-	-	-	(8,703)	-	(8,703)	(8,703)	-	(8,703)	
Mt. Agamenticus Coordinator	-	-	35,225	35,225	(42,550)	-	(42,550)	7,675	(441)	7,234	
Mt. Agamenticus Landscape	-	-	-	-	(2,221)	-	(2,221)	(2,221)	-	(2,221)	
Off Premises Signs	-	-	432	432	(10,662)	-	(10,662)	(10,230)	14,375	4,145	
Open Space	-	-	2,128	2,128	-	-	-	2,128	72,793	74,921	
Park Commission	-	-	1	1	-	-	-	1	7	8	
Performance Accounts	-	147,368	-	147,368	(34,095)	-	(34,095)	113,273	174,557	287,830	
Public Works Equipment	-	-	1,301	1,301	-	(31,514)	(31,514)	(30,213)	32,034	1,821	
350th Committee	-	-	204	204	-	-	-	204	2,601	2,805	
Tree Planting	-	-	183	183	-	-	-	183	5,602	5,785	
Unemployment Compensation	-	-	397	397	(1,292)	-	(1,292)	(895)	9,113	8,218	
Village Fire Truck	-	-	106	106	-	-	-	106	3,271	3,377	
Wheeler Marsh Restoration	-	-	-	-	-	-	-	-	17,976	17,976	
York Corner	109,959	-	-	109,959	-	(109,959)	(109,959)	-	-	-	
School Categories	724,887	-	126,457	851,344	(944,339)	-	(944,339)	(92,995)	191,168	98,173	
School Lunch Program	137,211	502,242	67	639,520	(708,583)	-	(708,583)	(33,063)	(22,887)	(55,950)	
	\$ 1,096,089	\$ 1,173,591	\$ 278,791	\$ 2,548,471	\$ (2,287,103)	\$ (827,269)	\$ (3,114,372)	\$ (500,239)	\$ 1,721,883	\$ 1,221,644	

See accompanying independent auditors' report on supplemental financial information.

**Combining Balance Sheet
Capital Projects Funds**

Town of York, Maine

As of June 30, 2006

	<u>Middle School Renovations</u>	<u>High School Renovations</u>	<u>Total</u>
Assets			
Due from other funds	\$ 1,295,306	\$ 8,317	\$ 1,303,623
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,295,306</u>	<u>\$ 8,317</u>	<u>\$ 1,303,623</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Unreserved -			
Designated	<u>1,295,306</u>	<u>8,317</u>	<u>1,303,623</u>
Total Fund Balances	<u>1,295,306</u>	<u>8,317</u>	<u>1,303,623</u>
Total Liabilities and Fund Balances	<u>\$ 1,295,306</u>	<u>\$ 8,317</u>	<u>\$ 1,303,623</u>

See accompanying independent auditors' report on supplemental financial information.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Funds**

Town of York, Maine

For the Year Ended June 30, 2006

	Middle School <u>Renovations</u>	High School <u>Renovations</u>	<u>Total</u>
Revenues	\$ 40,700	\$ 6,458	\$ 47,158
Expenditures	<u>-</u>	<u>12,597</u>	<u>12,597</u>
Revenues Over (Under) Expenditures	40,700	(6,139)	34,561
Fund balances at beginning of year	<u>1,254,606</u>	<u>14,456</u>	<u>1,269,062</u>
Fund Balances at End of Year	<u>\$ 1,295,306</u>	<u>\$ 8,317</u>	<u>\$ 1,303,623</u>

See accompanying independent auditors' report on supplemental financial information.

**Combining Balance Sheet
Permanent Funds - Trust Funds**

Town of York, Maine

As of June 30, 2006

	Clark/ Emerson	D'Entremont Scholarship	Total
Assets			
Cash	\$ -	\$ 647	\$ 647
Investments	<u>21,668</u>	<u>-</u>	<u>21,668</u>
Total Assets	<u>\$ 21,668</u>	<u>\$ 647</u>	<u>\$ 22,315</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ 1,138	\$ -	\$ 1,138
Total Liabilities	1,138	-	1,138
Fund Balances			
Reserved for endowments	<u>20,530</u>	<u>647</u>	<u>21,177</u>
Total Fund Balances	<u>20,530</u>	<u>647</u>	<u>21,177</u>
Total Liabilities and Fund Balances	<u>\$ 21,668</u>	<u>\$ 647</u>	<u>\$ 22,315</u>

See accompanying independent auditors' report on supplemental financial information.

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Permanent Funds - Trust Funds**

Town of York, Maine

For the Year Ended June 30, 2006

	<u>Clark/ Emerson</u>	<u>D'Entremont Scholarship</u>	<u>Total</u>
Revenues			
Investment return	\$ 690	\$ 222	\$ 912
Total Revenues	690	222	912
Expenditures			
Current	690	-	690
Total Expenditures	690	-	690
Revenues Over Expenditures	-	222	222
Fund balances at beginning of year	20,530	425	20,955
Fund Balances at End of Year	<u>\$ 20,530</u>	<u>\$ 647</u>	<u>\$ 21,177</u>

See accompanying independent auditors' report on supplemental financial information.

**Combining Schedule of Net Assets (Deficits)
All Proprietary Fund Types - Business-type Activities - Enterprise Funds**

Town of York, Maine

As of June 30, 2006

	Recreation Program							Total
	Recreation	Mt. Agameticus	Sohier Park	Goodrich Park	Outside Duty	Printing	Senior Transportation	
Assets								
Investments	\$ -	\$ -	\$ 32,644	\$ -	\$ -	\$ -	\$ -	\$ 32,644
Accounts receivable	-	-	-	-	10,240	-	-	10,240
Due from other funds	-	-	-	-	-	-	41,809	41,809
Inventories	-	-	43,749	-	-	-	-	43,749
Total Assets	-	-	76,393	-	10,240	-	41,809	128,442
Liabilities								
Accounts payable	9,017	1,112	6,179	-	-	-	968	17,276
Accrued payroll	-	-	-	-	384	-	-	384
Due to other funds	1,896	675	68,219	2,464	9,567	1,382	-	84,203
Total Liabilities	10,913	1,787	74,398	2,464	9,951	1,382	968	101,863
Net Assets (Deficits)								
Unrestricted	(10,913)	(1,787)	1,995	(2,464)	289	(1,382)	40,841	26,579
Total Net Assets (Deficits)	\$ (10,913)	\$ (1,787)	\$ 1,995	\$ (2,464)	\$ 289	\$ (1,382)	\$ 40,841	\$ 26,579

See accompanying independent auditors' report on supplemental financial information.

**Combining Schedule of Revenues, Expenses and Changes Net Assets (Deficits)
All Proprietary Fund Types - Business-type Activities - Enterprise Funds**

Town of York, Maine

For the Year Ended June 30, 2006

	Recreation Program								Senior Transportation	Total
	Recreation	Mt. Agamenticus	Sohier Park	Goodrich Park	Outside Duty	Printing				
Operating Revenues										
Charges for services	\$ 339,562	\$ 46,004	\$ 129,818	\$ 7,076	\$ 73,772	\$ 25	\$ 6,058	\$ 602,315		
Intergovernmental	-	-	-	-	-	-	-	-		
Other	50,550	-	4,493	-	-	-	3,114	58,157		
Total Operating Revenues	390,112	46,004	134,311	7,076	73,772	25	9,172	660,472		
Operating Expenses										
Salaries and benefits	247,380	21,887	47,971	-	71,499	-	22,234	410,971		
Cost of goods sold	-	-	60,397	-	-	-	-	60,397		
Service fees	156,827	7,763	13,923	4,920	21,000	-	1,544	205,977		
Supplies	42,156	18,796	5,536	1,000	-	-	-	67,488		
Utilities	8,103	3,131	7,758	2,665	-	-	1,779	23,436		
Total Operating Expenses	454,466	51,577	135,585	8,585	92,499	-	25,557	768,269		
Operating Income (Loss)	(64,354)	(5,573)	(1,274)	(1,509)	(18,727)	25	(16,385)	(107,797)		
Other Financing Sources (Uses)										
Operating transfers in	69,135	5,738	-	-	-	-	26,573	101,446		
Operating transfers out	-	-	-	-	-	-	-	-		
Total Other Financing Sources (Uses)	69,135	5,738	-	-	-	-	26,573	101,446		
Increase (Decrease) in Net Assets	4,781	165	(1,274)	(1,509)	(18,727)	25	10,188	(6,351)		
Net assets (deficits) at beginning of year	(15,694)	(1,952)	3,269	(955)	19,016	(1,407)	30,653	32,930		
Net Assets (Deficits) at End of Year	\$ (10,913)	\$ (1,787)	\$ 1,995	\$ (2,464)	\$ 289	\$ (1,382)	\$ 40,841	\$ 26,579		

See accompanying independent auditors' report on supplemental financial information.

Schedule of Valuation, Assessment and Collection of Taxes

Town of York, Maine

For the Year Ended June 30, 2006

Valuation

Real estate	\$ 3,445,604,700
Personal property	<u>20,394,500</u>
Total Valuation	<u><u>\$ 3,465,999,200</u></u>

Assessment

Valuation x Rate - \$3,465,999,200 x .00846	29,322,353
Supplemental taxes	<u>25,869</u>

Total Assessment Charged to Collector \$ 29,348,222

Collection and Credits

Cash collections	28,698,491
Tax abatements	<u>35,754</u>

Total Collection and Credits 28,734,245

2006 Taxes Receivable - June 30, 2006 \$ 613,977

See accompanying independent auditors' report on supplemental financial information.