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CITY OF SACO, MAINE

Comprehensive Annual Financial Report



For Fiscal Year Ended June 30, 2006

CITY OF SACO, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended June 30, 2006



Prepared By:
Lisa R. Parker, CPA
Finance Director, City of Saco, Maine

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City of Saco, Maine

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006

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INTRODUCTORY SECTION



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November 30, 2006

Honorable Mark D. Johnston, Mayor
And Distinguished Members of the City Council
Saco, Maine

The comprehensive annual financial report of the City of Saco, Maine for the fiscal year ended June 30, 2006, is hereby submitted in accordance with the requirements of both our City Charter and state statutes. The Charter and statutes require that the City of Saco issue annually a report of its financial position and activity, and that this report be audited by an independent firm of certified public accountants. This is the sixth year that the City's Department of Finance has prepared this report using the new reporting requirements as prescribed by GASB Statement No. 34. Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with the City of Saco. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Saco on a government wide and fund basis. All disclosures necessary to enable the reader to gain the maximum understanding of the City's activities have been included. The City was successful in achieving the Government Finance Officer's Association Certificate of Achievement for Excellence in Financial Reporting for the fifth time with our June 30, 2005 comprehensive annual financial report submittal. A copy of this certificate can be found immediately following this letter of transmittal. This year's report will also be submitted for this highest distinction.

The comprehensive annual financial report is prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). The report is presented in three sections: introductory, financial and statistical, and includes the following:

1. Introductory Section – Letter of Transmittal with comments on the operations of the City, Prior Year Certificate of Achievement for Excellence in Financial Reporting, the City's organizational chart, and a list of principal officials.
2. Financial Section – Basic Financial Statements and Required Supplementary Information. The Basic Financial Statements include Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Basic Financial Statements and Required Supplementary Information, as well as the auditors' report on the financial statements and schedules.
3. Statistical Section – Selected financial and demographic information, generally presented on a multi-year basis. The City of Saco has implemented the requirements of GASB Statement No. 44. See page 106 for a more detailed description of the tables reported.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The "Single Audit" is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including a schedule of federal financial assistance, findings, recommendations and the independent auditor's reports on the internal control and compliance with applicable laws and regulations, are included in a separately issued single audit report.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Saco, Maine's MD&A can be found immediately following the report of the independent auditors.

Governmental Structure, Local Economic Condition and Outlook

The City of Saco, Maine, incorporated in 1867, is located at the mouth of the Saco River on the southerly side of Saco Bay in the Gulf of Maine, in the southern coastal section of the State and is approximately the tenth largest city in the State of Maine. The City of Saco continues to be a key area within the state for residential growth, as well as a key area where industrial and commercial companies are investing. The City of Saco was ranked among the top five cities within the State of Maine for this growth. Saco has a land area of 38.5 square miles and a population of 16,822. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the Mayor -Council – City Administrator form of government. Policy making and legislative authority is vested in the seven member City Council. The Council is elected on a non-partisan basis. The mayor and all council members are elected to two-year terms from seven districts (wards). The City Council is responsible, among other things, for passing ordinances, adopting the budget, confirming mayoral nominations of committees and the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments, some with City Council confirmation.

The City of Saco, Maine provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; waste water treatment plant; solid waste collection; public education; health and social welfare; recreation; general administration and economic development.

The annual budget serves as the foundation for the City of Saco's financial planning and control. All departments of the City of Saco are required to submit requests for appropriation to the Finance Director in January of each year. The City's Finance Director uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the City Council for review in March of each year. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Both transfers of appropriations within a department and between various departments require the approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 44 as part of the basic financial statements for the governmental funds.

Major Initiatives Fiscal Year 2005-2006

After much work, financial planning and commitment to our vision of making Saco a community with a high quality of life for all its citizens, the City again ends the year in a solid financial position. Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future. The people of Saco have brought this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity.

Economic Development. The City has worked tirelessly to improve the economic development climate in Saco, and the proof of those efforts is the steady increase in the City's assessed valuation, which is due primarily to growth in the industrial and commercial sector. Notable additions to the City's economic development base are due primarily to the City's continually expanding industrial park project, which now includes several new businesses. There are also numerous residential dwellings being constructed.

Assessed Valuation. For the 15th consecutive year, the City's valuation has steadily increased, with the exception of fiscal year June 30, 1999, where the valuation slightly decreased due to the State mandated homestead exemption of approximately \$25 million. This exemption reduced the taxable valuation for the taxpayers of the City but was substituted by a reimbursement from the State. Since fiscal year 1991, the assessed valuation has risen from \$729,675,000, to this year's \$1,789,765,800. This equates to a 145% increase over this 15-year period. However, this increase has not been reflected proportionately between residential and commercial growth. In 1990, residential property accounted for 68% of the City's valuation. This year, residential property taxes will also account for approximately 80% of the taxes paid, while business/industry will account for 20%.

Financial Management. The City is committed to ensuring sound financial management of the public's funds. This includes development of a 5 year Financial Plan (2002-2007), which incorporates City Council goals and objectives, maintaining sufficient fund balances in major governmental funds, and adhering to the highest management standards. This financial plan was recently updated (fiscal year 2006) with the election of our new City Council and will be updated again in 2008 after our next election.

Capital Improvements & Debt Service. The City has prepared a 5 year Capital Improvement Plan Policy. This policy outlines all of the capital assets currently owned by the City, their historical costs, their estimated useful lives, and their estimated replacement years and costs. With this information, the City will be better able to plan for replacements which will aid in our budget preparation in future years as we will have a better idea of fiscal impacts due to replacement being projected. In the current fiscal year, approximately \$672,000 was budgeted to fund various capital improvement projects, including numerous capital asset additions and infrastructure maintenance projects. The City also undertook a new bond issue in the current year for the purchase of open space as was approved by the voters almost 2 years ago. The city continues to remain significantly below state mandated thresholds for allowable debt liability.

Comprehensive Plan. A comprehensive plan for the City's development was adopted in October of 1999. This plan sets out development policies and goals for capital planning for the next decade and is updated frequently.

Interlocal service efforts with the City of Biddeford and the Town of Old Orchard Beach. Saco, Biddeford and Old Orchard Beach continue to build among the many services we provide jointly, including the harbor river patrol efforts, various training efforts for employees, combined purchasing to take advantage of economies of scale, and combined negotiations of cable franchise agreements, to name just a few. Interlocal agreements are also in place for fire, police and emergency management services.

Biddeford-Saco-Old Orchard Beach Transit Committee- The City is a member of the Biddeford-Saco-Old Orchard Beach Transit Committee which is a jointly governed organization. The Committee has operated a public mass transit passenger bus service within and between the three municipalities under a voluntary interlocal agreement since 1977. The City of Saco's contribution to the committee for the year ended June 30, 2006 was \$48,000. The Transit Committee does not meet the definition of a component unit or a joint venture because there is no ongoing financial interest or responsibility by the participating governments.

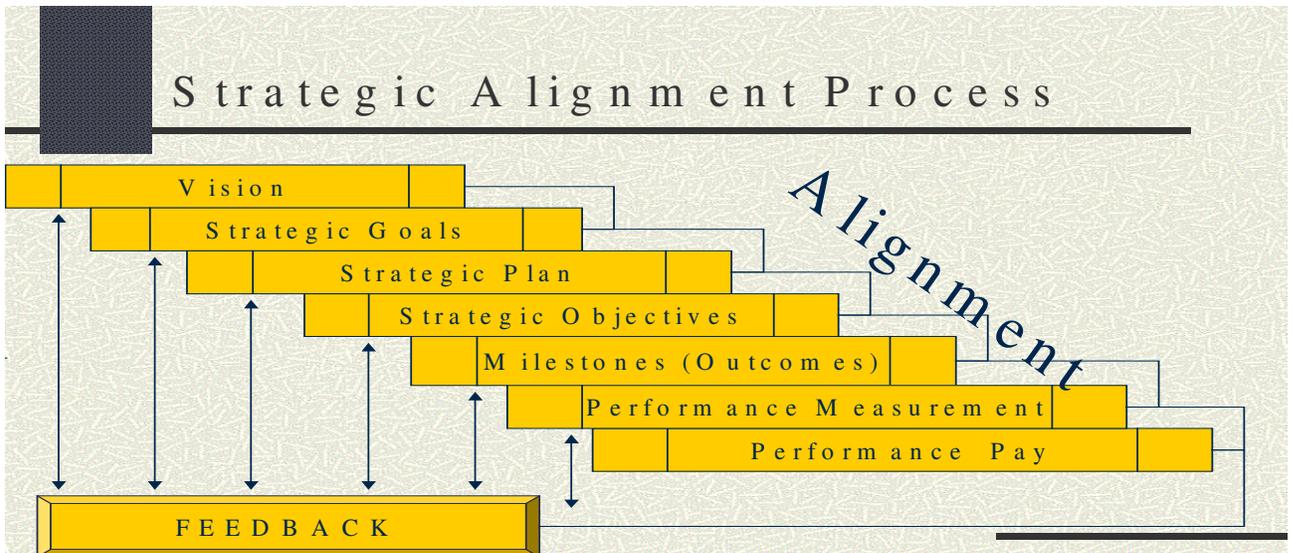
Major Initiatives- Looking Ahead: 2006-2007 Goals

During the coming year, the City will build upon the successes we experienced this year. The City will continue to focus its efforts on economic development, fiscal accountability, expanding Saco's tax base and reaffirming our commitment to the public to improve service delivery and enhance the quality of life in our community. In March of 2004 the City completed its strategic plan. This plan was then updated again in 2006. This task began with the review of each department's strengths, weaknesses, opportunities and threats (SWOT). This SWOT analysis was then distilled into the nine strategic goals noted below and presented within the City's strategic plan. In addition to the development of the strategic goals, each department was requested to develop strategic objectives to advance these goals. Each objective contained in this plan is aligned with one or more of the nine strategic goals. Each of the objectives contains milestones that identify major accomplishments that will need to be completed to finish the objective.

A critical piece of this plan is that the time horizon has been expended to consider financial and resource capabilities. An objective may span a number of years depending on the goal's complexity and financing. This plan will allow the city to track progress on all goals and objectives over time. The intent of this plan is to provide strategic direction for the management of the City and to align departmental objectives with this direction. Each year the plan will be reviewed and updated with the Mayor, City Council and staff.

From the use of this strategic plan, performance measurements will be established to provide better operational accountability. The City is working towards ensuring that services are provided in the most efficient and effective way. The City is currently formulating a mixture of performance measurements and comparable statistics between other Maine communities. This will be presented in the form of output measures, outcome measures and efficiency measures for each City department. These measures will be reported in the current year's report. The City has received a \$30,000 grant through the National Center for Innovative Technology to further this effort and to publish a performance information report on this data. The City was successful at completing its first and second performance measurement report and received a national Certificate of Excellence for Service Efforts and Accomplishments Reporting from the Association of Governmental Accountants (AGA) for both the 2004 and 2005 report. This report substantially complied with the Governmental Accounting Standards Board's sixteen suggested criteria for these types of reports.

The City has linked the achievement of each department's milestones to the performance based pay system already in place, which rewards employees for the achievement of these objectives. Thus creating a complete alignment and strategic focus for the entire City. The last integral piece of this process will be to solicit feedback from the citizen's within the City of Saco on our progress to assure that our strategic goals and objectives are aligned with the service needs of our community. Each year they will be revisited for this purpose an updated based on the feedback received. The recent grant award will provide us with the funding to pursue this outreach to the citizens of our community.



The following represents the City Council vision statement and the strategic goals within the City's Strategic Plan. Strategic goals are general statements of purpose that pertain to how the city achieves its mission and vision. The strategic goal generally addresses end results rather than specific actions. A goal provides a framework and direction for city departments to align their objectives and plans to achieve their goals.

Vision Statement- Our vision is a high quality of life for Saco citizens. Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future. The people of Saco bring this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity.

Strategic Goals-

Downtown Revitalization



The City recognizes the downtown's significance as the economic and community center. The City will continue to support the revitalization of the downtown and will support groups like Saco Spirit.

Infrastructure and Capital Development and Maintenance



The City is committed to maintaining and improving the City's infrastructure, facilities, and equipment by maintaining the current infrastructure, facilities and equipment and planning for the future.

Growth Management



The City will encourage orderly growth and development in appropriate areas while protecting natural resources and rural character, in order to maximize the efficient use of municipal services using principles of smart growth and sustainability.

Meeting New Environmental Regulation Challenges



The City recognizes and supports the regulations that will improve the quality of our natural resources.

Technological Innovation and Implementation



The City will commit considerable efforts for the development of a technological infrastructure that facilitates communication with the citizens and improves the effectiveness of City employees.

Human Resource Investment



The City recognizes that the City's employees are a considerable resource that requires investment to ensure that we have the knowledge, skills and abilities needed to meet the needs of the City.

Leisure Services Investment



The City understands the needs for active and passive recreational facilities and cultural for its citizen's leisure pursuits and will continue to upgrade and develop new outlets to meet these needs.

Meeting the Financial Needs for City Services



The City will make every effort to financially support the needs of the City through traditional and nontraditional revenue sources such as grants, user fees, and impact fees.

Public Safety



The City will endeavor to provide a safe and secure community

Significant Accomplishments of Fiscal Year 2005-2006

- The City completed an update to its aerial photography reflecting recent development within the city.
- The City complied with the State of Maine "Public Law 2" tax levy limitations.
- The City completed the Park North Tax Incremental Financing District (TIF) providing the funding mechanism to run approximately \$8 million of sewer up Route 1 towards Scarborough.
- The City adopted international building codes.
- The City completed renovations to make its community center handicapped accessible.
- The City completed its second Performance Measurement Report and received its second National Award for Excellence from the Association of Governmental Accountants (AGA).
- The City hired 4 more paramedics.
- The Environmental Protection Agency (EPA) recognized the city for outstanding re-use of its superfund site with the completion of 3 new recreational field on the area.
- A new transfer station access card program was implemented thus digitizing the old manual process.
- The City and school departments merged their information technology departments for greater efficiency.
- The City purchased two properties to preserve as open space with the open space bond proceeds.

- The City completed the Main Street/Pepperell Square project.
- The City completed the Mill Brook Industrial Park on Route One.
- The City received the Certificate of Achievement for Excellence in Financial Reporting for the fifth time, awarded by the Governmental Finance Officer's Association for their fiscal year 2005 Comprehensive Annual Financial Statement.
- The City received the Distinguished Budget Presentation Award for the fourth time, awarded by the Government Finance Officer's Association for their fiscal year 2006 budget.
- The City completed 90% of their major waste water treatment plant upgrades totaling approximately \$4 million which puts the plant 14 years ahead within their CSO Master Plan.
- The City completed a review and analysis of all city owned property and marketed and disposed of those deemed appropriate for sale.

Financial Information

The City's Finance Department is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that the adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls being used are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control procedures are weighed against the expected benefits to be derived, and that the evaluation of costs and benefits requires educated estimates and professional judgments by management. All of the City's internal accounting control evaluations occur within this framework.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluations by the management and finance department staff of the City.

The City adopts fiscal year budgets that are established in accordance with the various laws that govern the City's operations as authorized by the Council. Per City Charter the legal level of budgetary control is at the department level. This means that management cannot overspend departmental budgets without the approval of the governing body. The budget is divided into monthly budget allocations based on expenditure expectations and on historical trends, whenever possible. These allocations are reviewed quarterly against actual expenditures, and variances are addressed in the quarterly financial reports presented to the City Council. At mid year, unless conditions dictate an earlier need, budgets are reviewed, year end projections are made, and adjustments to the financial plan considered and any necessary changes are legally adopted through the passage of an appropriation resolve.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management Policies and Practices: The City's investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The average yield on all investments was approximately 4%. The City's General Fund investment income during the year amounted to \$150,455.

The City's investment policy, updated on June 20, 2005, is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, the majority of investments were held in the government's name by the counterparty financial institution's trust department. Remaining deposits were either insured by federal depository insurance or collateralized.

Risk Management: During fiscal year 2006, the City continued to aggressively manage all aspects of its risk management program. Included in the risk management program are property and casualty risks, as well as Worker's Compensation. The City's Finance Director is the person primarily responsible for most risk management functions. Insurance coverage, reporting and claims management functions have been centralized, providing better coordination, efficiency and cost effectiveness. The City recently conducted

a review of its coverages and loss prevention programs. Additional information on the City of Saco's risk management activity can be found in Note 15 of the basic financial statements.

Other information:

Independent Audit: State Statute and the City Charter require an annual audit of all financial records by independent certified public accountants. The audit of fiscal year 2006 was performed for the City Council, by the firm of Runyon, Kersteen, Ouellette PA, a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Saco, for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City of Saco's financial statements for the fiscal year ending June 30, 2006, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984 and the related U.S. Office of Management and Budget's Circular A-133, Auditing Standards Generally Accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued report.

Awards: This is the sixth year in which the City of Saco will apply for the prestigious Certificate of Achievement for Excellence in Reporting to the City for its comprehensive annual financial report through the Government Finance Officers Association (GFOA). The City was successful in achieving this distinction for the first time in its fiscal year 2001 report. In order to be awarded a Certificate of Achievement, the City must publish an easily readable, efficiently organized, comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current year comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility.

In addition, the City of Saco also applied, for the sixth time, for the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 14, 2006. The City was successful in achieving this distinction for the first time in its fiscal year 2003 report. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document will be judged for proficiency in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

Acknowledgements: The preparation of this report would not have been possible without the cooperation of all city department heads, as well as the members of the Finance Department. Appreciation is also extended to the City Administrator, Richard Michaud, for his consistent support of these efforts. Credit must also be extended to the Mayor and the governing City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Saco, Maine's finances. I wish to acknowledge the efforts of our independent auditor's Runyon Kersteen Ouellette PA, for the professional audit work they provided and for all their assistance.

Respectfully submitted,

Lisa R. Parker, CPA
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Saco,
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



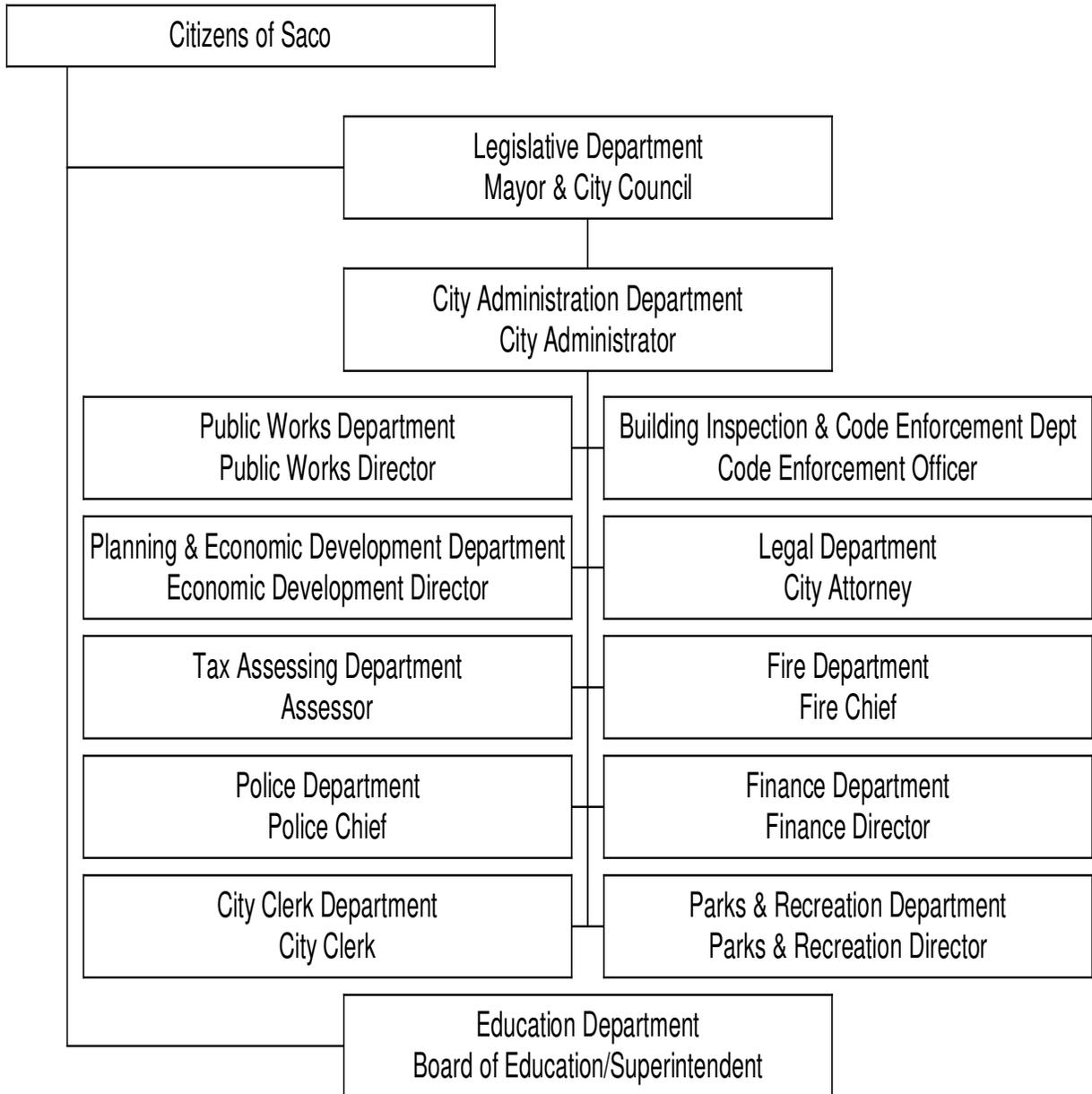
Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

City of Saco Organizational Chart



City of Saco, Maine

LIST OF PRINCIPAL OFFICIALS (ELECTED AND APPOINTED)

June 30, 2006

Elected Officials

Mayor	Mark D. Johnston
Council Member – Ward 1	David Tripp
Council Member – Ward 2	Leslie Smith, Jr.
Council Member – Ward 3	Ronald Morton
Council Member – Ward 4	Roland L. Michaud
Council Member – Ward 5	Arthur J. Tardif
Council Member – Ward 6	Eric B. Cote
Council Member - Ward 7	Jesse McDougal

Appointed Officials

City Administrator	Richard Michaud
Executive Assistant	Kate Kern
Personnel Officer	Tammy Lambert
Building Inspector	Richard Lambert
Economic Development Director	Peter Morelli
City Planner	Robert Hamblen
Finance Director/Treasurer	Lisa R. Parker
City Clerk	Lucette Pellerin
Assessor	Daniel Sanborn
Fire Chief	Alden Murphy
Police Chief	Brad Paul
Public Works Director	Mike Bolduc
City Engineer	Ron Kiene
Parks & Recreation Director	Joseph Hirsch
Tax Collector	Stephanie Weaver
City Solicitor	Tim Murphy

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FINANCIAL SECTION



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REPORT OF INDEPENDENT AUDITORS

Insert RKO report here

Insert RKO report here

Management's Discussion and Analysis Fiscal Year Ended June 30, 2006

As management of the City of Saco, Maine, we offer readers of the City of Saco, Maine's financial statements this narrative overview and analysis of the financial activities of the City of Saco for the fiscal year ended June 30, 2006.

We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Saco, Maine (the City) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health or *financial position*. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure.

In the Statement of Net Assets and the Statement of Activities, we separate the City Activities as follows:

Governmental Activities- Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Planning and Economic Development, Parks and Recreation, Community services and Library. Property taxes, user fees, interest income, franchise fees and state and federal grants finance these activities.

Business Type Activities- The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Waste Water Treatment Plant activities are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Governmental Funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Fiduciary Funds- The City is the fiduciary for the school activity funds. The City excludes this activity from its other financial statements as the City can not use these assets to fund operations.

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

THE CITY AS A WHOLE

The City is providing condensed financial information for fiscal year 2006 with comparative information for fiscal year 2005. Our analysis below focuses on the net assets of the City's governmental and business type activities.

	2006 Governmental Activities	2006 Business-type Activities	2006 Total Primary Government	2005 Governmental Activities	2005 Business-type Activities	2005 Total Primary Government
Current and other assets	12,809,446	2,642,579	15,452,025	13,118,749	3,902,229	17,020,978
Capital assets	55,364,136	6,488,645	61,852,781	53,060,713	4,869,911	57,930,624
Total assets	<u>68,173,582</u>	<u>9,131,224</u>	<u>77,304,806</u>	<u>66,179,462</u>	<u>8,772,140</u>	<u>74,951,602</u>
Non-current liabilities	20,793,451	-	20,793,451	20,926,710	-	20,926,710
Other liabilities	3,292,625	238,186	3,530,811	4,214,772	108,566	4,323,338
Total liabilities	<u>24,086,076</u>	<u>238,186</u>	<u>24,324,262</u>	<u>25,141,482</u>	<u>108,566</u>	<u>25,250,048</u>
Net assets:						
Invested in capital assets	37,593,942	3,821,145	41,415,087	35,969,003	1,034,911	37,003,914
Restricted	432,008	-	432,008	410,521	-	410,521
Unrestricted	6,061,556	5,071,893	11,133,449	4,658,456	7,628,663	12,287,119
Total net assets	<u>44,087,506</u>	<u>8,893,038</u>	<u>52,980,544</u>	<u>41,037,980</u>	<u>8,663,574</u>	<u>49,701,554</u>

Our next analysis focuses on changes in net assets of the City's governmental and business-type activities.

	2006 Governmental Activities	2006 Business-type Activities	2006 Total Primary Government	2005 Governmental Activities	2005 Business-type Activities	2005 Total Primary Government
Revenues						
Program Revenues:						
Charges for services	3,662,821	2,405,869	6,068,690	3,110,502	2,411,039	5,521,541
Operating grants and contributions	13,249,627	-	13,249,627	10,920,455	-	10,920,455
Capital grants and contributions	334,586	-	334,586	1,437,216	-	1,437,216
General Revenues:						
Property taxes	23,280,894	-	23,280,894	23,444,228	-	23,444,228
Motor vehicle excise taxes	2,904,735	-	2,904,735	2,883,127	-	2,883,127
Franchise fees	215,806	-	215,806	185,477	-	185,477
Homestead exemption	325,496	-	325,496	242,190	-	242,190
Other state aid	40,444	-	40,444	55,792	-	55,792
City of Biddeford tax base sharing	169,527	-	169,527	140,091	-	140,091
State revenue sharing	1,454,903	-	1,454,903	1,448,360	-	1,448,360
Incestment earnings	295,164	45,110	340,274	216,963	38,159	255,122
Miscellaneous revenues	20,705	4,179	24,884	47,179	9,657	56,836
Total revenues	45,954,708	2,455,158	48,409,866	44,131,580	2,458,855	46,590,435
Program Expenses:						
General government	2,939,837	-	2,939,837	2,647,140	-	2,647,140
Public safety	4,844,961	-	4,844,961	4,883,614	-	4,883,614
Public works	3,709,977	-	3,709,977	4,586,385	-	4,586,385
Housing programs	230,010	-	230,010	272,246	-	272,246
Culture and recreation	677,646	-	677,646	626,204	-	626,204
Education	26,993,528	-	26,993,528	25,195,306	-	25,195,306
Unclassified	3,102,707	-	3,102,707	3,363,144	-	3,363,144
Interest on debt	756,399	-	756,399	680,893	-	680,893
Capital improvements	2,040,616	-	2,040,616	1,894,297	-	1,894,297
Waste water treatment plant	-	1,766,445	1,766,445	-	2,091,519	2,091,519
Total expenses	45,295,681	1,766,445	47,062,126	44,149,229	2,091,519	46,240,748
Change in net assets before transfers	659,027	688,713	1,347,740	(17,649)	367,336	349,687
Transfers	459,249	(459,249)	-	660,033	(660,033)	-
Change in net assets after transfers	1,118,276	229,464	1,347,740	642,384	(292,697)	349,687

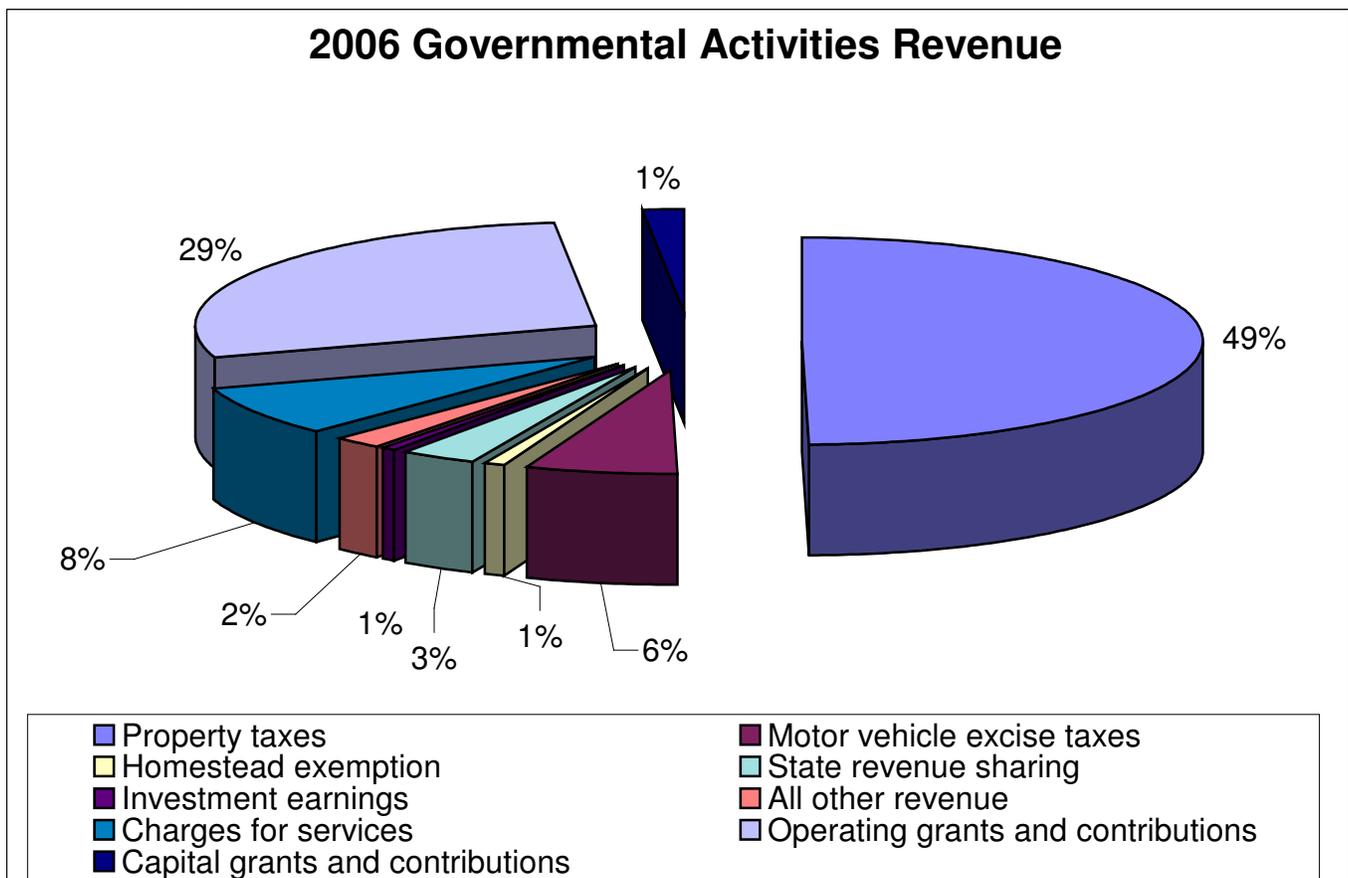
GOVERNMENTAL ACTIVITIES

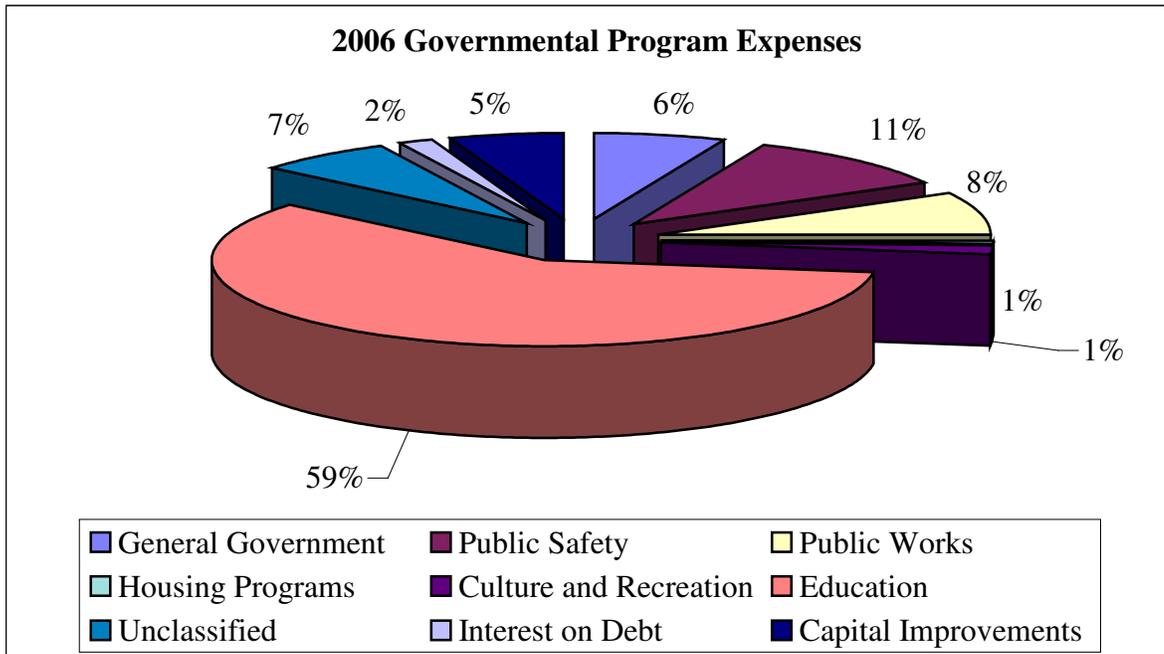
The cost of all Governmental activities this year was \$45,295,681. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$28,048,647 because some of the cost was paid by those who directly benefited from the programs (\$3,662,821), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$13,249,627) and capital grants and contributions (\$334,586). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, were \$17,247,034. The City paid for the remaining "public benefit" portion of governmental activities with \$29,166,923 in taxes and with other revenues, such as interest, State Revenue Sharing, general contributions and other miscellaneous revenues.

The City's programs include General Government, Public Safety, Public Works, Housing Programs, Culture and Recreation, Education, Unclassified, Interest on debt, Depreciation and Capital Improvements. Each program's net cost (total cost less revenues generated by the activities) is presented below for both the current year (2006) and last year (2005) for comparative purposes. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental activities:	2006 Net (Expense)	2005 Net (Expense)
General Government	\$ (1,930,866)	\$ (1,407,659)
Public Safety	(4,151,130)	(4,313,531)
Public Works	(2,898,965)	(3,773,803)
Housing Programs	18,017	(40,068)
Culture and Recreation	(297,382)	(302,733)
Education	(12,910,425)	(13,453,566)
Unclassified	(3,102,707)	(3,363,144)
Interest on debt	(756,399)	(680,893)
Capital Improvements	(2,018,790)	(1,345,659)
Total governmental activities	(28,048,647)	(28,681,056)

Total resources available during the year to finance governmental operations were \$89,856,187 consisting of restated Net assets at July 1, 2005 of \$42,969,230, program revenues of \$17,247,034 and General revenues including transfers, of \$29,166,923. Total Governmental Activities during the year were \$45,295,681; thus Net Assets were increased by \$1,118,276 to \$44,087,506.



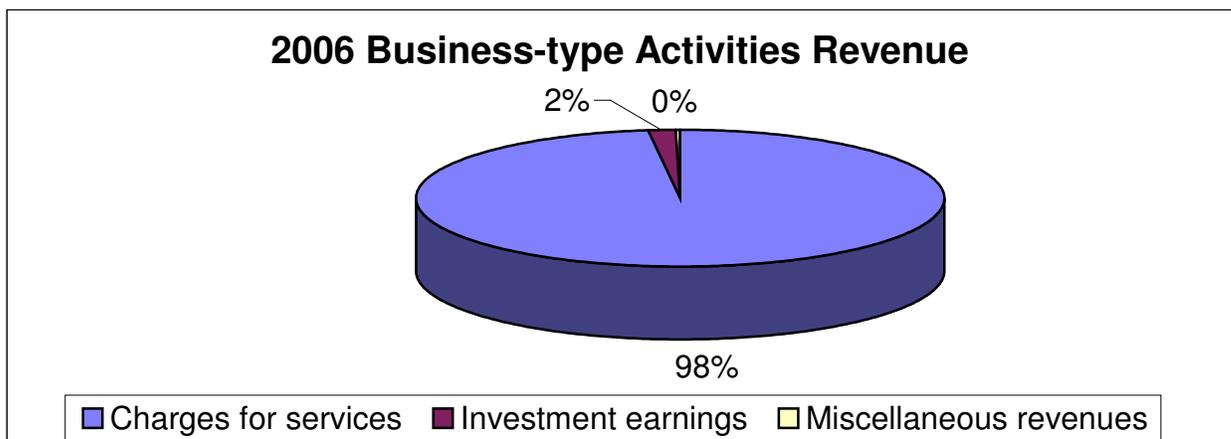


BUSINESS TYPE ACTIVITIES

The cost of all Proprietary (Business Type) activities this year was \$1,766,445. As shown in the Statement of Activities, the amounts paid by users of the system was \$2,405,869, Investments earnings were \$45,110, Miscellaneous revenues were \$4,179 and transfers to other funds were \$459,249.

The Proprietary Fund (Business Type) Activities include only the operation of the City’s Waste Water Treatment Plant. The activities net revenues (total cost less revenues generated by the activities) is \$229,464 as revenues were greater than expenditures.

Total resources available during the year to finance Proprietary Fund (Business Type) Activities were \$10,659,483 consisting of Net Assets at July 1, 2005 of \$8,663,574, program revenues of \$2,405,869, general revenues of \$49,289 and transfers out of \$(459,249). Total Proprietary Fund (Business Type) expenses during the year were \$1,766,445; thus Net Assets were increased by \$229,464 to \$8,893,038.



THE CITY'S FUNDS

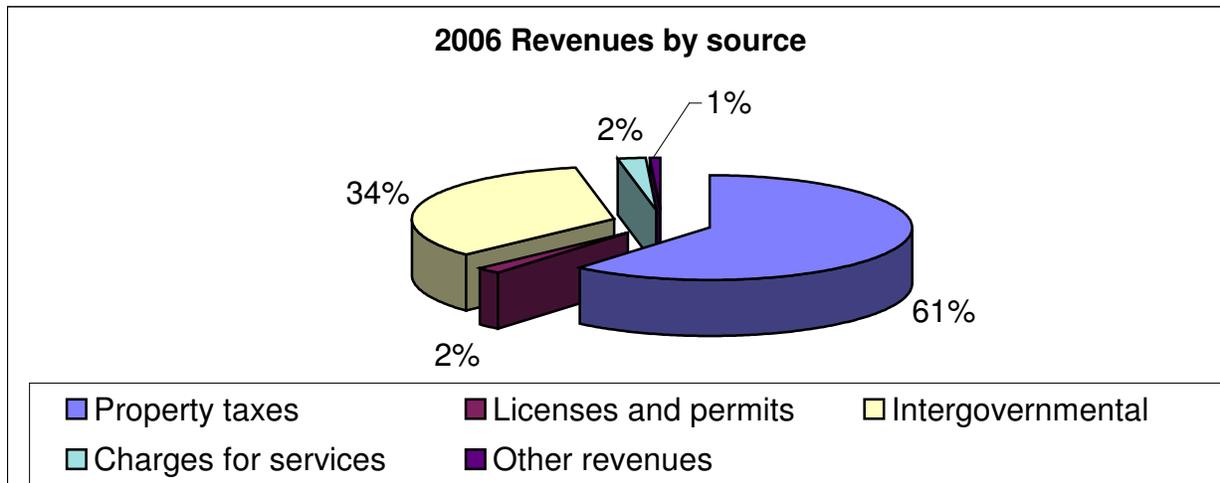
The following is an analysis of balances in the City's major individual funds. Comparative information is being provided for fiscal year 2005.

General Major Governmental Functions

The information below compares revenues of the General Fund for 2006 and 2005 respectively.

	<u>2006</u>	<u>2005</u>
Revenues by source		
Property taxes	\$26,196,118	\$26,703,395
Licenses and permits	767,988	828,806
Intergovernmental	14,513,049	12,268,057
Charges for services	921,293	681,008
Other revenues	399,934	374,248
Total revenues	<u>42,798,382</u>	<u>40,855,514</u>

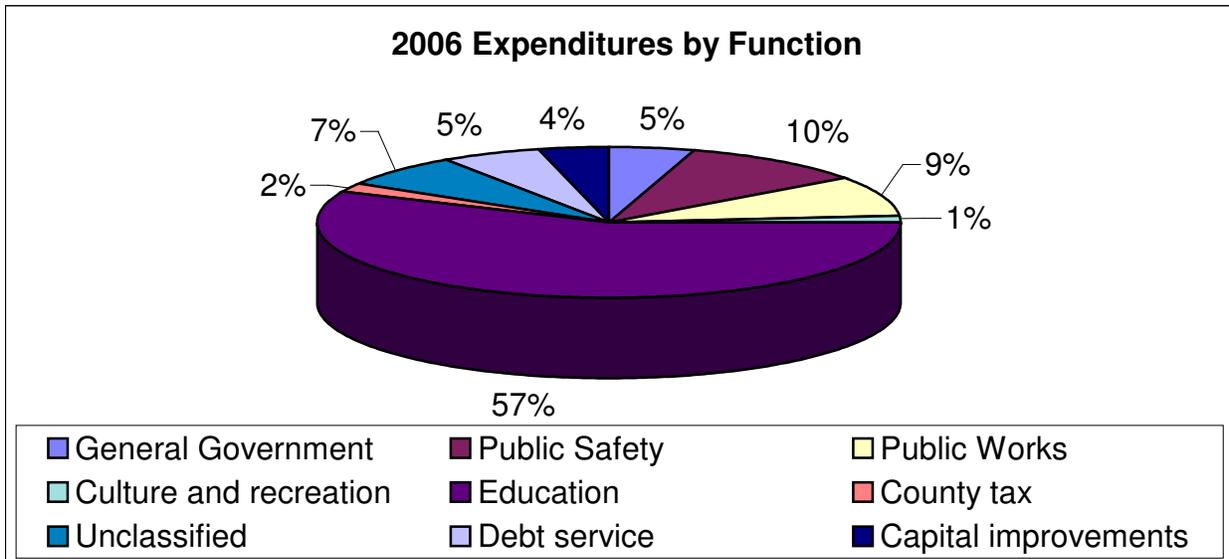
In fiscal year 2006, the City also had two other major funds. The Mill Brook Industrial Park Fund, which had no revenues in fiscal year 2006. In fiscal year 2005, this fund had not met the requirements of being a major fund. The Saco Island TIF District, which had other revenues of \$3,770 in fiscal year 2006 and intergovernmental revenues of \$500,000 and other revenues of \$17,598 in fiscal year 2005.



The information below compares expenditures of the General Fund for 2006 and 2005 respectively.

	<u>2006</u>	<u>2005</u>
Expenditures by function		
General government	1,985,467	1,779,876
Public safety	4,491,147	4,527,592
Public works	3,757,464	3,664,176
Culture and recreation	638,353	585,146
Education	24,474,228	23,421,184
County tax	859,723	772,182
Unclassified	3,019,367	2,864,024
Debt service	2,319,715	2,761,234
Capital improvements	1,742,378	1,242,158
Total expenditures	<u>43,287,842</u>	<u>41,617,572</u>

In fiscal year 2006 the Mill Brook Industrial Park Fund had capital improvement expenditures of \$1,143,041. As noted above, this fund was not considered to be a major fund in fiscal year 2005. In fiscal year 2006 and 2005, the Saco Island TIF Fund had expenditures of \$561,644 and \$1,460,747 respectively.



Proprietary Fund

The City’s only major Enterprise Fund consists of the Waste Water Treatment Plant. The basic financial statements for the major funds are included in this report. Because the focus on proprietary funds is a cost of service measurement or capital maintenance, we have included this fund in the table below, which demonstrates return on ending assets and return on ending net assets.

	<u>2006</u>	<u>2005</u>
Total Assets	\$9,131,224	\$8,772,140
Net Assets	\$8,893,038	\$8,663,574
Change in Net Assets	\$ 229,464	\$(292,697)
Return on Ending Total Assets	2.51%	(3.34%)
Return on Ending Net Assets	2.58%	(3.38%)

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, decreased in fiscal year 2006 by \$489,016. Per capita bonded debt outstanding decreased from \$1,244 to \$1,215 per capita compared to the prior fiscal year. For a more detailed disclosure on debt, see footnote 6.

The Governmental Activity debt summary for fiscal year 2006 is presented below.

Debt Payable at June 30, 2005	\$ 20,926,710
Add: New Capital Lease Purchases	473,000
Add: New General Obligation Bonds	<u>1,500,000</u>
	\$ 22,899,710
Less: Debt Retired	<u>2,462,016</u>
Debt Payable at June 30, 2006	\$ 20,437,694

This debt payable does not include the long term portion of compensated absences of \$935,122 (See Note 5).

CAPITAL ASSETS

The capital assets of the City are those assets, which are used in the performance of the City's functions including infrastructure assets. At June 30, 2006, net capital assets of the governmental activities totaled \$55,364,136 and the net capital assets of the business-type activities totaled \$6,488,645. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair.

The City expended \$697,847 on street maintenance for the fiscal year ended June 30, 2006. These expenditures delayed deterioration, however, the overall condition of the streets was not improved through these maintenance expenditures. The City had estimated that the amount of annual expenditures required to maintain the City's streets at the minimum PCI rating of 70 (rating of 2 within City's Asset Management System, See Required Supplemental Information) through the year 2006 was a minimum of \$500,000.

The City is also continuously taking actions to arrest the deterioration of other infrastructure assets through short-term maintenance activities. The City expended \$573,027 on other infrastructure maintenance for the fiscal year ended June 30, 2006. These expenditures delayed deterioration and improved the overall condition through these maintenance expenditures. The City had estimated that the amount of annual expenditures required to maintain the City's infrastructure at the minimum rating of 2 through the year 2006 was a minimum of \$750,000.

City of Saco, Maine				
Infrastructure Assets - June 30, 2006 and 2005				
Description	Historical Cost	Accumulated Depreciation	Net Cost 2006	Net Cost 2005
Governmental Activities:				
Modified Approach:				
Sewer pipe	\$ 12,205,372	\$ -	\$ 12,205,372	\$ 11,976,764
Catch basins and manholes	2,136,971	-	2,136,971	2,079,819
Storm drainage	17,767,717	-	17,767,717	17,367,653
Sidewalks	1,558,331	-	1,558,331	1,501,179
Street Pavement System	4,387,911	-	4,387,911	3,987,846
Traffic signals	775,820	-	775,820	775,820
Street signs	44,818	-	44,818	44,818
Total Governmental Activities	\$ 38,876,940	\$ -	\$ 38,876,940	\$ 37,733,899
Business-type Activities:				
Sewer pipe	\$ 1,718,292	\$ -	\$ 1,718,292	\$ -
Total Business-type Activities	\$ 1,718,292	\$ -	\$ 1,718,292	\$ -

	Capital Assets			
	Balance			Balance
	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2006</u>
Governmental Activities:				
Buildings and Improvements	\$ 34,322,451	\$ -	\$ -	\$ 34,322,451
Vehicles	5,671,507	361,966	-	6,033,473
Machinery and Equipment	5,017,635	372,267	-	5,389,902
Total	45,011,593	734,233	-	45,745,826
Accumulated Depreciation	(27,753,529)	(1,505,101)	-	(29,258,630)
Total Governmental Activities	\$ 17,258,064	\$ (770,868)	\$ -	\$ 16,487,196
Business-Type Activities:				
Buildings and Improvements	\$ 14,775,600	\$ -	\$ -	\$ 14,775,600
Vehicles	120,687	-	-	120,687
Machinery and Equipment	2,325,390	422,891	-	2,748,281
Total	17,221,677	422,891	-	17,644,568
Accumulated Depreciation	(12,351,768)	(522,447)	-	(12,874,215)
Total Business-Type Activities	\$ 4,869,909	\$ (99,556)	\$ -	\$ 4,770,353
Total Capital and Infrastructure	\$ 59,861,872	\$ 1,990,909	\$ -	\$ 61,852,781

For more detail on capital assets, see footnote 4.

BUDGETS AND BUDGETARY ACCOUNTING

General Fund Budget Variances

Comparing the fiscal year 2005-2006 original budget (or adopted) General Fund amount of \$43,205,084 (expenditures of \$42,624,974 plus transfers of \$580,110), to the final budget amount of \$43,205,084 (expenditures of \$42,624,974 and transfers of \$580,110) shows no increase in the original budget.

Included in this figure is \$909,423 of prior fiscal year 2004-2005 Capital Improvement Projects (CIPs) approved to carry forward into FY 2005-2006. Thereby, bringing the beginning balance of \$42,295,661 to \$43,205,084.

Original Budget + Continuing Appropriations = Beg. Balance
\$42,295,661 \$909,423 \$43,205,084

Beg. Balance +/- Supplemental Changes = Final Budget
\$43,205,084 \$0 \$43,205,084

Comparing the beginning budget of \$43,205,084 to the final budget of \$43,205,084, shows that the General Fund had no supplemental budgetary appropriations during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget assures the efficient, effective and economic uses of City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

Historical Trend

As the City enters fiscal year 2007, we are in solid financial shape with many years of higher than anticipated revenues. This has laid the foundation for a strong surplus, which is primarily earmarked for the City's long term Capital Improvements Plan. This needs to be prudently maintained as we move forward into the future.

In reflecting back on the history of the City's past five budgets, non-tax revenues have remained steadily at approximately \$18 million annually. During this time span, the City has been able to stabilize the tax rate with consistent increases in property valuations.

	2003	2004	2005	2006	2007
Total taxes	\$ 20,431,516	\$ 20,812,974	\$ 23,354,279	\$ 23,157,235	\$ 24,196,821
Percent change	5.97%	1.87%	12.21%	(.84%)	4.49%

Total City valuation	\$897,364,900	\$1,136,489,900	\$1,468,822,600	\$1,792,587,120	\$1,900,142,347
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The Budget

The Adopted Budget for fiscal year 2007 calls for total expenditures of \$44,758,771 representing an increase of \$1,553,687 or 3.60% over the original current year budget. By comparison, since the fiscal year 2003 budget was approved the increase in expenditures has totaled \$5,831,071 for an average increase of 3.00% over the past five years.

The original budget requests from the fourteen individual departments were based on the department head's perceived needs. The following adjustments were made after a careful review by the City Administrator and then the City Council:

	City Administrator Recommendation	Net Additions/ (Reductions)	Approved Budget
Operating Budget	\$ 17,140,147	\$ -	\$ 17,140,147
Overlay & TIF Transfer	\$ 972,841	\$ -	\$ 972,841
Capital Outlay	\$ 1,141,765	\$ -	\$ 1,141,765
	School Board Recommendation	Net Additions/ (Reductions)	Approved Budget
Education	\$ 25,504,018	\$ -	\$ 25,504,018
Total	\$ 44,758,771	\$ -	\$ 44,758,771

The following chart compares the major categories in the operational budget and their respective increases over the last five years, without the overlay and TIF transfer or any affects of encumbrances.

Appropriation Summary

	2003	2004	2005	2006	2007
Departments	Actual	Actual	Actual	Budget	Budget
Legislative:	\$16,468	\$20,094	\$16,304	\$20,100	\$20,100
City Administration:	\$179,103	\$190,350	\$194,725	\$197,696	\$207,699
Finance/ Technology:	\$362,086	\$508,939	\$541,573	\$812,240	\$728,154
City Clerk:	\$145,323	\$154,900	\$149,580	\$183,200	\$197,039
Assessor:	\$151,954	\$150,696	\$160,500	\$182,556	\$181,974
City Building Maintenance:	\$137,015	\$86,851	\$90,175	\$93,517	\$102,027
Legal:	\$273,891	\$144,757	\$135,366	\$105,000	\$235,000
Police Department:	\$2,255,666	\$2,354,294	\$2,505,583	\$2,593,663	\$2,730,674
Fire Department:	\$1,521,706	\$1,908,777	\$2,039,207	\$2,144,954	\$2,395,989
Building Inspections:	\$165,022	\$177,522	\$193,173	\$223,063	\$226,987
Planning & Econ Development:	\$224,559	\$268,829	\$293,001	\$266,357	\$262,032
Public Works Department:	\$3,512,757	\$3,112,165	\$3,710,174	\$3,676,416	\$3,854,313
Public Agencies:	\$392,252	\$482,309	\$488,943	\$539,000	\$541,900
Parks and Recreation Department:	\$456,610	\$485,750	\$585,146	\$621,960	\$715,131
Debt Service:	\$1,673,623	\$1,561,785	\$1,757,463	\$1,286,517	\$1,338,276
Employee Benefits:	\$1,992,268	\$2,144,648	\$2,113,209	\$2,075,796	\$2,198,601
Insurances:	\$220,996	\$204,013	\$213,348	\$219,971	\$241,969
Contingency:	\$38,608	\$80,625	\$48,523	\$64,000	\$66,000
Education K-12:	\$20,655,631	\$21,655,673	\$22,996,354	\$24,394,998	\$25,504,018
York County Tax:	\$795,896	\$747,821	\$772,182	\$859,724	\$896,282
Capital Improvement Projects:	\$2,728,263	\$1,208,365	\$615,627	\$674,145	\$1,141,765
TOTAL OPERATING & CAPITAL PROJECTS:	\$37,899,697	\$37,649,163	\$39,620,156	\$41,234,874	\$43,785,930
Plus: Overlay				480,677	400,000
Plus: TIF Transfer				580,110	572,841
TOTAL BUDGET				\$42,295,661	\$44,758,771

Revenues/Surplus

The amount budgeted for revenues shows an average increase of 3.95% since 2003, with a high increase of 9.68% between 2005 and 2006, due to an increase in the aid received from the state for education as part of a new “Essential Programs and Services” funding formula. Also, in the current budget of 8.49% due again to higher state aid to education being received as part of the new “Essential Programs and Services” funding model as well as a larger budgeted utilization of fund balance in order to minimize property tax increases. During this time actual revenues have been surpassing the estimated revenues resulting in a surplus at the end of each year. This trend appears to be continuing within the City of Saco. However, as we move forward revenue estimates are starting to inch closer to the actual revenues. This means that growth in expenditures will need to be leveled off in relationship to the City’s more modest growth in revenues. This is reflected in the current year budget with capital improvement projects funded at modest levels in order to minimize the raising of property taxes as much as possible.

	2003	2004	2005	2006	2007
Non-tax revenues	\$ 18,496,184	\$ 18,003,878	\$ 17,280,686	\$ 18,953,559	\$ 20,561,950
Percent change	8.24%	-2.66%	-4.02%	9.68%	8.49%

Obviously the amount of surplus funds being generated will reduce as actual revenues more closely reflect estimated revenues. At this time, the city has a healthy fund balance due to surplus funds. The city’s fund balance policy dictates that fund balance needs to be maintained at a level between 8.33% and 10% of budgeted appropriations. In the current year, \$1,248,193 has been budgeted as a utilization of this undesignated fund balance, which has accumulated as the level well exceeded the policy level. The \$912,072 of utilization on the city side is to fund minimal capital projects that might not otherwise have been able to be completed and to subsidize city operating expenditures due to reductions in non-property tax revenues. The \$294,645 of utilization on the school side is to stabilize the property tax increase in the current year. However, the city is very aware of the need to guard against a downturn in the economy, resulting in diminishing revenues and will still retain a fund balance level within the policy guidelines.

Major Increases

The major increases in the operational budget are negotiated salary/wage increases for the bargaining units representing all the various departments of the City, as well as non-union employees. Additional noteworthy increases are the hiring of six new full time positions; the addition of four fire fighter/paramedic positions to be funded partially through a Fire SAFER Grant, an administrative position within the Parks & Recreation Department and a program coordinator position for the soon to be expanded after school youth program. Most City departments also have slight operational increases due to inflation and the increase in fuel and electricity costs being experienced in the last year. The capital improvement projects total has increased due to the addition of funds for conservation projects and a new policy of expended anything less than \$50,000. In the past some of these items would have been leased through capital lease arrangements. The Education Department increases are due to increases in tuition to the private high school, special education costs, health insurance increases and teacher contractual obligations.

Savings/Increased Demands

The city’s department heads are always looking for ways to save the city money, whether through increased efficiencies or through the attainment of federal and state grants. The city is participating in a number of activities related to increased efficiencies between various city departments as well as with other communities in our southern Maine area. Joint collaborative purchasing efforts with neighboring communities exercises economies of scale in securing reduced pricing for larger purchase amounts such as fuel and paper supply.

The fiscal year 2007 budget also includes revenue amounts for specific state and federal grants that have been applied for. There are also several other grant awards that will surface during the course of the fiscal year that were not known at the time of the budget process. These awards will be brought to the City Council for consideration upon being awarded and additional funding will be requested at that time, to fund any local match requirements above that originally budgeted.

The Future

In terms of the future, while we are in good financial shape at this time, with non-property tax revenues increasing due to the additional state aid being received through the Essential Programs and Services Funding Model, and being in compliance with the tax levy limitations implied with Public Law 1 tax reform. However, we need to be alert to the public benefit versus the costs of the services we provide. In short, as the budget better reflects actual revenues, and as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

What is at stake for the City of Saco officials can be summed up in one word: effectiveness. Major challenges are facing us as we enter this new year with infrastructure and capital maintenance needs being reduced to enable the funding of operational needs of the city. Officials need to be cognizant of the need to preserve the city's most valuable assets as large deterioration can very often increase the amount ultimately spent in order to bring them back to acceptable and safe condition levels. Some of this will hopefully be addressed if the voters of Saco approve the bond issues on the ballot for November 7, 2006.

To that end, it is especially important that the City Council maintain and update regularly its comprehensive plan, goals and strategic plan, based upon guidance from appointed and elected officials as well as significant citizen involvement. These processes are already in place and underway with the mailing of citizen customer service questionnaires and web site request and recommendation forms accessible 24 hours a day, 7 days a week and the random independent phone "Citizen Satisfaction Survey." By putting citizens and local government officials into the decision-making loop, the City will be shifting to a more open and inclusive process of governance.

The city is greatly pursuing performance measurement type initiatives and continues to review policies and procedures to assure their compliance and alignment with the city's recently completed Strategic Plan (March 2004) and updated (February 2006). The City was successful at attaining a grant through the National Center for Civic Innovation in order to further this effort and completed its first Citizen Satisfaction Survey in November of 2004 and a second survey in October of 2005, as well as publish the first ever City Performance Measurement Report in January of 2005 and a second Performance Measurement Report in January of 2006 as a result of this grant award. It will be eminent for the City to review and update its strategic plan in the coming year. Although these initiatives are not specifically addressed within the current year budget, they will be important for the city's continued efficient growth into the future. The City is now working diligently with a citizen focus group in order to gain feedback as to what they see as a vision for the City as well as what they might deem important for goals and objectives to be incorporated within the next Strategic Plan. The recently completed annual report of performance information displays the operational efficiencies and effectiveness of our operations here at the City of Saco. The City's first and second submittals were successful at achieving the Association of Governmental Accountants Certificate of Excellence in Service Efforts and Accomplishments Reporting. These processes all involve reviewing processes and measuring results achieved by the municipality in the area of customer service delivery and presentation. It also involves a close look at all procedures to assure that efficiencies are being maximized. Whether it means changing a specific procedure to lessen expenditures realized or examining new sources of non-tax revenues, the city needs to be pro-active in its response. Certainly, whatever we can do to keep up with changing trends and emerging issues will help to improve the future fortunes of our citizens. Successful activities involving a collaborative effort between municipalities need to be reviewed as a potential solution to some of the budget challenges facing us and other municipalities.

A discussion of the future would not be complete without the mention of last year's enacted "Public Law 1 Tax Reform." This legislation was enacted within the State of Maine and impacted the approved fiscal year 2006 and 2007 budgets in that it limited the increases allowed in the annual property tax levy. This levy limitation is calculated based on two factors; one is certified by the State and is a state-wide personal income growth factor and the second is a local factor of the last known new growth percentage within each community. These two percentages are added together to arrive at the levy limitation percentage for each community across the State of Maine. The property tax levy in total can not increase by more than this amount without special disclosures made at the Town Meeting and special motions made in order to approve the budget noting why the budget is exceeding the levy limitation. The fiscal year 2006 and 2007 approved budgets for the City of Saco are in full compliance with Public law 1.

Summary

With the fiscal year 2007 adopted budget there is no increase to the existing tax rate. In fact, due to an ongoing valuation adjustment in order to maintain property values at approximately 95% of the state's equalized valuation, there will actually be a reduction of \$.23 to the city's mil rate. This means that property owners will be billed \$12.73 per thousand in fiscal year 2007 versus the \$12.96 per thousand they were billed in fiscal year 2006. However, the valuation of properties in the city will be on average 4% higher than they were in fiscal year 2006. In other words, a property valued at \$150,000 previously and paying \$1,944 in property taxes annually may now be valued at \$156,000 and paying \$1,987 in property taxes annually. Basically a minimal increase of \$43 in property taxes for that \$150,000 homeowner and an actual increase of \$1,039,587 on the total city property tax levy. Not a bad investment considering the benefits being received and the service levels being provided across the city.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the Office of the Director of Finance at 300 Main Street, Saco, Maine, 04072, phone 207-283-3303, or e-mail lparker@sacomaine.org.

City of Saco, Maine
Statement of Net Assets
June 30, 2006

Statement 1

	Governmental Activities	Business-type Activities	2006 Total
ASSETS			
Cash and cash equivalents	\$ 5,839,689	\$ 1,638,890	\$ 7,478,579
Investments	2,912,725	-	2,912,725
Receivables:			
Accounts (net of allowance of \$150,000)	2,811,432	661,488	3,472,920
Taxes - current	591,312	-	591,312
Taxes - prior years	95,275	-	95,275
Tax liens	176,205	-	176,205
Notes (net of allowance of \$7,172)	14,287	-	14,287
Inventories and other	39,692	-	39,692
Internal balance	(342,201)	342,201	-
Prepaid items	612,671	-	612,671
Tax acquired property	58,359	-	58,359
Depreciable capital assets, net	16,487,196	4,770,353	21,257,549
Non-depreciable capital assets	38,876,940	1,718,292	40,595,232
Total assets	\$ 68,173,582	\$ 9,131,224	\$ 77,304,806
LIABILITIES			
Accounts payable and other current liabilities	1,320,323	221,942	1,542,265
Accrued liabilities	1,949,172	16,244	1,965,416
Taxes collected in advance	23,130	-	23,130
Noncurrent liabilities			
Due within one year	2,783,431	-	2,783,431
Due in more than one year	18,010,020	-	18,010,020
Total liabilities	\$ 24,086,076	\$ 238,186	\$ 24,324,262
NET ASSETS			
Invested in capital assets, net of related debt	\$ 37,593,942	\$ 3,821,145	\$ 41,415,087
Restricted for:			
Permanent fund principal	181,383	-	181,383
Other purposes	250,625	-	250,625
Unrestricted	6,061,556	5,071,893	11,133,449
Total net assets	\$ 44,087,506	\$ 8,893,038	\$ 52,980,544

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Activities
For the Year Ended June 30, 2006

Statement 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government		2006 Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government:						
Governmental activities:						
General Government	\$ 2,939,837	\$ 875,832	\$ 75,639	\$ 57,500	\$ (1,930,866)	\$ (1,930,866)
Public Safety	4,844,961	588,360	105,471	-	(4,151,130)	(4,151,130)
Public Works	3,709,977	555,752	-	255,260	(2,898,965)	(2,898,965)
Housing Programs	230,010	-	248,027	-	18,017	18,017
Culture and Recreation	677,646	380,264	-	-	(297,382)	(297,382)
Education	26,993,528	1,262,613	12,820,490	-	(12,910,425)	(12,910,425)
Unclassified	3,102,707	-	-	-	(3,102,707)	(3,102,707)
Interest on Debt	756,399	-	-	-	(756,399)	(756,399)
Capital Maintenance Programs	2,040,616	-	-	21,826	(2,018,790)	(2,018,790)
Total governmental activities	\$ 45,295,681	\$ 3,662,821	\$ 13,249,627	\$ 334,586	\$ (28,048,647)	\$ (28,048,647)
Business-type activities:						
Waste Water Treatment Plant	\$ 1,766,445	\$ 2,405,869	\$ -	\$ -	\$ 639,424	\$ 639,424
Total business-type activities	\$ 1,766,445	\$ 2,405,869	\$ -	\$ -	\$ 639,424	\$ 639,424
Total primary government	\$ 47,062,126	\$ 6,068,690	\$ 13,249,627	\$ 334,586	\$ (28,048,647)	\$ (27,409,223)
General revenues:						
Property taxes, levied for general purposes				\$	\$ 23,280,894	\$ 23,280,894
Motor Vehicle excise taxes					2,904,735	2,904,735
Franchise fees					215,806	215,806
Grants and contributions not restricted to specific programs:						
Homestead Exemption					325,496	325,496
Other State aid					40,444	40,444
City of Biddeford Tax Base Sharing					169,527	169,527
State Revenue Sharing					1,454,903	1,454,903
Unrestricted investment earnings					295,164	295,164
Miscellaneous revenues					20,705	20,705
Transfers:					459,249	459,249
Total general revenues and transfers				\$	\$ 29,166,923	\$ 29,166,923
				\$	\$ 1,118,276	\$ 1,118,276
				\$	\$ 229,464	\$ 229,464
Net assets - beginning as restated					42,969,230	42,969,230
Net assets - ending				\$	\$ 44,087,506	\$ 44,087,506

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Balance Sheet
Governmental Funds
June 30, 2006

Statement 3

	General Fund	Mill Brook Industrial Park	Saco Island TIF District	Other Governmental Funds	2006 Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,020,084	\$ -	\$ -	\$ 819,605	\$ 5,839,689
Investments	337,677	-	72	2,574,975	2,912,724
Receivables, net of allowance of \$150,000	724,874	800,000	8,324	1,278,234	2,811,432
Interfund receivables	5,081,096	-	-	1,700,357	6,781,453
Loans receivable	-	-	-	14,287	14,287
Taxes and liens receivable	862,792	-	-	-	862,792
Tax acquired property	58,359	-	-	-	58,359
Prepaid items	604,242	-	-	8,429	612,671
Inventories and other	-	-	-	39,692	39,692
Total assets	\$ 12,689,124	\$ 800,000	\$ 8,396	\$ 6,435,579	\$ 19,933,099
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,111,755	\$ 107,856	\$ 290	\$ 100,422	\$ 1,320,323
Accrued liabilities	1,322,471	-	-	47,336	1,369,807
Taxes collected in advance	23,130	-	-	-	23,130
Interfund payables	3,285,819	1,835,185	1,092,431	910,218	7,123,653
Deferred revenue	527,860	-	-	-	527,860
Total liabilities	\$ 6,271,035	\$ 1,943,041	\$ 1,092,721	\$ 1,057,976	\$ 10,364,773
Fund balances:					
Reserved for:					
Encumbrances	\$ 272,118	\$ -	\$ -	\$ -	\$ 272,118
Prepaid items	159,719	-	-	-	159,719
Nonexpendable trust principal	-	-	-	181,383	181,383
Capital improvements	912,072	-	-	-	912,072
Inventory	-	-	-	1,381	1,381
Other purposes	-	-	-	250,625	250,625
Unreserved, reported in:					
General Fund- designated	294,645	-	-	-	294,645
General Fund- undesignated	4,779,535	-	-	-	4,779,535
Special revenue funds	-	-	-	2,133,056	2,133,056
Capital project funds	-	(1,143,041)	(1,084,325)	2,397,734	170,368
Permanent funds	-	-	-	413,424	413,424
Total fund balances	\$ 6,418,089	\$ (1,143,041)	\$ (1,084,325)	\$ 5,377,603	\$ 9,568,326
Total liabilities and fund balances	\$ 12,689,124	\$ 800,000	\$ 8,396	\$ 6,435,579	
Amounts reported for governmental activities in the statement of net assets (Statement 1) are different because (See Note 4, also):					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				\$	55,364,136
More specifically, non-depreciable & depreciable capital assets as reported on Statement 1					
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (See Note 1).					(21,372,816)
Noncurrent liabilities as reported on Statement 1	(20,437,694)				
Accrued liabilities (compensated absences) as reported on Statement 1	(935,122)				
	(21,372,816)				
Deferred revenues- more specifically, deferred property taxes not reported on Statement 1					527,860
Net assets of governmental activities				\$	44,087,506

See accompanying Notes to Basic Financial statements.

City of Saco, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Statement 4

	General Fund	Mill Brook Industrial Park	Saco Island TIF District	Other Governmental Funds	2006 Total Governmental Funds
REVENUES					
Taxes	\$ 26,196,118	\$ -	\$ -	\$ -	\$ 26,196,118
Licenses and permits	767,988	-	-	-	767,988
Intergovernmental	12,937,629	-	-	1,759,121	14,696,750
Intergovernmental on behalf payments	1,575,420	-	-	-	1,575,420
Charges for services	921,293	-	-	630,556	1,551,849
Other revenues	399,934	-	3,770	680,578	1,084,282
Total revenues	\$ 42,798,382	\$ -	\$ 3,770	\$ 3,070,255	\$ 45,872,407
EXPENDITURES					
Current:					
General government	\$ 1,985,467	\$ -	\$ -	\$ -	\$ 1,985,467
Public safety	4,491,147	-	-	-	4,491,147
Public works	3,757,464	-	-	-	3,757,464
Housing programs	-	-	-	230,010	230,010
Culture and recreation	638,353	-	-	-	638,353
Education	22,898,808	-	-	1,880,165	24,778,973
Maine State Retirement on behalf payments	1,575,420	-	-	-	1,575,420
Unclassified	3,019,367	-	-	63,489	3,082,856
Intergovernmental:					
County tax	859,723	-	-	-	859,723
Debt service:					
Principal	1,387,045	-	-	-	1,387,045
Interest and other charges	932,670	-	-	-	932,670
Capital improvements	1,742,378	1,143,041	561,644	943,826	4,390,889
Total expenditures	\$ 43,287,842	\$ 1,143,041	\$ 561,644	\$ 3,117,490	\$ 48,110,017
Excess (deficiency) of revenues over (under) expenditures	\$ (489,460)	\$ (1,143,041)	\$ (557,874)	\$ (47,235)	\$ (2,237,610)
OTHER FINANCING SOURCES (USES)					
Capital lease proceeds	473,000	-	-	-	473,000
Bond proceeds	-	-	-	1,500,000	1,500,000
Transfers in	855,249	-	416,024	156,816	1,428,089
Transfers out	(597,801)	-	(25,000)	(346,040)	(968,841)
Total other financing sources (uses)	\$ 730,448	\$ -	\$ 391,024	\$ 1,310,776	\$ 2,432,248
Net change in fund balances	\$ 240,988	\$ (1,143,041)	\$ (166,850)	\$ 1,263,541	\$ 194,638
Fund balances (deficits)-beginning	6,177,101	-	(917,475)	4,114,062	9,373,688
Fund balances (deficits)-ending	\$ 6,418,089	\$ (1,143,041)	\$ (1,084,325)	\$ 5,377,603	\$ 9,568,326

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006

Statement 5

Net change in fund balances- total governmental funds (from Statement 4) \$ 194,638

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because (see Note 1, also):

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, with the exception of infrastructure which is recorded at historical cost and not depreciated as the Modified Approach is being used. More specifically, this is the amount by which depreciation exceeded capital outlays in the current period. 372,172

Statement 4 Capital Outlays -	\$ 4,390,889	
Statement 2 Capital Outlays -	\$ 2,513,616	
<hr/>		
Variance -	\$ 1,877,273	
Less: Depreciation -	\$ 1,505,101	
<hr/>		
To reconciliation -	\$ 372,172	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes. 82,301

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. More specifically, this represents the net amount of principal increases (decreases) in debt service made during the year. 489,016

New debt incurred - (\$1,973,000)		
Retired debt -	\$2,462,016	
<hr/>		
Net debt service -	489,016	

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in long term accrued compensated absences. (19,851)

Change in net assets of governmental activities (see Statement 2) \$ 1,118,276

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006

Statement 6

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget-
				Positive (negative)
REVENUES				
Taxes	\$ 26,276,122	\$ 26,276,122	\$ 26,196,118	\$ (80,004)
Licenses and permits	\$ 777,072	\$ 777,072	767,988	(9,084)
Intergovernmental	\$ 12,727,972	12,727,972	12,937,629	209,657
Charges for services	\$ 890,350	890,350	921,293	30,943
Interest earnings	\$ 75,000	75,000	150,455	75,455
Other revenues	\$ 271,950	271,950	249,479	(22,471)
Total revenues	\$ 41,018,466	\$ 41,018,466	\$ 41,222,962	\$ 204,496
EXPENDITURES				
Current:				
General government	\$ 2,091,907	\$ 2,091,907	\$ 1,985,467	\$ 106,440
Public safety	\$ 4,538,068	4,538,068	4,491,147	46,921
Public works	\$ 3,887,582	3,887,582	3,757,464	130,118
Culture and recreation	\$ 618,511	618,511	638,353	(19,842)
Education	\$ 23,420,616	23,420,616	22,838,383	582,233
County tax	\$ 859,723	859,723	859,723	-
Unclassified	\$ 3,379,444	3,379,444	3,019,367	360,077
Debt service	\$ 2,260,899	2,260,899	2,319,715	(58,816)
Capital improvements	\$ 1,568,224	1,568,224	1,269,378	298,846
Total expenditures	\$ 42,624,974	\$ 42,624,974	\$ 41,178,997	\$ 1,445,977
Excess (deficiency) of revenues over (under) expenditures	\$ (1,606,508)	\$ (1,606,508)	\$ 43,965	\$ 1,650,473
OTHER FINANCING SOURCES (USES)				
Transfers in	396,000	396,000	855,249	459,249
Transfers out	(580,110)	(580,110)	(597,801)	(17,691)
Total other financing sources and uses	\$ (184,110)	\$ (184,110)	\$ 257,448	\$ 441,558
Net change in fund balances	\$ (1,790,618)	\$ (1,790,618)	\$ 301,413	\$ 2,092,031
Fund balances - beginning	6,177,101	6,177,101	6,177,101	-
Fund balances - ending	\$ 4,386,483	\$ 4,386,483	\$ 6,478,514	\$ 2,092,031

Net change in fund balance for the general fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement 4) is different because:

Statement 4 is reported under the Modified Accrual basis of accounting and therefore includes the change in accrual for the Teachers summer salaries amount of

(60,425)

Ending Fund Balance (Statement 4)

\$ 6,418,089

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Net Assets
Proprietary Fund
June 30, 2006

Statement 7

		Business-type activities Enterprise Funds Waste Water Treatment Plant
ASSETS		
Current assets:		
Cash and cash equivalents	\$	1,638,890
Receivables		661,488
Interfund receivables		342,201
Total current assets	\$	2,642,579
Noncurrent assets:		
Depreciable capital assets		
Vehicles	\$	120,689
Buildings		14,775,600
Equipment		2,748,279
Less accumulated depreciation		(12,874,215)
Non-depreciable capital assets		1,718,292
Total noncurrent assets	\$	6,488,645
Total assets	\$	9,131,224
LIABILITIES		
Current liabilities:		
Accounts payable	\$	221,942
Accrued liabilities		16,244
Total current liabilities	\$	238,186
Total liabilities	\$	238,186
NET ASSETS		
Invested in capital assets, net of related debt	\$	3,821,145
Unrestricted		5,071,893
Total net assets	\$	8,893,038

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2006

Statement 8

		Business-type activities Enterprise Funds
		Waste Water Treatment Plant
Operating revenues:		
Charges for services	\$	2,405,869
Miscellaneous revenues		4,179
Total operating revenues	\$	2,410,048
Operating expenses:		
Personnel services	\$	645,680
Contractual services		173,102
Utilities		167,502
Repairs and maintenance		33,685
Other supplies and expenses		224,029
Depreciation		522,447
Total operating expenses	\$	1,766,445
Operating income (loss)	\$	643,603
Nonoperating revenues (expenses):		
Interest revenues	\$	45,110
Total nonoperating revenue (expenses)	\$	45,110
Income before transfers		688,713
Transfers out		(459,249)
Total transfers out	\$	(459,249)
Change in net assets	\$	229,464
Total net assets - beginning	\$	8,663,574
Total net assets - ending	\$	8,893,038

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

Statement 9

		Business-type activities Enterprise Funds Waste Water Treatment Plant
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	1,856,592
Other receipts (payments)		4,179
Payments to suppliers		(451,150)
Payments to employees		(663,228)
Internal activity- payments from other funds		1,848,304
Net cash provided by operating activities	\$	2,594,697
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$	(459,249)
Net cash (used) in noncapital financing activities	\$	(459,249)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset purchases	\$	(2,141,181)
Net cash (used) in capital and related financing activities	\$	(2,141,181)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	\$	45,110
Net cash provided by investing activities	\$	45,110
Net increase in cash and cash equivalents	\$	39,377
Balances- beginning of the year		1,599,513
Balances- end of the year	\$	1,638,890
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$	643,603
Adjustments to reconcile operating income to net cash provided (used) in operating activities:		
Depreciation expense		522,447
Change in net assets and liabilities:		
Receivables, net		(549,277)
Interfund receivables		1,848,304
Accounts and other payables		147,168
Accrued liabilities		(17,548)
Net cash provided by operating activities	\$	2,594,697

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

Statement 10

	Agency Fund
	School Activity Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 118,739
Total assets	\$ 118,739
<hr/>	
LIABILITIES	
Due to student groups	\$ 118,739
Total liabilities	\$ 118,739

See accompanying Notes to Basic Financial Statements.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The City of Saco, Maine was incorporated in 1867 under the laws of the State of Maine. The City operates under a Mayor-Council and City Administrator form of government and provides the following services: general governmental services, public safety, public works (highways, streets and sewers), health, sanitation and welfare, culture and recreation, planning and zoning, education and public improvements. The Council is made up of seven members elected by registered voters.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the City reporting entity.

The accounting policies of the City of Saco conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

B. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting/Measurement Focus

Government - Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The major funds of the city are the general fund, the Mill Brook Industrial Park fund and the Saco Island TIF Fund. The General Fund is the general operating fund of the city. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid through other funds. The Mill Brook Industrial Park fund accounts for expenditures related to the city's construction of a business industrial park with revenues being derived from the sale of lots within the same. The Saco Island TIF Fund accounts for property taxes received from this tax increment financing district and the capital improvements made within the same.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's only fiduciary funds include: agency funds (school activity funds).

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state motor vehicle excise taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt as well as expenditures related to certain compensated absences and claims and judgments are only recorded when payment is due. Allocation of costs, such as depreciation, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Proprietary fund types have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances within the fund financial statements, since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

E. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. City policy is that deposits can only be made in financial institutions insured by the FDIC. The City's investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The City invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines as provided by the City's Investment Policy.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments are reported at fair value except for money market investments that have a remaining maturity at time of purchase of one year or less are stated at amortized cost. Income earned from the investments of pooled cash is allocated to the various funds on the basis of the average cash balance allocated to each fund.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Use of Estimates

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

H. Inventories

Inventory is valued at cost using the first in, first out method. Inventory within the governmental activities consists of those within the School Nutrition Program (Governmental Special Revenue Fund).

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items.

J. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$8,000. The City has chosen the Modified Approach for reporting the infrastructure assets of the City. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings- 40 years
Building Improvements- 40 years
Vehicles- 5 years
Office furniture and fixtures- 7 years
Equipment- 10-20 years
Computer equipment- 3 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2005-2006 Basic Financial Statements. The City developed an implementation plan to determine the value of and include infrastructure costs.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system; water purification and distribution system; sewer collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curbing, sidewalks, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City elected to use the Modified Approach as defined by Statement No. 34 for infrastructure reporting. The City commissioned a physical assessment of all infrastructure conditions in 2000 (fiscal year 2001) and again three years later in 2003 (fiscal year 2004). This condition assessment will continue to be performed every 3 years and will be performed in the next fiscal year 2007. In 2000, the City commissioned a physical condition assessment of the streets which was completed and dated February, 2001. The city commissioned a second physical condition assessment of its streets in 2003. These streets, primarily concrete, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A pavement condition index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined: Good condition was assigned to those segments with a rating between 80-100 and given a 1 rating within the asset management system, Fair condition was assigned to those segments with a rating between 65-79 and given a 2 rating within the asset management system, Poor condition was assigned to those segments with a rating between 50-64 and given a 3 rating within the asset management system, and a Substandard condition was assigned to those segments with a rating between 0-49 and given a 4 rating within the asset management system. The City's policy relative to maintaining the street assets is to achieve a minimum rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

In 2001 and again in 2004, the City subcontracted with an independent engineering firm to inventory and perform a condition assessment on all other City infrastructure assets. These other infrastructure assets, sewer pipe, catch basins and manholes, storm drainage, sidewalks, traffic lights and signage, were then combined with the streets on the City's Asset Management System. Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset.

The City's policy relative to maintaining other infrastructure assets is to achieve a minimum rating of 2 for all other infrastructure assets.

For all other capital assets; buildings, vehicles, equipment, the City elects to use the Basic Approach as defined by Statement No. 34 for reporting. The City conducted an inventory of all other capital assets for fiscal year 2000 and performs updates annually.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

K. Compensated Absences

Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. Employees are paid for allowable accruals upon termination of employment.

In the fund financial statements, no amount is recorded unless the amount is to be paid out shortly after year-end. But the full liability is recorded in the government-wide statements.

L. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. In the fund financial statements, for other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

M. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure, or are legally segregated for a specific future use.

Encumbered amounts are also reflected as a reserve for encumbrances in the fund financial statements.

N. Landfill Closure and Postclosure Care Cost

Statement No. 18 of the Government Accounting Standards Board entitled: Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs” requires the City to record a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities.

State and federal regulations require that the City place a final cover on its current operating landfills when waste is no longer accepted and to perform certain maintenance and monitoring functions at these sites for a period of thirty years after closure. In addition to operating expenditures related to current activities of the landfills, a related liability is required to be recognized based on the future closure and postclosure care costs that will be paid near or after the date that the landfills stop accepting waste. The City of Saco has one landfill, closure of which is complete. Some monitoring costs will be required in the future, however these costs are not deemed to be material and were therefore not recorded as a liability.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 2 - DEPOSITS AND INVESTMENTS

The City's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk.

Deposits

Custodial Credit Risk- City Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does have a deposit policy for custodial credit risk. This policy details eligibility for authorization to include banks or savings and loans that are a member of the FDIC and meet the following minimum credit criteria: (1) qualify as a depository of public funds in the State of Maine as defined in Title 30-A, Section 5706 of the Maine Revised Statutes, (2) have a Highline Data Peer Group rating of a 30 or better and (3) have a Financial Publishing rating of a 125 or better. As of June 30, 2006, the City reported deposits of \$7,597,318 with a bank balance of \$7,365,120. Of the City's bank balances of \$7,365,120, \$0 was exposed to custodial credit risk. The entire balance of \$7,365,120 was covered by the F.D.I.C. or by additional insurance purchased on behalf of the City by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 5,839,689
Reported in proprietary funds	\$ 1,638,890
<u>Reported in agency funds</u>	<u>\$ 118,739</u>
Total deposits	\$ 7,597,318

Investments

Custodial Credit Risk- City Investments: For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does have a deposit policy for custodial credit risk as is outlined above. Of the City's \$2,912,725 invested in money market funds, savings bonds and repurchase agreements, 100% was collateralized by underlying securities held by the related bank in the City's name.

At June 30, 2006, the City had the following investments and maturities:

	Fair Value	Less than 1 year	1-5 years	More than 5 years
Money market funds	\$2,163,215	\$2,163,215	\$ -	\$ -
Savings bonds	\$ 15,000	\$ 15,000	\$ -	\$ -
<u>Repurchase agreements</u>	<u>\$ 734,510</u>	<u>\$ 734,510</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments	\$2,912,725	\$2,912,725	\$ -	\$ -

Investments have been reported as follows:

<u>Reported in governmental funds</u>	<u>\$2,912,725</u>
Total investments	\$2,912,725

Interest Rate Risk: The City does have a policy related to investment rate risk. This policy details that the investment and cash management portfolio be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements.

Credit Risk: Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The City does have a formal policy related to credit rate risk as is detailed above. At June 30, 2006, the City's investments were rated either AAA or AA by Standard & Poor's.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 3 – PROPERTY TAXES

The City's property tax is levied on the assessed value listed as of the prior April 1 for all taxable real and personal property located in the City. Assessed values are periodically established by the assessor at 100% of assumed market value. Each property must be reviewed no less than once every four years. The assessed value for the list of April 1, 2005, upon which the levy for the year ended June 30, 2006 was based, was \$1,789,765,800. This assessed value was 95% of the estimated market value and 99.13% of the 2006 state valuation of \$1,805,400,000.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$480,677 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 City has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

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

The following summarizes the 2005-2006 and 2004-2005 levies respectively:

	<u>2005-2006</u>	<u>2004-2005</u>
Assessed Value	\$1,789,765,800	\$1,468,822,600
Tax Rate (per \$1,000)	<u>12.96</u>	<u>15.90</u>
Commitment	\$ 23,195,365	\$ 23,354,279
Supplemental Taxes Assessed	<u>71,025</u>	<u>80,077</u>
	\$ 23,266,390	\$ 23,434,356
Less: Collections and Abatements	<u>22,675,078</u>	<u>22,720,511</u>
Receivable at June 30, 2006 and 2005	<u>\$ 591,312</u>	<u>\$ 713,845</u>
Due Dates	□□□ 9/16/05 □□□ 3/20/06	□□□ 9/10/04 □□□ 3/11/05
Interest Rates on Delinquent Taxes	7.75%	6.5%
Collection Rate	97.46%	96.95%

Of the total taxes committed for the year ended June 30, 2006, \$416,024 was allocated to the Saco Island TIF District, \$33,393 was allocated to First Light Technology, Inc., \$11,200 was allocated to Transparent Audio, \$92,175 was allocated to the Spring Hill TIF and \$29,008 was allocated to Saco Plaza LLC, under the approved incremental tax levied on the Tax Increment Financing Districts' "captured assessed value" (see Note 9).

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 4 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the “modified approach” as defined by GASB Statement No. 34 for infrastructure reporting. As a result, no accumulated depreciation or depreciation expense has been recorded for these assets. A more detailed discussion of the “modified approach” is presented in the Required Supplementary Information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense has been recorded. The table below presents summary information on infrastructure assets for the years ending June 30, 2005 and 2006.

Infrastructure Assets - June 30, 2006 and 2005

Description	Historical Cost	Accumulated Depreciation	Net Cost 2006	Net Cost 2005
Governmental Activities:				
Modified Approach:				
Sewer pipe	\$ 12,205,372	\$ -	\$ 12,205,372	\$ 11,976,764
Catch basins and manholes	2,136,971	-	2,136,971	2,079,819
Storm drainage	17,767,717	-	17,767,717	17,367,653
Sidewalks	1,558,331	-	1,558,331	1,501,179
Street Pavement System	4,387,911	-	4,387,911	3,987,846
Traffic signals	775,820	-	775,820	775,820
Street signs	44,818	-	44,818	44,818
Total Governmental Activities	\$ 38,876,940	\$ -	\$ 38,876,940	\$ 37,733,899
Business-type Activities:				
Sewer pipe	\$ 1,718,292	\$ -	\$ 1,718,292	\$ -
Total Business-type Activities	\$ 1,718,292	\$ -	\$ 1,718,292	\$ -

Capital assets of the City for the years ended June 30, 2005 and 2006, consisted of the following:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Governmental Activities:				
Buildings and Improvements	\$ 34,322,451	\$ -	\$ -	\$ 34,322,451
Vehicles	5,671,507	361,966	-	6,033,473
Machinery and Equipment	5,017,635	372,267	-	5,389,902
Total	45,011,593	734,233	-	45,745,826
Accumulated Depreciation:				
Buildings and Improvements	(20,093,124)	(695,858)	-	(20,788,982)
Vehicles	(3,697,160)	(429,753)	-	(4,126,913)
Machinery and Equipment	(3,963,245)	(379,490)	-	(4,342,735)
Total	(27,753,529)	(1,505,101)	-	(29,258,630)
Total Governmental Activities	\$ 17,258,064	\$ (770,868)	\$ -	\$ 16,487,196

The change in accumulated depreciation can be further detailed by major class of assets as follows:

Vehicles	\$ 429,753
Buildings	\$ 695,858
Equipment	\$ 379,490
TOTAL	\$ 1,505,101

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 4 – CAPITAL ASSETS, Continued

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Business-Type Activities:				
Buildings and Improvements	\$ 14,775,600	\$ -	\$ -	\$ 14,775,600
Vehicles	120,687	-	-	120,687
Machinery and Equipment	2,325,390	422,891	-	2,748,281
Total	<u>17,221,677</u>	422,891	-	17,644,568
Accumulated Depreciation:				
Buildings and Improvements	(10,694,313)	(379,232)	-	(11,073,545)
Vehicles	(100,537)	(5,038)	-	(105,575)
Machinery and Equipment	(1,556,918)	(138,177)	-	(1,695,095)
Total	<u>(12,351,768)</u>	(522,447)	-	(12,874,215)
Total Business-Type Activities	<u>\$ 4,869,909</u>	<u>\$ (99,556)</u>	<u>\$ -</u>	<u>\$ 4,770,353</u>
Total Capital/Infrastructure	<u>\$ 59,861,872</u>	<u>\$ 1,990,909</u>	<u>\$ -</u>	<u>\$ 61,852,781</u>

The change in accumulated depreciation can be further detailed by major class of assets as follows:

Vehicles	\$ 5,038
Buildings	\$ 379,232
Equipment	<u>\$ 138,177</u>
TOTAL	<u>\$ 522,447</u>

For the year ended June 30, 2006 and 2005, depreciation expense on capital assets was charged to the government functions as follows:

	<u>2006</u>	<u>2005</u>
General Government	\$ 94,647	\$ 95,082
Public Safety – Police	144,399	141,806
Public Works	378,212	282,874
Parks and Recreation	39,293	41,058
Public Safety – Fire	209,415	214,216
Education	<u>639,135</u>	<u>639,335</u>
Total Depreciation Expense	<u>\$1,505,101</u>	<u>\$1,414,371</u>

For the year ended June 30, 2006 and 2005, repairs and maintenance expenses on capital and infrastructure assets were charged to the government functions as follows:

	<u>2006</u>	<u>2005</u>
Public Safety – Police	\$ 97,470	\$ 100,059
Public Safety – Fire/Ambulance	36,809	51,370
Public Works	340,208	468,491
Capital Improvement Projects	<u>1,153,501</u>	<u>564,414</u>
Total repairs & maintenance expense	<u>\$1,627,988</u>	<u>\$ 1,184,334</u>

Note 5- COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Note 1. The long-term portion of this debt, amounting to \$935,122 for governmental activities and \$69,904 for business-type activities at June 30, 2006, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the enterprise fund, with a minor amount being paid from certain special revenue funds.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 6 - LONG-TERM DEBT

The following is a summary of long-term debt transactions within the governmental activities for the City for the year ended June 30, 2006:

	<u>Bonds & Notes Payable</u>	<u>Capital Leases Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Debt Payable at June 30, 2005	17,476,778	3,449,932	915,271	21,841,981
Add: New debt payables	<u>1,500,000</u>	<u>473,000</u>	<u>1,849,837</u>	<u>3,822,837</u>
	18,976,778	3,922,932	2,765,108	25,664,818
Less: Debt retired	<u>1,737,045</u>	<u>724,971</u>	<u>1,829,986</u>	<u>4,292,002</u>
Debt Payable at June 30, 2006	17,239,733	3,197,961	935,122	21,372,816
Due within one year	1,747,045	680,629	355,757	2,783,431

Long-term debt payable at June 30, 2006 is comprised of the following:

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Final Maturity Date</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
2006 Open Space Bond	4 – 4.5%	\$1,500,000	2026	1,500,000	75,000
1989 Capital Improvement	7.25 - 7.30%	\$3,100,000	2009	620,000	155,000
1991 School Construction	7.40 - 7.50%	\$4,700,000	2010	1,175,000	235,000
1996 Route 1 Sewer	5.551%	\$5,800,000	2016	3,190,000	290,000
1996 Police Station	5.60%	\$2,000,000	2016	1,100,000	100,000
2002 School Renovation	None	\$1,159,789	2012 (1)	695,874	115,979
2002 School Renovation	3.25% - 5.00%	\$5,940,000	2022	4,740,000	300,000
2003 Refunding Bond	3.85%	\$2,977,057	2018	2,418,859	186,066
2002 Refunding Bond	2% - 4.5%	\$2,185,000	2014	1,455,000	175,000
1988 Sewer Project	5.70 - 7.70%	\$2,300,000	2008	<u>345,000</u>	<u>115,000</u>
				<u>\$17,239,733</u>	<u>\$ 1,747,045</u>

(1) The original amount of this note was for \$2,456,690, of which \$1,296,901 has been forgiven by the state. The City's outstanding portion at June 30, 2006 was \$695,874.

The annual requirements to amortize General Obligation Bonds outstanding as of June 30, 2006 for both governmental activities and business-type activities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2007	1,747,045	636,327	2,383,372
2008	1,742,045	563,762	2,305,807
2009	1,742,045	490,844	2,232,889
2010	1,622,045	421,277	2,043,322
2011	1,457,045	361,152	1,818,197
2012-2016	5,461,309	1,197,116	6,658,425
2017-2021	2,798,199	440,813	3,239,012
2022-2026	<u>670,000</u>	<u>65,281</u>	<u>735,281</u>
	<u>\$17,239,733</u>	<u>\$4,176,572</u>	<u>\$ 21,416,305</u>

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 6 - LONG-TERM DEBT, Continued

Leases that qualify as capital leases for accounting purposes have been recorded at the present value of future minimum lease payments as of the date of the inception. The School, Fire and Public Works Department leases are reported as a liability in the government wide financial statements. The following presents a summary of the capital lease commitments as of June 30, 2006:

	<u>Original Purchase Price</u>	<u>Annual Depreciation Expense</u>	<u>Total Minimum Lease Payments</u>	<u>Interest</u>	<u>Present Value of Minimum Lease Payments</u>
Public Safety IMC Software	153,806	30,761	22,832	1,000	21,832
Public Works – various equipment	473,000	61,640	411,360	41,200	370,160
Public Works – various equipment	626,532	125,306	611,257	111,618	499,639
Fire Department – Brush truck	96,650	9,465	79,501	10,628	68,873
City-wide recycling bins	589,872	39,325	427,156	59,346	367,810
Public Schools – Modular Class	58,356	5,835	51,281	4,391	46,890
Public Schools – copiers	139,856	27,971	123,218	9,936	113,282
Public Schools – Software	55,464	11,093	40,578	3,261	37,317
Public Schools – Modular school	2,054,054	102,703	<u>1,768,443</u>	<u>96,285</u>	<u>1,672,158</u>
			<u>\$3,535,626</u>	<u>\$337,665</u>	<u>\$3,197,961</u>

The annual requirements to amortize Capital Lease Obligations outstanding as of June 30, 2006 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Obligation</u>
2007	680,629	114,877	795,506
2008	685,023	87,125	772,148
2009	691,921	61,393	753,314
2010	719,067	31,678	750,745
2011	143,957	19,543	163,500
2012-2014	<u>277,364</u>	<u>23,049</u>	<u>300,413</u>
	<u>\$3,197,961</u>	<u>\$337,665</u>	<u>\$3,535,626</u>

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of the state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its stated assessed valuation. The City's outstanding debt at June 30, 2006, of \$20,437,694, was \$250,372,306 below the City's statutory debt limit.

Total interest expended for all funds of the city was \$648,401, for the year ended June 30, 2006.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 7 - OVERLAPPING DEBT

The City's proportionate share of York County's debt (determined by the percentage of the City's state valuation to the County's state valuation) is not reported in the City's financial statements. Debt service is included in the annual county assessment to the City. At June 30, 2006, the City's equalized State valuation of \$1,805,400,000 was 7.00% of the County's equalized State Valuation of \$25,789,750,000. The City's share is 7.00%, or \$1,106,000 of York County's \$15,800,000 long-term debt outstanding as of June 30, 2006.

Note 8- CONTINGENT LIABILITIES

Grant Funds

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

Litigation

The City is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the City has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the City.

Note 9 - TAX INCREMENT FINANCING DISTRICT

Under Title 30, Subchapter II-B of Maine State statutes, the City formed a Tax Increment Finance (TIF) District to finance certain public improvements to Saco Island, formerly known as Factory Island. The expenditures from this development project will be recouped in future years via an incremental tax levied upon the Districts' "captured assessed value" over a fifteen year period to expire December 30, 2016. The tax increment will be held in the form of a sinking fund. The short-term financing mechanism for the public improvement projects is a reimbursement agreement between the City and the project developer.

The City originally established the Saco Island Tax Increment Financing (TIF) District in 1985 and amended it in 1986. The agreement required certain improvements and required the City to collect monies in a sinking fund. The developer and his successors were reimbursed for these improvements. The length of this agreement was 15 years from the date of approval of the second TIF.

In March of 1999 the Maine Department of Economic and Community Development accepted the City's application to amend the Saco Island Tax Increment Financing District. It authorized the City to capture increased assessed value for a period of fifteen years, add approximately 7.5 acres to the District, and revise the program of public improvements, as part of the City's continuing revitalization effort of the Downtown and Saco Island, and in response to the state of Maine's need for a train station on Saco Island. In addition to improvements within the District, TIF proceeds will be used to organize, construct and improve parking areas within 500 feet of the District.

The City will continue to recapture one hundred percent of the first \$14,400,000 in increased assessed value to fund the completion of the improvements within the amended development program. The City will pay for all public improvements in the District, utilizing municipal tax increment revenues on retained captured assessed value

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 9 – TAX INCREMENT FINANCING DISTRICT, Continued

generated by the District and deposited into the Development Program Fund. The City will utilize available Federal funds, to finance a share of the construction costs of the rail station, and other grant funds as they become available. The City will not incur any general obligation bond indebtedness in connection with this program.

Also, in February 1997, the City formed a Tax Increment Finance (TIF) District to assist First Light Technology, Inc. (The Company) in acquiring real estate, constructing a manufacturing and research building, and to assist the City in financing the costs of the Public Improvements or to pay the costs of constructing such improvements directly. Under the Development Program, the City will make a portion of the newly-generated tax revenues within the District available to the Company for a period of (5) years pursuant to a credit enhancement agreement, which is a contract between the City and the Company. This portion will be equal to 40 percent of the increased value of the real estate (including buildings).

The remaining portion of the new real estate tax revenues (60 percent) and a portion of the new personal property tax revenues (50 percent, exclusive of existing equipment moved to the new location) will be captured for a period of twenty (20) years and used or held for use in connection with the Public Improvements. All remaining tax revenues will become part of the City's general tax revenues. After expiration of the five year period, the portion paid into the City's general fund will include the tax revenues previously returned to the Company.

In July 1998, the City formed a TIF District to assist Transparent Audio, Inc. (the Company) in constructing a building, real property improvements, and additional personal property acquisitions. During the first ten (10) years of the Development Program, the City will capture one hundred percent (100%) of the increase in assessed value due to the Real Property Improvements, allocating during years one through five, forty (40%) percent of the incremental municipal tax increment revenues from the Real Property Improvements (the "Real Property Captured Tax Increment Revenues") to the Company pursuant to a credit enhancement agreement ("the Company Increment Portion"). The agreement also provides that twenty percent (20%) of such revenues will be allocated to the Company during years six through ten. No part of the incremental revenues from the Additional Personal property will be returned to the Company pursuant to the Development Program.

The Real Property Captured Tax Increment Revenues shall be calculated based on real property values in excess of the City's valuation of the District as of April 1, 1998 (\$53,600). The Company Increment Portion will be used by the Company either to pay costs of the Project directly or to pay debt service used to finance costs of the Project. The Project costs financed with Real Property Captured Tax Increment Revenues will represent only a portion of the total costs of the Project. All additional costs of the Company in respect of the Project will be the responsibility of the Company. After ten years, the Company will have no further right to the Company Increment Portion, and it will form part of the City's general revenues.

Saco Plaza, Inc. (the Company) has developed the real estate constituting the District and constructed an 80-100 room hotel and allied facilities (conference facilities and restaurant) along with related physical improvements thereon (the Project). The purpose of the District is to assist the Company in financing the costs of the Project, and to assist the City in economic development in the North Street – Maine Turnpike area, and to assist in furtherance of the Industrial Park Road expansion. During the first five (5) years of the Development Program, the City will capture 100% of the increase in assessed value due to real and personal property improvements, allocating this captured incremental municipal tax revenue between the Company (the "Company Incremental Portion") and the City ("City Increment Portion") pursuant to a credit enhancement agreement between Company and City. The credit enhancement

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 9 – TAX INCREMENT FINANCING DISTRICT, Continued

agreement provides that forty (40) percent of the Captured Incremental Revenues during this initial five (5) year period will be made available to the Company while sixty (60) percent of the Captured Incremental Revenues will flow to the City for economic development purposes both in the North Street – Maine Turnpike area, and with expanding the Industrial Park Road. During the final five (5) years of the Development Program, the City will capture only forty (40) percent of the incremental increase in assessed values due to real and personal property improvements, allocating this revenue to the Company pursuant to the credit enhancement agreement. The remaining sixty (60) percent of increased assessed value will not be captured in the final five (5) years of the Project but will flow to the City’s General Fund.

JVW Hotels, LLC (Hampton Inn) has developed the real estate within the City’s industrial park constituting the District and constructed a 100 room hotel with meeting facilities, indoor pool, health club, coin laundry, complimentary breakfast and a convenience shop in the District (the Project). The purpose of the District is to assist the Company in financing the costs of the Project, and to assist the City in economic development within the industrial park. During the first five (5) years of the Development Program, the City will capture 100% of the increase in assessed value due to real and personal property improvements, allocating this captured incremental municipal tax revenue between the Company (the “Company Incremental Portion”) and the City (“City Increment Portion”) pursuant to a credit enhancement agreement between the Company and City. The credit enhancement agreement provides that forty (40) percent of the Captured Incremental Revenues during this initial five (5) year period will be made available to the Company while sixty (60) percent of the Captured Incremental Revenues will flow to the City for economic development purposes within the industrial park. After this five-year period expires, 100% of the tax revenue will flow to the City’s General Fund.

In March 2002, the City formed a TIF District (Spring Hill Municipal Development and Tax Incremental Financing District) for the creation of a municipal development and tax increment-financing district within the Spring Hill section of the Saco Industrial Park and adjacent areas. The adjacent areas include a portion of the railroad right of way for the Saco Industrial Park, a portion of the proposed Saco 67 Business Park across Route 1 from the Spring Hill section, and a portion of the Route 1 right of way where the installation of a traffic light and a sewer are contemplated. The goal of this TIF district is to provide for the creation of serviced business park lots and to permit the purchase of land therefore, to provide for additional rail service to an existing industrial park, to provide for traffic improvements such as a traffic light required by these industrial developments, and to provide for the installation of a public sewer system in an area of industrial, business, and commercial zoning to enhance the facilities for business and industrial development. During the first ten (10) years of the Development Program, the City will capture one hundred percent (100%) of the increase in assessed value due to the Real Property Improvements, allocating all 100% to the Development Program. After the tenth year, the tax revenues will flow into the City’s General Fund.

Note 10 – TAX BASE SHARING WITH THE CITY OF BIDDEFORD

Tax base sharing is established under Title 30-A of the Maine Revised Statutes, as amended, to increase the likelihood of orderly development and to provide an incentive for coordinated multi-community economic development by permitting two or more communities to share their tax base. Any two or more municipalities may, by vote of their legislative bodies, enter into an agreement to share all or a specific part of the commercial, industrial or residential assessed valuation located within their respective communities. The shared valuation is assessed in the municipality in which the property is located, taxed at the rate applicable in that municipality and collected by the respective municipality. The share of the tax, as specified in the agreement, must be remitted within fifteen days to the other municipalities on the basis of the terms of the agreement. For the fiscal year end June 30, 2006, the City of Saco's share of the tax base sharing revenue was \$169,527.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 11 - RELATED PARTY TRANSACTIONS

The Lucia Kimball Deering Trust is related to the Kimball Health Center through common directorships. Beginning in May 1986, the amount due to the Trust from the Kimball Health Center was being reimbursed at the rate of \$500 per month. However, the reimbursement amount is left to the discretion of the Board of Directors. No interest is charged on this loan, which had an outstanding balance of \$860,196 at June 30, 2006.

Note 12 - CLASSIFICATION OF NET ASSETS AND FUND BALANCE

In the Government-Wide financial statements net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt- This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets- This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. This category presents restrictions placed on the categories of Capital Projects, and Specific Projects and Programs as established by City Council.

Unrestricted Net Assets- Represent the net assets of the City, not restricted for any project or other purpose.

In the Fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2006, reservations of fund balance are described below:

Reserved for Encumbrances- These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.

Reserved for Prepaid items- These reserves represent the portion of insurance expenditures paid for policies good through a future date.

Reserved for Capital Improvement Projects- These reserves represent specific projects and programs for which the City has made a commitment towards completion through adoption of the City Budget and 5-Year Capital Improvement Plan.

Reserved for Inventory- These reserves represent that portion reserved for the value of inventory at year end.

Reserved for Nonexpendable trust principal- These reserves represent that portion of originally contributed trust fund assets restricted from disbursement.

Reserved for other purposes- These reserves represent that portion of Special Revenue Fund grants restricted for grant intended purposes.

Note 13 – DEFICIT FUND BALANCES

The City's Special Revenue Funds for the Ambulance Fund and School Lunch Program, as well as the City's Major Capital Project fund for the Saco Island TIF and the Mill Brook Industrial Park are carrying forward fund deficits as of June 30, 2006. These deficits will be funded by future operations through anticipated revenues to be received.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 14 - RETIREMENT SYSTEM

Maine State Retirement – Consolidated Plan

Description of the Plan – The City 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 provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 6.5% of their annual covered salary and the City of Saco is required to contribute an actuarially determined rate. The current rate is 0% of annual covered payroll. The contribution rates of plan members and the City of Saco are established and may be amended by the Maine State Retirement System Board of Trustees. The City's contributions to the Maine State Retirement System Consolidated Plan for the years ended June 30, 2006, 2005 and 2004 were \$0, \$0 and \$0 respectively, equal to the required contributions for each year. This is due to the fact that necessary contributions to the plan are being offset by existing credits.

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

Funding Policy – Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$1,575,420 (19.15%) for the fiscal year 2006. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis fund financial statements (Statement 4) as well as the entity wide financial statements (Statement 2). 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 is charged to the applicable grant and amounted to \$53,257 (19.15%) for the year ending June 30, 2006, \$52,616 (17.77%) for the year ending June 30, 2005, and \$51,650 (17.62%) for the year ending June 30, 2004.

Deferred Compensation Plan

In lieu of coverage under the Maine State Retirement System, City employees may elect to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The plan vests at the end of two years of service and 100% at the end of three years. The City expended \$118,481 (5%) for the year ended June 30, 2006, \$145,631 (5%) for the year ended

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 14 - RETIREMENT SYSTEM, Continued

June 30, 2005 and \$98,060 (5%) for the year ended June 30, 2004. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

Other

Additionally, the City participates in the Social Security Retirement Program. The City's contribution to Social Security was approximately \$542,534 for the year ended June 30, 2006, \$448,496 for the year ended June 30, 2005, and \$574,996 for the year ended June 30, 2004.

Note 15 - OTHER DISCLOSURES

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the City either carries commercial insurance, or participates in a public entity risk pool. Currently, the City participates in a public entity risk pool for its workers compensation insurance sponsored by the Maine Municipal Association. Based on the coverage provided by the pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2006. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past three fiscal years. The amount of unpaid claims was \$0 at June 30, 2006 and 2005.

Note 16 – BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished. The City legally adopts annual budgets for the Governmental General Fund and the Business-Type Waste Water Treatment Plant Fund.

The Annual Budget serves from July 1 to June 30, and it is a vehicle to accurately and openly communicate these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning. The budget provides resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City of Saco, Maine's budget is prepared and based on four expenditure categories; personnel, operations & maintenance, other expenditures and capital improvement programs. The first three listed are considered operational in nature or known as *recurring costs*. Capital Improvement Projects are asset acquisitions, facilities, systems, and infrastructure improvements, etc. typically over \$8,000, and/or those items "outside" of the normal operational budget, these are known as *one-time costs*.

The accounts of the City are organized on the basis of funds.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 16 – BUDGETARY INFORMATION, Continued

The City collects and records revenue and expenditures within the following categories:

- Governmental Activities
- Business-Type Activities

The Governmental Funds include the General Fund, Special Revenue Funds, Capital Project Funds and the Permanent Funds. All funding sources are kept separate, for both reporting and for uses of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting, then from this, the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Administrator and the Finance Director review each budget proposal, revenue assumptions and all current financial obligations, before preparing the proposed document to the City Council. The City Council reviews the Proposed Budget, through a series of workshop meetings, with the final adoption scheduled during the first council meeting in June.

According to the City Charter, the departments are allowed to carry over unspent portions of their individual capital budgets which then can be used in future years. For the Governmental Activities and the Business-Type Activities of fiscal year 2005-2006 the amounts carried over by the departments totaled \$912,072 and \$1,097,918 respectively, with a like amount designated in the General Fund balance under the title of Restricted for Capital Projects. The department totals were as follows:

<u>Department</u>	<u>Carryover</u>
<i>Governmental Activities:</i>	
Capital Improvement Projects	<u>912,072</u>
Total Governmental Activities	<u>912,072</u>
<i>Business-Type Activities:</i>	
Waste Water Treatment Plant	<u>1,097,918</u>
Total Business-Type Activities	<u>1,097,918</u>

See Statement 6 Within the Government-wide financial statements for a Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for an analysis of the original approved budget versus the final budget and actual amounts.

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 17 – INTERFUND ACCOUNTS

Due from/to other funds at June 30, 2006 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$5,081,096	\$ 3,285,819
Special Revenue Funds	567,467	714,719
Capital Project Funds	1,132,890	195,499
Mill Brook Industrial Park Fund	-	1,835,185
Saco Island TIF Fund	-	1,092,431
Proprietary Funds	342,201	-
TOTAL	\$7,123,654	\$7,123,654

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

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 855,249	\$ 597,801
Special Revenue Funds	8,960	355,000
Capital Project Funds	165,776	8,960
Saco Island TIF Fund	416,024	25,000
Proprietary Funds	-	459,249
TOTAL	\$1,446,009	\$1,446,009

The purposes of the due to/due from other funds are to charge revenue and expenditure activity to the appropriate funds. With centralized cash, everything is received and disbursed through the general fund. With due to/due from accounts, it allows the activity to be recorded within the proper fund, even though the activity occurs within the general fund cash account.

The primary purposes of the transfers are to match budgeted amounts within the general fund from the funds financing the various projects. Due to the fact that one budget is adopted; many projects from other funds are included in the capital improvement section of the budget. These transfers allow for the revenue to be reflected within the general fund where the expenditures have been budgeted and paid.

Note 18 – DESIGNATED FUND BALANCE

At June 30, 2006 and 2005, portions of the General Fund unreserved fund balance were designated by the School Department as follows:

	<u>2006</u>	<u>2005</u>
Reappropriated to subsequent year budget	\$294,645	\$376,215
Total designated	\$294,645	\$376,215

City of Saco, Maine
Notes to Basic Financial Statements
June 30, 2006

Note 19 – RESTATEMENT OF NET ASSETS

As of July 1, 2005, net assets for the governmental activities have been restated for incorrect accumulated depreciation taken on a building:

Net assets as previously reported	\$ 41,037,980
Overstated accumulated depreciation	1,931,250

Net assets, as restated	\$ 42,969,230
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City of Saco, Maine
Required Supplementary Information
June 30, 2006

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; water purification and distribution system; sewer collection and treatment system; park and recreation lands and improvement system; storm water conveyance system; and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curbing, sidewalks, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its infrastructure assets. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

-The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

-The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed assessment level.

In 2000 (fiscal year 2001), the City commissioned a physical condition assessment of the streets which was completed and dated February, 2001. The City completed its second condition assessment in 2003 (fiscal year 2004).

These streets, primarily concrete, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. This condition assessment will be performed every three years. Each street was assigned a physical condition based on 17 potential defects. A pavement condition index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined and associated to a rating within our asset management system:

<u>Condition</u>	<u>Rating</u>	<u>Asset Management System Rating</u>
Good	100-80	1
Fair	79-65	2
Poor	64-50	3
Substandard	49-0	4

The City Policy is to achieve a minimum rating of 70 for all streets, which is a 2 rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2003, June 30, 2002 and June 30, 2001, the City’s street system was rated at a PCI index of 72 on the average. As of June 30, 2006, June 30, 2005 and June 30, 2004, the City’s street system was rated at a PCI index of 89 on the average. The detail of the condition assessments are as follows:

City of Saco, Maine
Required Supplementary Information
June 30, 2006

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS, Continued

<u>Condition</u>	FY 2001-2003	FY 2004-2006	<u>Asset Management System Rating</u>
	<u>% of Streets</u>	<u>% of Streets</u>	
Excellent to Good	35%	85%	1
Fair	26%	13%	2
Poor to Substandard	39%	2%	3 and 4

As of June 30, 2003, June 30, 2002 and June 30, 2001, the City had some of its streets rated below the established 2 rating. Based on the original condition assessment performed, the City required several years to rehabilitate these segments of the streets and has done so within the 3 years through June 30, 2006. As is reflected with the June 30, 2006, 2005 and 2004 condition assessment performed, a very immaterial percentage of streets now fall below the established policy level rating of a 2.

The City's streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$697,847 and \$448,208 respectively on street maintenance for the fiscal years ended June 30, 2006 and 2005. These expenditures delayed deterioration, and the overall condition of the streets was definitely improved through these maintenance expenditures. The City had estimated at the beginning of the condition assessment period that the amount of annual expenditures required to maintain the City's streets at the minimum PCI rating of 70 through the year 2006 was a minimum of \$1,547,000. This would have meant approximately \$500,000 per year. For the year ending June 30, 2006, the City expended just above this level.

The City also has an on-going street rehabilitation program, funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Asset Management System. As of June 30, 2001, 39 percent of the City's streets were rated below the acceptable standard of 70. Total deficiencies identified in the Pavement Management System (PMS) amounted to approximately \$1,961,000 on street segments rated below the PCI of 70. In the fiscal year 2002 and 2003 budget, the city allocated another \$500,000 for these capital improvement type projects. The city was therefore in alignment to meet this necessary PCI rating and in fact did with a fiscal year 2004 assessment concluding that only a mere 2 percent of the City's streets were rated below the acceptable standard of 70. The next condition assessment will not be performed until fiscal year 2007.

As of June 30, 2006, the City had 13,070,970 square feet of streets with a carrying amount of approximately \$4,387,911 and an estimated replacement cost of approximately \$34,384,587.

In 2001 the City subcontracted with an independent engineering firm to inventory and perform a condition assessment on all other city infrastructure assets. These condition assessments were then reviewed and updated again in fiscal year 2004. These other infrastructure assets, sewer pipe, catch basins and manholes, storm drainage, sidewalks, traffic lights and signage, were then combined with the streets on the City's Asset Management System. Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset.

City of Saco, Maine
Required Supplementary Information
June 30, 2006

MODIFIED APPROACH FOR CITY INFRASTRUCTURE CAPITAL ASSETS, Continued

The City Policy is to achieve a minimum rating of 2 for all other infrastructure assets, which is consistent with that for the streets. From June 30, 2001 through June 30, 2006, the City's other infrastructure assets had established condition assessment levels as follows:

ConditionAverage	FY 2001-2003 % of Other Infrastructure	FY 2004-2006 % of Other Infrastructure	Mgmt. System Rating
Excellent to Good	68%	69.3%	1
Fair	25%	25%	2
Poor to Substandard	7%	5.7%	3 and 4

As of June 30, 2001 through June 30, 2003, the City had only 7% of its other infrastructure assets rated below the established 2 rating. The City required several years to rehabilitate these segments of infrastructure. As is reflected with the June 30, 2006, 2005 and 2004 condition assessment performed, an even lower immaterial percentage of other infrastructure assets are now below the established policy level rating of a 2.

The City is continuously taking actions to arrest the deterioration of other infrastructure assets through short-term maintenance activities. The City expended \$573,027 and \$216,752 respectively on other infrastructure maintenance for the fiscal years ended June 30, 2006 and 2005. These expenditures delayed deterioration and improved the overall condition through these maintenance expenditures. The City had estimated that the amount of annual expenditures required to maintain the City's infrastructure at the minimum rating of 2 through the year 2006 was at a minimum of \$1,576,444, or approximately \$500,000 per year. The fiscal year 2006 actual expenditures were just above this required level. The next condition assessment will not be performed until fiscal year 2007.

As of June 30, 2006, the City had approximately 318,523 feet of sewer pipe with a carrying amount of \$12,205,372 and an estimated replacement cost of \$32,080,875; 3,088 catch basins and manholes with a carrying amount of \$2,136,971 and an estimated replacement cost of \$6,293,152; 266,639 feet of storm drainage with a carrying amount of \$17,767,717 and a replacement cost of \$27,063,922; 711,650 square feet of sidewalks with a carrying amount of \$1,558,331 and a replacement cost of \$2,445,932; 14 traffic signals with a carrying amount of \$775,820 and a replacement cost of \$1,260,000; and 991 street signs with a carrying amount of \$44,818 and a replacement cost of \$69,370.

GENERAL FUND

The general fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs which are not paid through other funds.

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CITY OF SACO, MAINE
BALANCE SHEET - GENERAL FUND
June 30, 2006

	<u>2006</u>
ASSETS:	
Cash and Cash Equivalents	\$ 5,020,084
Investments	337,677
Accounts Receivable	724,874
Taxes Receivable:	
Current Year	591,312
Prior Year	95,275
Tax Liens	176,205
Prepaid Items	604,242
Interfund receivable	5,081,096
Tax Acquired Property	<u>58,359</u>
TOTAL ASSETS	<u><u>\$ 12,689,124</u></u>
 LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts Payable	\$ 1,111,755
Accrued Liabilities	1,322,471
Taxes Collected in Advance	23,130
Interfund payable	3,285,819
Deferred Tax Revenue	<u>527,860</u>
	<u>6,271,035</u>
Fund Balance:	
Reserved for Encumbrances	272,118
Reserved for Prepaid Items	159,719
Reserved for Capital Improvement Projects	912,072
Unreserved:	
Designated - Subsequent years budgets	294,645
Undesignated	<u>4,779,535</u>
	<u>6,418,089</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 12,689,124</u></u>

CITY OF SACO, MAINE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Taxes:			
Real and Personal Property	\$ 23,207,122	\$ 23,280,894	\$ 73,772
Change in Deferred Property Revenues	-	(82,301)	(82,301)
Excise Taxes	2,944,000	2,904,735	(39,265)
Interest and Lien Costs on Taxes	125,000	92,790	(32,210)
Total taxes	<u>26,276,122</u>	<u>26,196,118</u>	<u>(80,004)</u>
Licenses and Permits:			
City Clerk Fees	68,990	74,532	5,542
Building Permits	384,784	385,801	1,017
Cable Television Franchise	200,000	215,806	15,806
Plumbing Permits	30,420	33,342	2,922
Electrical Inspection Fees	76,878	41,245	(35,633)
Snowmobile Registrations	2,500	2,540	40
Canine Licenses and Late Fees	5,500	7,182	1,682
Victualers' License	8,000	7,540	(460)
Total licenses and permits	<u>777,072</u>	<u>767,988</u>	<u>(9,084)</u>
Intergovernmental:			
State Assistance:			
Education	9,188,121	9,150,329	(37,792)
Adult Education	30,000	35,000	5,000
Medicaid Income (Net)	400,000	488,743	88,743
State Agency Clients	90,000	160,052	70,052
Revenue Sharing	1,467,666	1,454,903	(12,763)
Local Road Assistance	211,908	255,260	43,352
Welfare Reimbursement	20,000	24,967	4,967
Homestead Exemptions	323,326	325,496	2,170
Other State Aid	53,000	40,444	(12,556)
City of Biddeford - Tax Base Sharing	143,154	169,527	26,373
Town of Scarborough - Recycling reimbursement	20,000	18,463	(1,537)
Goodwins Mills - Rescue reimbursement	7,500	7,500	-
Tuition and Other Charges for Services - Education	773,297	806,945	33,648
Total intergovernmental	<u>12,727,972</u>	<u>12,937,629</u>	<u>209,657</u>
Charges for Services:			
Police	42,000	59,290	17,290
Community Policing-Thornton Academy/Saco Middle	82,000	77,770	(4,230)
Public Works	156,000	172,462	16,462
Tipping Fees	335,000	311,086	(23,914)
Transfer Station Fees	25,000	38,807	13,807
Sewer Inspection Fees	4,000	3,900	(100)
Flow Control Ordinance	4,500	3,000	(1,500)
Recreation Department	185,000	180,808	(4,192)
False Alarm Fines	13,750	20,200	6,450
Miscellaneous Fees	43,100	53,970	10,870
Total charges for services	<u>890,350</u>	<u>921,293</u>	<u>30,943</u>
Other Revenues:			
Interest Earnings	75,000	150,455	75,455
Sale of City Assets	20,000	21,826	1,826
Building Rentals	20,000	63,859	43,859
Insurance Claims and Refund	115,000	14,170	(100,830)
Planning/Zoning Board and Engineering Studies	70,300	110,031	39,731
Recycled Waste and Fees	21,500	29,497	7,997
Unclassified	25,150	10,096	(15,054)
Total other revenues	<u>346,950</u>	<u>399,934</u>	<u>52,984</u>
TOTAL REVENUES	<u>41,018,466</u>	<u>41,222,962</u>	<u>204,496</u>

CITY OF SACO, MAINE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES:			
General Government:			
Legislative	20,100	20,260	(160)
City Administration	197,696	197,604	92
Finance/Technology	812,241	641,454	170,787
City Clerk/Voter Registration/Welfare Assistance	186,597	183,840	2,757
Assessor	179,159	163,684	15,475
City Building Maintenance	108,694	102,933	5,761
Legal Services	105,000	209,581	(104,581)
Building Inspector	216,063	217,803	(1,740)
Planning	266,357	248,308	18,049
Total general government	<u>2,091,907</u>	<u>1,985,467</u>	<u>106,440</u>
Public Safety:			
Police/Central Dispatch	2,593,663	2,587,170	6,493
Fire/Ambulance/Public Water	1,944,405	1,903,977	40,428
Total public safety	<u>4,538,068</u>	<u>4,491,147</u>	<u>46,921</u>
Public Works:			
Administration/Maintenance	3,887,582	3,757,464	130,118
Total public works	<u>3,887,582</u>	<u>3,757,464</u>	<u>130,118</u>
Culture and Recreation:			
Parks & Recreation	618,511	638,353	(19,842)
Total culture and recreation	<u>618,511</u>	<u>638,353</u>	<u>(19,842)</u>
Education (Excluding Debt Service and Nutrition):			
Regular Education - K-12	23,315,936	22,728,703	587,233
Adult Education	104,680	109,680	(5,000)
Total education	<u>23,420,616</u>	<u>22,838,383</u>	<u>582,233</u>
County Tax	<u>859,723</u>	<u>859,723</u>	<u>-</u>
Unclassified:			
Employee Benefits	2,075,796	2,192,445	(116,649)
Insurance	219,971	225,558	(5,587)
Public Agencies	539,000	502,298	36,702
Overlay	480,677	-	480,677
Contingency	64,000	99,066	(35,066)
Total unclassified	<u>3,379,444</u>	<u>3,019,367</u>	<u>360,077</u>
Debt Service:			
School Department:			
Principal	650,979	650,979	-
Interest	323,403	324,902	(1,499)
City:			
Principal	736,066	736,066	-
Interest	214,924	214,250	674
Capital Leases and Agent Fees	335,527	393,518	(57,991)
Total debt service	<u>2,260,899</u>	<u>2,319,715</u>	<u>(58,816)</u>

CITY OF SACO, MAINE
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued):			
Capital Projects:			
Sidewalk improvement	44,622	1,988	42,634
Street overlay/Road reconstruction	412,534	323,914	88,620
MDOT grant match	-	8,989	(8,989)
Storm drainage projects	83,840	4,983	78,857
Stackpole creek bridge	402,746	-	402,746
Microfilming	14,000	14,016	(16)
Assessing appraisal conversion	28,815	24,571	4,244
City signage	7,632	-	7,632
Park improvements	118,318	118,318	-
Industrial park rail road	42,134	20,468	21,666
Camp ellis capital	26,356	-	26,356
Open door repairs	8,555	11,844	(3,289)
Athletic fields at landfill	196,161	117,966	78,195
Main & Beach Street	30,773	170,806	(140,033)
Elm & Thornton Street	5,455	138,498	(133,043)
MDOT Lap Projects	-	262,406	(262,406)
Public safety network connections	10,000	7,629	2,371
Transfer Station expenses	-	14,903	(14,903)
Superintendent's building acquisition	5,000	-	5,000
City Hall roof repairs	10,000	-	10,000
Police Department pump station	42,187	-	42,187
Turfcut mower	19,000	17,523	1,477
City-wide scanning project	25,000	2,560	22,440
EPA audit	26,596	-	26,596
Police crime scene equipment	8,500	7,996	504
Total Capital Projects	<u>1,568,224</u>	<u>1,269,378</u>	<u>298,846</u>
TOTAL EXPENDITURES	<u>42,624,974</u>	<u>41,178,997</u>	<u>1,445,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>(1,606,508)</u>	<u>43,965</u>	<u>1,650,473</u>
OTHER FINANCING SOURCES (USES):			
Budgeted Utilization of Surplus-City	504,980	-	(504,980)
Budgeted Utilization of Surplus-School	376,215	-	(376,215)
Carryover of Designated Fund Balance	909,423	-	(909,423)
Operating Transfers From:			
Capital Projects Fund	25,000	25,000	-
Proprietary Fund	-	459,249	(459,249)
Special Revenue Fund	371,000	371,000	-
Total other financing sources	<u>2,186,618</u>	<u>855,249</u>	<u>(2,249,867)</u>
Operating Transfers To:			
Special Revenue Fund	-	(16,000)	(16,000)
Capital Projects Fund	(580,110)	(581,801)	(1,691)
Total other financing (uses)	<u>(580,110)</u>	<u>(597,801)</u>	<u>(17,691)</u>
NET CHANGE IN FUND BALANCE-			
Budgetary Basis	<u>\$ -</u>	<u>\$ 301,413</u>	<u>\$ (617,085)</u>
To adjust to Modified Accrual Basis-			
Less- teachers summer salary accrual		<u>\$ (60,425)</u>	
NET CHANGE IN FUND BALANCE-			
Modified Accrual Basis		<u>\$ 240,988</u>	

CITY OF SACO, MAINE
STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Reserved</u>			<u>Unreserved</u>		<u>Total</u>
	<u>Encumbrances</u>	<u>Prepaid Items</u>	<u>Reserved for Subsequent Years' Expenditures</u>	<u>Designated to Subsequent Years' Budget</u>	<u>Undesignated</u>	
FUND BALANCE - Beginning of year	\$ 144,980	\$ 176,006	\$ 1,007,286	\$ 376,215	\$ 4,472,614	\$ 6,177,101
NET CHANGE IN FUND BALANCE	<u>127,138</u>	<u>(16,287)</u>	<u>(95,214)</u>	<u>(81,570)</u>	<u>306,921</u>	<u>240,988</u>
FUND BALANCE - End of year	<u>\$ 272,118</u>	<u>\$ 159,719</u>	<u>\$ 912,072</u>	<u>\$ 294,645</u>	<u>\$ 4,779,535</u>	<u>\$ 6,418,089</u>

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CITY OF SACO, MAINE
 COMBINING BALANCE SHEET - ALL OTHER NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 681,958	\$ 78,050	\$ 59,597	\$ 819,605
Investments	658,172	1,382,293	534,510	2,574,975
Accounts Receivable (net)	1,277,534	-	700	1,278,234
Prepaid Items	8,429	-	-	8,429
Inventories and Other	39,692	-	-	39,692
Notes Receivable	14,287	-	-	14,287
Interfund Receivables	567,467	1,132,890	-	1,700,357
TOTAL ASSETS	\$ 3,247,539	\$ 2,593,233	\$ 594,807	\$ 6,435,579
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	100,422	-	-	100,422
Accrued Wages	47,336	-	-	47,336
Interfund Payables	714,719	195,499	-	910,218
Total liabilities	\$ 862,477	\$ 195,499	\$ -	\$ 1,057,976
Fund Balance:				
Reserved for:				
Nonexpendable trust fund	-	-	181,383	181,383
Inventory	1,381	-	-	1,381
Other purposes	250,625	-	-	250,625
Unreserved:				
Undesignated	2,133,056	2,397,734	413,424	4,944,214
Total fund balance	\$ 2,385,062	\$ 2,397,734	\$ 594,807	\$ 5,377,603
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,247,539	\$ 2,593,233	\$ 594,807	\$ 6,435,579

CITY OF SACO, MAINE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL OTHER NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
REVENUES:				
Intergovernmental	\$ 1,759,121	\$ -	\$ -	\$ 1,759,121
User Fees	630,556	-	-	630,556
Interest Income	46,518	71,219	23,202	140,939
Other Revenues	529,030	-	10,609	539,639
Total revenues	<u>\$ 2,965,225</u>	<u>\$ 71,219</u>	<u>\$ 33,811</u>	<u>\$ 3,070,255</u>
EXPENDITURES:				
Current:				
Special Projects	63,089	-	400	63,489
Education	1,880,165	-	-	1,880,165
Housing Programs	230,010	-	-	230,010
Capital Expenditures	200,082	743,744	-	943,826
Total expenditures	<u>\$ 2,373,346</u>	<u>\$ 743,744</u>	<u>\$ 400</u>	<u>\$ 3,117,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 591,879</u>	<u>\$ (672,525)</u>	<u>\$ 33,411</u>	<u>\$ (47,235)</u>
OTHER FINANCING SOURCES (USES) OF FUNDS:				
Bond Proceeds	-	1,500,000	-	1,500,000
Transfer (to) from General Fund	(355,000)	165,776	-	(189,224)
Transfer (to) from Capital Projects Fund	8,960	-	-	8,960
Transfer (to) from Special Revenue Fund	-	(8,960)	-	(8,960)
Total other financing sources (uses)	<u>\$ (346,040)</u>	<u>\$ 1,656,816</u>	<u>\$ -</u>	<u>\$ 1,310,776</u>
NET CHANGE IN FUND BALANCES	<u>\$ 245,839</u>	<u>\$ 984,291</u>	<u>\$ 33,411</u>	<u>\$ 1,263,541</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,139,223</u>	<u>1,413,443</u>	<u>561,396</u>	<u>4,114,062</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,385,062</u>	<u>\$ 2,397,734</u>	<u>\$ 594,807</u>	<u>\$ 5,377,603</u>

SPECIAL REVENUE FUNDS

Special revenue funds are established to account for resources obtained and expended for specified purposes that are restricted by law or administrative action. Special revenue funds are established for the following purposes:

Recreation Impact Fees

To account for the impact fees collected for open space and other purposes from new residential construction within the city.

Call Firemen Retirement

To account for funds budgeted and accumulated for the retirement program for the call firemen of the City of Saco.

Ambulance

To account for funds received from ambulance billing used for the maintenance, replacement, and other ambulance related items.

Economic Development Fund

The monies in this fund are generated by repayments to the City from Urban Development Action Grant and Development Fund loans to local businesses, and the sale of Saco Industrial Park lots. These monies are used to support, improve, and expand the City's Industrial Park and to make revolving loans to businesses within the applicable guidelines.

Saco Housing Agency

To account for funds provided by the Department of Housing and Urban Development under the Section 8 housing assistance payments for low-income families.

School Categorical Grants

To account for various federal and state grants for special programs administered by the School Department.

School Lunch Program

This fund accounts for the operation of the school nutrition program at the various schools.

Saco Skate Park

To account for local contributions received for constructing a skate park in Saco.

Wellness Grant

To account for funds received under a Maine Municipal Association Grant.

Planning Board Improvements

To account for contributions by developers for improvement to City infrastructure.

SPECIAL REVENUE FUNDS
(Continued)

Fire Reserves

To account for donations received by the Fire Department for specific restricted purposes.

Jump Start Grant

To account for grant funds received.

Police Arrest Forfeiture Fund

To account for funds derived from direct arrests and/or joint investigation activities, some of which lead to the forfeiture of cash or property to the City.

Joe Riley Memorial Park

To account for local contributions received for the purpose of creating a memorial park for Joe Riley.

Emergency Management

To account for donations received for specific purposes for the city's emergency management initiatives.

Aspire Grant

To account for aspire grant funds received and expended.

Camp Ellis

To account for funds derived from parking, boat landing fees and boat mooring/pier use permits at Camp Ellis Pier. These funds are expended for parking lot attendants and repairs and improvements to the Pier.

Front Street Park

To account for local and federal (Waterfront Action Grant) funds received for the construction of a riverside park on Front Street. Local funds are provided by a combination of general fund revenues and donations.

Lucia Kimball Deering Trust

To account for expendable trust fund monies.

CITY OF SACO, MAINE
 COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Recreation Impact Fees	Call Firemen Retirement	Ambulance	Economic Development Fund	Saco Housing Agency	School Categorical Grants	School Lunch Program
ASSETS:							
Cash and Cash Equivalents	-	-	29,107	124,151	28,537	96,983	12,430
Investments	-	-	385,750	257,422	-	-	-
Accounts Receivable (net allowance of \$150,000)	-	-	245,999	-	-	134,737	36,602
Prepaid Items+C57	-	-	-	-	-	8,429	-
Inventories and Other	-	-	-	-	-	-	1,381
Notes Receivable	-	-	-	14,287	-	-	-
Interfund Receivables	217,350	16,788	-	32,173	-	94,724	-
TOTAL ASSETS	217,350	16,788	660,856	428,033	28,537	334,873	50,413
LIABILITIES AND FUND BALANCE:							
Liabilities:							
Accounts Payable	13,410	-	872	-	8,273	36,160	37,706
Accrued Wages	-	-	-	-	-	44,771	-
Interfund Payables	-	-	671,016	-	-	3,317	39,534
TOTAL LIABILITIES	13,410	-	671,888	-	8,273	84,248	77,240
Fund Balance (Deficit):							
Reserved for:							
Inventory	-	-	-	-	-	-	1,381
Other purposes	-	-	-	-	-	250,625	-
Unreserved:							
Undesignated	203,940	16,788	(11,032)	428,033	20,264	-	(28,208)
TOTAL FUND BALANCE (DEFICIT)	203,940	16,788	(11,032)	428,033	20,264	250,625	(26,827)
TOTAL LIABILITIES AND FUND BALANCES	217,350	16,788	660,856	428,033	28,537	334,873	50,413

Continued on following page.

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2006

	Saco Skate Park	Wellness Grant	Planning Board Improvements	Fire Reserves	Jump Start Grant	Police Arrest Forfeiture Fund	Joe Riley Memorial Park
ASSETS:							
Cash and Cash Equivalents	-	-	-	-	-	847	1,779
Investments	-	-	-	-	-	-	-
Accounts Receivable (net allowance of \$150,000)	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-
Inventories and Other	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-
Interfund Receivables	1,422	8,726	33,090	747	1,535	11,293	-
TOTAL ASSETS	<u>1,422</u>	<u>8,726</u>	<u>33,090</u>	<u>747</u>	<u>1,535</u>	<u>12,140</u>	<u>1,779</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts Payable	-	391	-	-	-	255	-
Accrued Wages	-	-	-	-	-	-	-
Interfund Payables	-	-	-	-	-	-	852
TOTAL LIABILITIES	<u>-</u>	<u>391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255</u>	<u>852</u>
Fund Balance (Deficit):							
Reserved for:							
Inventory	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unreserved:							
Undesignated	1,422	8,335	33,090	747	1,535	11,885	927
TOTAL FUND BALANCE (DEFICIT)	<u>1,422</u>	<u>8,335</u>	<u>33,090</u>	<u>747</u>	<u>1,535</u>	<u>11,885</u>	<u>927</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,422</u>	<u>8,726</u>	<u>33,090</u>	<u>747</u>	<u>1,535</u>	<u>12,140</u>	<u>1,779</u>

Continued on following page.

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS (Continued)
JUNE 30, 2006

	<u>Emergency Management</u>	<u>Aspire Grant</u>	<u>Camp Ellis</u>	<u>Front Street Park</u>	<u>Lucia Kimball Deering Trust</u>	<u>Totals 2006</u>
ASSETS:						
Cash and Cash Equivalents	-	-	600	-	387,524	681,958
Investments	-	-	-	-	15,000	658,172
Accounts Receivable (net allowance of \$150,000)	-	-	-	-	860,196	1,277,534
Prepaid Items	-	-	-	-	-	8,429
Inventories and Other	-	-	-	-	38,311	39,692
Notes Receivable	-	-	-	-	-	14,287
Interfund Receivables	1,878	1,087	146,495	159	-	567,467
TOTAL ASSETS	<u>1,878</u>	<u>1,087</u>	<u>147,095</u>	<u>159</u>	<u>1,301,031</u>	<u>3,247,539</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	1,398	-	1,957	-	-	100,422
Accrued Wages	-	-	2,565	-	-	47,336
Interfund Payables	-	-	-	-	-	714,719
TOTAL LIABILITIES	<u>1,398</u>	<u>-</u>	<u>4,522</u>	<u>-</u>	<u>-</u>	<u>862,477</u>
Fund Balance (Deficit):						
Reserved for:						
Inventory	-	-	-	-	-	1,381
Other purposes	-	-	-	-	-	250,625
Unreserved:						
Undesignated	480	1,087	142,573	159	1,301,031	2,133,056
TOTAL FUND BALANCE (DEFICIT)	<u>480</u>	<u>1,087</u>	<u>142,573</u>	<u>159</u>	<u>1,301,031</u>	<u>2,385,062</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,878</u>	<u>1,087</u>	<u>147,095</u>	<u>159</u>	<u>1,301,031</u>	<u>3,247,539</u>

CITY OF SACO, MAINE
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Recreation Impact Fees</u>	<u>Call Firemen Retirement</u>	<u>Ambulance</u>	<u>Economic Development Fund</u>	<u>Saco Housing Agency</u>	<u>School Categorical Grants</u>	<u>School Lunch Program</u>
REVENUES:							
Intergovernmental	100,000	-	-	-	248,027	1,189,798	221,148
Charges for Services	128,958	-	431,100	-	-	-	-
Interest Income	-	788	10,545	21,422	-	-	-
Other Revenue	-	-	-	57,500	-	101,145	354,523
Total revenues	<u>228,958</u>	<u>788</u>	<u>441,645</u>	<u>78,922</u>	<u>248,027</u>	<u>1,290,943</u>	<u>575,671</u>
EXPENDITURES:							
Current:							
Special Projects	-	-	-	-	-	-	-
Education	-	-	-	-	-	1,260,677	619,488
Housing Programs	-	-	-	-	230,010	-	-
Capital Expenditures	182,300	-	12,264	-	-	-	-
Total expenditures	<u>182,300</u>	<u>-</u>	<u>12,264</u>	<u>-</u>	<u>230,010</u>	<u>1,260,677</u>	<u>619,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>46,658</u>	<u>788</u>	<u>429,381</u>	<u>78,922</u>	<u>18,017</u>	<u>30,266</u>	<u>(43,817)</u>
OTHER SOURCES (USES) OF FUNDS:							
Transfer (to)/from General Fund	-	16,000	(350,000)	(20,000)	-	-	-
Transfer (to) from Capital Project Funds	-	-	-	8,960	-	-	-
Transfer (to) from Special Revenue Funds	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>16,000</u>	<u>(350,000)</u>	<u>(11,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>46,658</u>	<u>16,788</u>	<u>79,381</u>	<u>67,882</u>	<u>18,017</u>	<u>30,266</u>	<u>(43,817)</u>
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>157,282</u>	<u>-</u>	<u>(90,413)</u>	<u>360,151</u>	<u>2,247</u>	<u>220,359</u>	<u>16,990</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>203,940</u>	<u>16,788</u>	<u>(11,032)</u>	<u>428,033</u>	<u>20,264</u>	<u>250,625</u>	<u>(26,827)</u>

Continued on following page.

CITY OF SACO, MAINE
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Saco Skate Park</u>	<u>Wellness Grant</u>	<u>Planning Board Improvements</u>	<u>Fire Reserves</u>	<u>Jump Start Grant</u>	<u>Police Arrest Forfeiture Fund</u>	<u>Joe Riley Memorial Park</u>
REVENUES:							
Intergovernmental	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	9
Other Revenue	-	10,539	-	73	-	5,250	-
Total revenues	-	10,539	-	73	-	5,250	9
EXPENDITURES:							
Current:							
Special Projects	-	-	-	-	53	-	-
Education	-	-	-	-	-	-	-
Housing Programs	-	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	4,350	-
Total expenditures	-	-	-	-	53	4,350	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	10,539	-	73	(53)	900	9
OTHER FINANCING SOURCES (USES) OF FUNDS:							
Transfer (to) from General Fund	-	-	-	-	-	-	-
Transfer (to) from Capital Project Funds	-	-	-	-	-	-	-
Transfer (to) from Special Revenue Funds	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	10,539	-	73	(53)	900	9
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	1,422	(2,204)	33,090	674	1,588	10,985	918
FUND BALANCES (DEFICIT) - END OF YEAR	1,422	8,335	33,090	747	1,535	11,885	927

Continued on following page.

CITY OF SACO, MAINE
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Emergency Management</u>	<u>Aspire Grant</u>	<u>Camp Ellis</u>	<u>Front Street Park</u>	<u>Lucia Kimball Deering Trust</u>	<u>Totals 2006</u>
REVENUES:						
Intergovernmental	148	-	-	-	-	1,759,121
Charges for Services	-	-	70,498	-	-	630,556
Interest Income	-	-	-	-	13,754	46,518
Other Revenue	-	-	-	-	-	529,030
Total revenues	<u>148</u>	<u>-</u>	<u>70,498</u>	<u>-</u>	<u>13,754</u>	<u>2,965,225</u>
EXPENDITURES:						
Current:						
Special Projects	-	-	51,898	-	11,138	63,089
Education	-	-	-	-	-	1,880,165
Housing Programs	-	-	-	-	-	230,010
Capital Expenditures	1,168	-	-	-	-	200,082
Total expenditures	<u>1,168</u>	<u>-</u>	<u>51,898</u>	<u>-</u>	<u>11,138</u>	<u>2,373,346</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,020)</u>	<u>-</u>	<u>18,600</u>	<u>-</u>	<u>2,616</u>	<u>591,879</u>
OTHER FINANCING SOURCES (USES) OF FUNDS:						
Transfer (to) from General Fund	-	-	(1,000)	-	-	(355,000)
Transfer (to) from Capital Projects Fund	-	-	-	-	-	8,960
Transfer (to) from Special Revenue Funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>(346,040)</u>
NET CHANGE IN FUND BALANCES	<u>(1,020)</u>	<u>-</u>	<u>17,600</u>	<u>-</u>	<u>2,616</u>	<u>245,839</u>
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>1,500</u>	<u>1,087</u>	<u>124,973</u>	<u>159</u>	<u>1,298,415</u>	<u>2,139,223</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>480</u>	<u>1,087</u>	<u>142,573</u>	<u>159</u>	<u>1,301,031</u>	<u>2,385,062</u>

CAPITAL PROJECTS FUND

Capital projects fund are established to account for resources obtained and expended for the acquisition of major capital facilities.

The City's individual capital project funds were established for the following purposes:

Spring Hill TIF Project

To account for public improvements to the Spring Hill Industrial Park in conjunction with a private development project. A Tax Increment Finance District has been established to finance the public improvements.

First Light TIF District

To account for public improvements to the First Light Company in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Transparent Audio TIF District

To account for public improvements to the Transparent Audio Co. in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Saco Plaza TIF District

To account for public improvements to the Saco Plaza LLC in conjunction with a private development project. A tax increment finance district has been established to finance the public improvements.

Greater Downtown Improvements

To account for public improvements in the greater downtown area as identified in the Revitalization Plan for Saco Island and Downtown Saco.

Open Space Bond Issue

To account for the bond proceeds received and the expenditures of the authorized open space parcels of land.

Landfill Fund

To account for the post closure costs of the city's completed landfill.

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CITY OF SACO, MAINE
 COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2006

	Spring Hill TIF Project	First Light TIF Project	Transparent Audio TIF Project	Saco Plaza TIF Project	Greater Downtown Improvements
ASSETS:					
Cash and Cash Equivalents	-	-	-	-	-
Investments	-	46,314	10,674	772	-
Interfund Receivables	126,955	20,993	-	-	5,948
TOTAL ASSETS	<u>126,955</u>	<u>67,307</u>	<u>10,674</u>	<u>772</u>	<u>5,948</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	-	-	4,009	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>4,009</u>	<u>-</u>	<u>-</u>
Fund Balance:					
Unreserved:					
Undesignated	126,955	67,307	6,665	772	5,948
TOTAL FUND BALANCES	<u>126,955</u>	<u>67,307</u>	<u>6,665</u>	<u>772</u>	<u>5,948</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>126,955</u>	<u>67,307</u>	<u>10,674</u>	<u>772</u>	<u>5,948</u>

Continued on following page.

CITY OF SACO, MAINE
 COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2006

	<u>Open Space Bond Issue</u>	<u>Landfill Fund</u>	<u>Totals 2006</u>
ASSETS:			
Cash and Cash Equivalents	-	78,050	78,050
Investments	-	1,324,533	1,382,293
Interfund Receivables	978,994	-	1,132,890
TOTAL ASSETS	<u>978,994</u>	<u>1,402,583</u>	<u>2,593,233</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	-	191,490	195,499
TOTAL LIABILITIES	<u>-</u>	<u>191,490</u>	<u>195,499</u>
Fund Balance:			
Unreserved:			
Undesignated	978,994	1,211,093	2,397,734
TOTAL FUND BALANCES	<u>978,994</u>	<u>1,211,093</u>	<u>2,397,734</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>978,994</u>	<u>1,402,583</u>	<u>2,593,233</u>

CITY OF SACO, MAINE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Spring Hill TIF Project</u>	<u>First Light TIF Project</u>	<u>Transparent Audio TIF Project</u>	<u>Saco Plaza TIF Project</u>	<u>Greater Downtown Improvements</u>
REVENUES:					
Interest Income	-	722	97	380	-
Total revenues	<u>-</u>	<u>722</u>	<u>97</u>	<u>380</u>	<u>-</u>
EXPENDITURES:					
Project Costs	-	-	2,240	29,008	-
Total expenditures	<u>-</u>	<u>-</u>	<u>2,240</u>	<u>29,008</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>722</u>	<u>(2,143)</u>	<u>(28,628)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES) OF FUNDS:					
Bond Proceeds	-	-	-	-	-
Transfer from (to) General Fund	92,175	33,393	11,200	29,008	-
Transfer from (to) Special Revenue Funds	-	-	(8,960)	-	-
Total other financing sources (uses)	<u>92,175</u>	<u>33,393</u>	<u>2,240</u>	<u>29,008</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>92,175</u>	<u>34,115</u>	<u>97</u>	<u>380</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>34,780</u>	<u>33,192</u>	<u>6,568</u>	<u>392</u>	<u>5,948</u>
FUND BALANCES - END OF YEAR	<u>126,955</u>	<u>67,307</u>	<u>6,665</u>	<u>772</u>	<u>5,948</u>

Continued on following page.

CITY OF SACO, MAINE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Open Space <u>Bond Issue</u>	Landfill <u>Fund</u>	Totals <u>2006</u>
REVENUES:			
Interest Income	-	70,020	71,219
Total revenues	-	70,020	71,219
EXPENDITURES:			
Project Costs	521,006	191,490	743,744
Total expenditures	521,006	191,490	743,744
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(521,006)	(121,470)	(672,525)
OTHER FINANCING SOURCES (USES) OF FUNDS:			
Bond proceeds	1,500,000	-	1,500,000
Transfer from (to) General Fund	-	-	165,776
Transfer from (to) Special Revenue Funds	-	-	(8,960)
Total other financing sources (uses)	1,500,000	-	1,656,816
NET CHANGE IN FUND BALANCES	978,994	(121,470)	984,291
FUND BALANCES - BEGINNING OF YEAR	-	1,332,563	1,413,443
FUND BALANCES - END OF YEAR	978,994	1,211,093	2,397,734

PERMANENT FUNDS

City of Saco Permanent Fund

To account for assets received by the City and held in trust.

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CITY OF SACO, MAINE
BALANCE SHEET - NON-MAJOR PERMANENT FUNDS
JUNE 30, 2006

	City of Saco Permanent Funds
ASSETS:	
Cash and Cash Equivalents	\$ 59,597
Investments	534,510
Accounts Receivable	700
	<hr/>
TOTAL ASSETS	\$ 594,807
	<hr/> <hr/>
LIABILITIES AND FUND BALANCES:	
Fund Balance:	
Principal	\$ 181,383
Unexpended Income	413,424
Total fund balances	594,807
	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 594,807
	<hr/> <hr/>

CITY OF SACO, MAINE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	City of Saco Permanent Funds
REVENUES:	
Interest and dividends	\$ 23,202
Net increase in fair value of investments	10,609
Total revenues	33,811
EXPENDITURES:	
Administrative expenditures	400
Total expenditures	400
EXCESS OF REVENUES OVER EXPENDITURES	33,411
FUND BALANCE - BEGINNING OF YEAR	561,396
FUND BALANCE - END OF YEAR	\$ 594,807

AGENCY FUNDS

Agency Funds

To account for the activity in the Middle School Student Activity Funds.

CITY OF SACO, MAINE
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS				
Cash and cash equivalents	\$ 130,751	106,288	118,300	118,739
Total assets	\$ 130,751	106,288	118,300	118,739
LIABILITIES				
Due to student groups	\$ 130,751	106,288	118,300	118,739
Total liabilities	\$ 130,751	106,288	118,300	118,739

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Saco's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosure says about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	105-109
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	110-113
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	114-117
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	118-122
These schedules offer demographic and economic indicators.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Saco, Maine
Net Assets by Component
Last Ten Fiscal Years (1)
(accrual basis of accounting)

Table 1

	2001	2002	2003	2004	2005	2006
Governmental activities						
Invested in capital assets, net of related debt	\$ 26,411,922	\$ 27,123,726	\$ 29,040,076	\$ 31,067,773	\$ 35,969,003	\$ 37,593,942
Restricted:						
Permanent fund principal	181,383	181,383	181,383	181,383	181,383	181,383
Other purposes	301,264	345,844	301,677	275,270	229,138	250,625
Unrestricted	10,961,645	11,973,689	9,879,061	8,871,170	4,658,456	6,061,556
Total governmental activities net assets	<u>\$ 37,856,214</u>	<u>\$ 39,624,642</u>	<u>\$ 39,402,197</u>	<u>\$ 40,395,596</u>	<u>\$ 41,037,980</u>	<u>\$ 44,087,506</u>
Business-Type activities						
Invested in capital assets, net of related debt	\$ 6,276,757	\$ 5,805,014	\$ 5,664,800	\$ 5,341,002	\$ 1,034,911	\$ 3,821,145
Unrestricted	3,277,674	3,462,433	3,280,868	3,615,269	7,628,663	5,071,893
Total business-type activities net assets	<u>\$ 9,554,431</u>	<u>\$ 9,267,447</u>	<u>\$ 8,945,668</u>	<u>\$ 8,956,271</u>	<u>\$ 8,663,574</u>	<u>\$ 8,893,038</u>
Total Primary Government						
Invested in capital assets, net of related debt	\$ 32,688,679	\$ 32,928,740	\$ 34,704,876	\$ 36,408,775	\$ 37,003,914	\$ 41,415,087
Restricted:						
Permanent fund principal	181,383	181,383	181,383	181,383	181,383	181,383
Other purposes	301,264	345,844	301,677	275,270	229,138	250,625
Unrestricted	14,239,319	15,436,122	13,159,929	12,486,439	12,287,119	11,133,449
	<u>\$ 47,410,645</u>	<u>\$ 48,892,089</u>	<u>\$ 48,347,865</u>	<u>\$ 49,351,867</u>	<u>\$ 49,701,554</u>	<u>\$ 52,980,544</u>

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Change in Net Assets
Last Ten Fiscal Years (1)
(accrual basis of accounting)

Table 2

	2001	2002	2003	2004	2005	2006
Governmental activities:						
Expenses						
General Government	\$ 1,703,318	\$ 2,082,612	\$ 2,558,143	\$ 2,545,843	\$ 2,647,140	\$ 2,939,837
Public Safety	3,876,117	4,288,353	4,541,135	4,438,847	4,883,614	4,844,961
Public Works	3,068,339	3,097,678	3,393,351	3,591,566	4,586,385	3,709,977
Housing Programs	175,994	170,247	200,651	205,501	272,246	230,010
Culture and Recreation	360,045	388,018	465,507	526,806	626,204	677,646
Education	20,202,081	20,317,080	21,685,656	23,982,205	25,195,306	26,993,528
Unclassified	3,097,765	3,569,709	3,155,801	2,794,827	3,363,144	3,102,707
Interest on Debt	660,783	1,153,235	1,610,299	587,724	680,893	756,399
Capital Maintenance Programs	3,354,453	1,847,476	2,219,090	1,452,387	1,894,297	2,040,616
Total governmental activities expenses	<u>36,498,895</u>	<u>36,914,408</u>	<u>39,829,633</u>	<u>40,125,706</u>	<u>44,149,229</u>	<u>45,295,681</u>
Program Revenues						
Charges for Services						
General Government	305,800	430,794	517,909	804,271	969,798	875,832
Public Safety	310,608	393,788	403,188	319,482	418,686	588,360
Public Works	469,526	521,732	572,310	563,154	489,365	555,752
Culture and Recreation	75,930	86,641	158,631	251,904	323,471	380,264
Education	743,257	783,005	639,776	791,341	909,182	1,262,613
Operating Grants and Contributions	9,417,682	9,479,506	9,811,267	10,716,936	10,920,455	13,249,627
Capital Grants and Contributions	2,629,081	2,584,728	1,271,272	1,027,926	1,437,216	334,586
Total governmental activities program revenues	<u>13,951,884</u>	<u>14,280,194</u>	<u>13,374,353</u>	<u>14,475,014</u>	<u>15,468,173</u>	<u>17,247,034</u>
Net (expense)/revenue, governmental activities	<u>(22,547,011)</u>	<u>(22,634,214)</u>	<u>(26,455,280)</u>	<u>(25,650,692)</u>	<u>(28,681,056)</u>	<u>(28,048,647)</u>
General Revenues and Other Changes in Net Assets						
Taxes						
Property taxes, levied for general purposes	17,674,814	19,225,731	20,483,851	21,340,211	23,444,228	23,280,894
Motor vehicle excise taxes	2,358,622	2,388,878	2,532,092	2,763,999	2,883,127	2,904,735
Franchise fees	69,006	85,434	151,339	167,212	185,477	215,806
Grants and contributions not restricted						
Homestead exemption	540,692	506,400	525,682	288,286	242,190	325,496
Other state aid	141,363	15,447	56,126	127,416	55,792	40,444
City of Biddeford tax base sharing	149,785	142,032	122,215	101,601	140,091	169,527
State revenue sharing	1,623,415	1,448,607	1,398,876	1,468,881	1,448,360	1,454,903
Unrestricted investment earnings	765,680	324,044	224,397	161,479	216,963	295,164
Miscellaneous revenues	14,798	61,069	532,913	42,563	47,179	20,705
Transfers	211,396	205,000	205,344	417,952	660,033	459,249
Total governmental activities general revenues/other changes	<u>23,549,571</u>	<u>24,402,642</u>	<u>26,232,835</u>	<u>26,879,600</u>	<u>29,323,440</u>	<u>29,166,923</u>
Change in Net Assets - Governmental activities	<u>\$ 1,002,560</u>	<u>\$ 1,768,428</u>	<u>\$ (222,445)</u>	<u>\$ 1,228,908</u>	<u>\$ 642,384</u>	<u>\$ 1,118,276</u>
Business-Type Activities						
Expenses						
Waste Water Treatment Plant	\$ 2,495,676	\$ 1,859,879	\$ 1,886,353	\$ 1,617,000	\$ 2,091,519	\$ 1,766,445
Total business-type activities expenses	<u>2,495,676</u>	<u>1,859,879</u>	<u>1,886,353</u>	<u>1,617,000</u>	<u>2,091,519</u>	<u>1,766,445</u>
Program Revenues						
Charges for services	1,684,581	1,726,984	1,720,765	1,980,486	2,411,039	2,405,869
Capital grants and contributions	81,597	-	-	-	-	-
Total business-type activities program revenues	<u>1,766,178</u>	<u>1,726,984</u>	<u>1,720,765</u>	<u>1,980,486</u>	<u>2,411,039</u>	<u>2,405,869</u>
Net (expense)/revenue, business-type activities	<u>(729,498)</u>	<u>(132,895)</u>	<u>(165,588)</u>	<u>363,486</u>	<u>319,520</u>	<u>639,424</u>
General Revenues and Other Changes in Net Assets						
Unrestricted investment earnings	64,276	48,456	42,471	37,983	38,159	45,110
Miscellaneous revenues	9,420	2,455	6,682	27,086	9,657	4,179
Transfers	(211,396)	(205,000)	(205,344)	(417,952)	(660,033)	(459,249)
Total business-type activities general revenues/other changes	<u>(137,700)</u>	<u>(154,089)</u>	<u>(156,191)</u>	<u>(352,883)</u>	<u>(612,217)</u>	<u>(409,960)</u>
Change in Net Assets - Business-Type activities	<u>\$ (867,198)</u>	<u>\$ (286,984)</u>	<u>\$ (321,779)</u>	<u>\$ 10,603</u>	<u>\$ (292,697)</u>	<u>\$ 229,464</u>

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years (1)
(accrual basis of accounting)

Table 3

Fiscal Year ended	Property Taxes	Interest & Costs on Taxes	Excise Taxes	Total
June 30, 2001	\$ 17,674,815	\$ 125,858	\$ 2,232,764	\$ 20,033,437
June 30, 2002	\$ 19,225,731	\$ 126,487	\$ 2,388,878	\$ 21,741,096
June 30, 2003	\$ 20,483,851	\$ 101,285	\$ 2,532,092	\$ 23,117,228
June 30, 2004	\$ 21,340,211	\$ 134,534	\$ 2,763,999	\$ 24,238,744
June 30, 2005	\$ 23,444,228	\$ 133,830	\$ 2,883,127	\$ 26,461,185
June 30, 2006	\$ 23,198,593	\$ 92,790	\$ 2,904,735	\$ 26,196,118

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

Table 4

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
General Fund						
Reserved for:						
Encumbrances	\$ 226,954	\$ 83,332	\$ 78,483	\$ 152,407	\$ 144,980	\$ 272,118
Prepaid items	110,635	120,961	204,389	549,278	176,006	159,719
Capital improvements	2,093,385	2,746,641	1,998,861	1,120,488	1,007,286	912,072
Unreserved	5,992,620	6,040,111	4,057,992	3,923,723	4,848,829	5,074,180
Total General Fund	<u>\$ 8,423,594</u>	<u>\$ 8,991,045</u>	<u>\$ 6,339,725</u>	<u>\$ 5,745,896</u>	<u>\$ 6,177,101</u>	<u>\$ 6,418,089</u>
All other governmental funds						
Reserved for:						
Encumbrances	\$ 76,703	\$ 9,900	\$ 62,560	\$ -	\$ -	\$ -
Noncurrent notes receivable	168,881	98,112	21,430	21,430	-	-
Nonexpendable trust principal	181,383	181,383	181,383	181,383	181,383	181,383
Inventory	-	11,278	9,983	16,765	8,779	1,381
Other purposes	301,264	345,844	301,677	237,075	220,359	250,625
Unreserved, reported in:						
Special revenue funds	1,609,555	521,494	1,233,916	1,522,457	1,910,085	2,133,056
Capital project funds	380,742	1,105,150	944,366	1,110,910	495,968	170,368
Permanent funds	376,052	296,718	283,704	344,609	380,013	413,424
Total all other governmental funds	<u>\$ 3,094,580</u>	<u>\$ 2,569,879</u>	<u>\$ 3,039,019</u>	<u>\$ 3,434,629</u>	<u>\$ 3,196,587</u>	<u>\$ 3,150,237</u>

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

Table 5

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
General Fund						
Revenues						
Property taxes	\$ 20,144,345	\$ 21,633,468	\$ 22,993,956	\$ 24,278,842	\$ 26,703,395	\$ 26,196,118
Licenses and permits	292,555	321,797	460,663	666,654	828,806	767,988
Intergovernmental	11,255,658	11,290,092	11,188,542	10,879,153	10,853,808	12,937,629
Intergovernmental on behalf payments	1,233,881	1,380,823	1,472,616	1,400,456	1,414,249	1,575,420
Charges for services	597,019	602,834	688,626	708,989	681,008	921,293
Other revenue	958,995	443,825	619,324	259,913	374,248	399,934
Total General Fund revenues	<u>\$ 34,482,453</u>	<u>\$ 35,672,839</u>	<u>\$ 37,423,727</u>	<u>\$ 38,194,007</u>	<u>\$ 40,855,514</u>	<u>\$ 42,798,382</u>
Expenditures						
General government	\$ 1,276,785	\$ 1,367,308	\$ 1,665,735	\$ 1,702,939	\$ 1,779,876	\$ 1,985,467
Public safety	3,614,790	4,002,925	4,198,832	4,074,543	4,527,592	4,491,147
Public works	2,815,080	2,959,648	3,115,397	3,300,696	3,664,176	3,757,464
Culture and recreation	327,358	378,551	430,672	485,750	585,146	638,353
Education	18,098,738	18,294,187	19,483,305	20,408,147	22,006,935	22,898,808
Maine State Retirement on behalf payments	1,233,881	1,380,823	1,472,616	1,400,456	1,414,249	1,575,420
Unclassified	2,282,005	2,471,515	2,670,059	2,911,596	2,864,024	3,019,367
County Tax	356,525	604,281	795,896	747,821	772,182	859,723
Debt Service						
Principal	1,247,000	1,500,000	1,733,499	1,742,045	1,737,045	1,387,045
Interest and other charges	843,891	1,082,681	1,134,492	850,151	1,024,189	932,670
Capital Improvements	1,538,815	1,993,107	3,321,941	1,218,197	1,242,158	1,742,378
Total General Fund expenditures	<u>\$ 33,634,868</u>	<u>\$ 36,035,026</u>	<u>\$ 40,022,444</u>	<u>\$ 38,842,341</u>	<u>\$ 41,617,572</u>	<u>\$ 43,287,842</u>
Other financing sources (uses)						
Transfers in	1,958,396	1,254,234	789,554	1,114,062	1,141,223	855,249
Proceeds from capital lease financing	361,960	261,663	743,678	-	626,531	473,000
Proceeds from advance refunding of debt	-	-	5,162,057	-	-	-
Payment from advance refunding of debt	-	-	(5,162,057)	-	-	-
Transfers out	(480,665)	(586,259)	(1,585,835)	(1,059,557)	(884,878)	(597,801)
Total General Fund other financing sources (uses)	<u>1,839,691</u>	<u>929,638</u>	<u>(52,603)</u>	<u>54,505</u>	<u>882,876</u>	<u>730,448</u>
Net change in fund balance	<u>\$ 2,687,276</u>	<u>\$ 567,451</u>	<u>\$ (2,651,320)</u>	<u>\$ (593,829)</u>	<u>\$ 120,818</u>	<u>\$ 240,988</u>
Debt service as a percentage of noncapital expenditures						
	6.51%	7.59%	7.81%	6.89%	6.84%	5.58%
Other Governmental Funds						
Revenues						
Intergovernmental	2,450,304	3,059,793	1,950,778	1,652,442	2,157,837	1,759,121
Charges for services	677,948	647,834	776,760	420,695	556,304	630,556
Other revenue	1,024,144	370,565	599,923	709,616	804,135	684,348
Total Other Governmental Fund revenues	<u>4,152,396</u>	<u>4,078,192</u>	<u>3,327,461</u>	<u>2,782,753</u>	<u>3,518,276</u>	<u>3,074,025</u>
Expenditures						
Housing programs	175,994	170,247	200,651	205,501	272,246	230,010
Education	1,442,328	1,422,162	1,703,980	1,802,264	1,774,122	1,880,165
Unclassified	807,196	1,098,194	465,553	67,099	72,127	63,489
Capital Improvements	2,888,349	8,466,993	1,489,762	695,726	4,095,565	2,648,511
Total Other Governmental Fund expenditures	<u>5,313,867</u>	<u>11,157,596</u>	<u>3,859,946</u>	<u>2,770,590</u>	<u>6,214,060</u>	<u>4,822,175</u>
Other financing sources (uses)						
Transfers in	405,370	87,551	167,052	1,059,981	552,036	572,840
Capital lease proceeds	-	-	-	-	2,054,054	-
Bond Proceeds/State revolving loan funds	-	7,099,789	-	-	-	1,500,000
Transfers out	(1,671,705)	(550,526)	834,573	(696,534)	(148,348)	(371,040)
Total Other Governmental Fund other financing sources (uses)	<u>(1,266,335)</u>	<u>6,636,814</u>	<u>1,001,625</u>	<u>363,447</u>	<u>2,457,742</u>	<u>1,701,800</u>
Net change in fund balance	<u>(2,427,806)</u>	<u>(442,590)</u>	<u>469,140</u>	<u>375,610</u>	<u>(238,042)</u>	<u>(46,350)</u>

(1) Fiscal year 2001 is the initial year of implementation of GASB Statement No. 34.

City of Saco, Maine
Assessed Value and State Equalized Value of Taxable Property
Last Ten Fiscal Years

Table 6

Years ended	Real Property		Personal Property	Less Tax Exempt Real Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate	State Equalized Value (2)	Assessed Value as a Percentage of Equalized Value
	Residential Property	Commercial Property						
June 30, 1997	\$ 548,809,500	\$ 232,370,200	\$ 41,252,810	\$ 49,433,800	\$ 772,998,710	\$ 19.30	\$ 724,700,000	106.7%
June 30, 1998	\$ 557,678,800	\$ 240,252,100	\$ 43,320,800	\$ 54,359,200	\$ 786,892,500	\$ 19.50	\$ 741,700,000	106.1%
June 30, 1999	\$ 550,087,200	\$ 235,812,500	\$ 44,742,900	\$ 52,450,200	\$ 778,192,400	\$ 20.20	\$ 792,650,000	98.2%
June 30, 2000	\$ 565,271,300	\$ 248,883,400	\$ 54,962,840	\$ 60,459,600	\$ 808,657,940	\$ 20.40	\$ 818,850,000	98.8%
June 30, 2001	\$ 583,769,600	\$ 254,235,800	\$ 60,332,350	\$ 59,645,900	\$ 838,691,850	\$ 21.00	\$ 892,000,000	94.0%
June 30, 2002	\$ 611,135,700	\$ 263,357,800	\$ 59,380,400	\$ 59,645,900	\$ 874,228,000	\$ 21.95	\$ 1,011,250,000	86.5%
June 30, 2003	\$ 626,598,500	\$ 271,213,900	\$ 61,900,300	\$ 62,347,800	\$ 897,364,900	\$ 22.70	\$ 1,155,650,000	77.7%
June 30, 2004	\$ 861,989,300	\$ 285,046,008	\$ 62,688,800	\$ 73,234,208	\$ 1,136,489,900	\$ 18.70	\$ 1,310,350,000	86.7%
June 30, 2005	\$ 1,146,258,600	\$ 350,740,200	\$ 64,187,600	\$ 92,363,800	\$ 1,468,822,600	\$ 15.90	\$ 1,553,400,000	94.6%
June 30, 2006	\$ 1,395,948,300	\$ 470,733,500	\$ 66,373,500	\$ 143,289,500	\$ 1,789,765,800	\$ 12.96	\$ 1,805,400,000	99.1%

1 - Saco Assessing Office

2 - State of Maine, Bureau of Taxation

City of Saco, Maine
Property Tax Rates - All Direct and Overlapping
Governments (Per \$1,000 of Assessed Value)
Last Ten Fiscal Years

Table 7

Fiscal Year ended	Direct		Overlapping	Total Tax Rate
	Municipal Tax Rate	School Tax Rate	County Tax Rate	
June 30, 1997	\$ 7.93	\$ 10.96	\$ 0.41	\$ 19.30
June 30, 1998	\$ 7.87	\$ 11.20	\$ 0.43	\$ 19.50
June 30, 1999	\$ 8.14	\$ 11.61	\$ 0.45	\$ 20.20
June 30, 2000	\$ 8.26	\$ 11.69	\$ 0.45	\$ 20.40
June 30, 2001	\$ 8.89	\$ 11.67	\$ 0.44	\$ 21.00
June 30, 2002	\$ 9.62	\$ 11.97	\$ 0.36	\$ 21.95
June 30, 2003	\$ 8.97	\$ 12.85	\$ 0.88	\$ 22.70
June 30, 2004 (1)	\$ 7.01	\$ 11.02	\$ 0.67	\$ 18.70
June 30, 2005	\$ 5.61	\$ 9.76	\$ 0.53	\$ 15.90
June 30, 2006	\$ 4.53	\$ 7.91	\$ 0.52	\$ 12.96

Source: Saco Assessing Office

(1) = City began valuation adjustments to bring values to 95 % of state equalized value by 2006.

**City of Saco, Maine
Principal Property Taxpayers
Current Year and Nine Years Ago**

Table 8

Taxpayer	2006			1997		
	Current year Assessed Value	Rank	Percentage of Total Assessed Value	Current year Assessed Value	Rank	Percentage of Total Assessed Value
General Dynamics Armament Systems	\$ 30,088,300	1	1.68%	\$ 28,099,400	1	3.69%
Central Maine Power Co.	\$ 13,922,900	2	0.78%	\$ 10,300,000	2	1.35%
FPL Energy Maine Hydro LLC	\$ 11,682,700	3	0.65%			
Shaw's Supermarket	\$ 11,515,100	4	0.64%			
Biddeford & Saco Water Co.	\$ 11,186,400	5	0.63%	\$ 7,555,200	4	0.99%
James E. Clair Sr.	\$ 9,341,800	6	0.52%	\$ 3,690,700	7	0.48%
Hannaford Brothers Co.	\$ 9,339,900	7	0.52%	\$ 3,958,600	6	0.52%
Cormier Land Company	\$ 8,418,200	8	0.47%	\$ 9,005,500	3	1.18%
Saco & Biddeford Savings Institution	\$ 7,593,100	9	0.42%	\$ 1,816,300	10	0.24%
Grey M & Joseph D Emmons Trustees	\$ 7,478,500	10	0.42%	\$ 6,360,500	5	0.84%
Ledegwood Terrace				\$ 2,292,300	8	0.30%
Academy Place				\$ 2,262,500	9	0.30%
Total Principal Taxpayers			6.73%			9.89%
All Other Taxpayers			93.27%			90.11%

Source: Saco Assessing Office

City of Saco, Maine
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year Ended	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
June 30, 1997	\$ 14,961,770	\$ 14,055,788	93.94%	\$ 905,725	\$ 14,961,513	100.00%
June 30, 1998	\$ 15,403,291	\$ 14,667,433	95.22%	\$ 735,587	\$ 15,403,020	100.00%
June 30, 1999	\$ 15,766,907	\$ 14,955,872	94.86%	\$ 803,544	\$ 15,759,416	99.95%
June 30, 2000	\$ 16,532,228	\$ 15,689,497	94.90%	\$ 834,242	\$ 16,523,739	99.95%
June 30, 2001	\$ 17,674,815	\$ 17,087,815	96.68%	\$ 575,629	\$ 17,663,444	99.94%
June 30, 2002	\$ 19,189,305	\$ 18,601,105	96.93%	\$ 562,958	\$ 19,164,063	99.87%
June 30, 2003	\$ 20,370,183	\$ 19,742,902	96.92%	\$ 612,967	\$ 20,355,869	99.93%
June 30, 2004	\$ 21,329,954	\$ 20,518,814	96.20%	\$ 805,546	\$ 21,324,360	99.97%
June 30, 2005	\$ 23,434,356	\$ 22,682,803	96.79%	\$ 516,132	\$ 23,198,935	99.00%
June 30, 2006	\$ 23,266,389	\$ 22,647,952	97.34%	\$ -	\$ 22,647,952	97.34%

(1) - Tax commitment plus supplemental taxes assessed during the fiscal year.

City of Saco, Maine
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 10

Fiscal Year ended	Governmental Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Debt	Capital Leases			
June 30, 1997	\$ 19,413,000	\$ 142,544	\$ 19,555,544	5.94%	\$ 1,270
June 30, 1998	\$ 21,666,000	\$ 602,294	\$ 22,268,294	6.43%	\$ 1,418
June 30, 1999	\$ 20,219,000	\$ 541,306	\$ 20,760,306	5.73%	\$ 1,323
June 30, 2000	\$ 18,587,000	\$ 406,597	\$ 18,993,597	5.24%	\$ 1,216
June 30, 2001	\$ 16,975,000	\$ 588,489	\$ 17,563,489	4.16%	\$ 1,009
June 30, 2002	\$ 22,574,789	\$ 651,260	\$ 23,226,049	5.51%	\$ 1,342
June 30, 2003	\$ 20,955,867	\$ 1,012,490	\$ 21,968,357	4.97%	\$ 1,246
June 30, 2004	\$ 19,213,823	\$ 750,062	\$ 19,963,885	4.52%	\$ 1,142
June 30, 2005	\$ 17,476,778	\$ 3,449,932	\$ 20,926,710	4.74%	\$ 1,244
June 30, 2006	\$ 17,239,733	\$ 3,197,961	\$ 20,437,694	4.63%	\$ 1,215

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) - See the Schedule of Demographic and Economic Statistics on page 118 for personal income and population data.

City of Saco, Maine
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Debt	State Assessed Value of Property (1)	Per Capita (2)
1997	\$ 19,413,000	2.68%	\$ 1,270
1998	\$ 21,666,000	2.92%	\$ 1,418
1999	\$ 20,219,000	2.55%	\$ 1,323
2000	\$ 18,587,000	2.27%	\$ 1,216
2001	\$ 16,975,000	1.90%	\$ 1,009
2002	\$ 22,574,789	2.23%	\$ 1,342
2003	\$ 20,955,867	1.81%	\$ 1,246
2004	\$ 19,213,823	1.47%	\$ 1,142
2005	\$ 17,476,778	1.13%	\$ 1,039
2006	\$ 17,239,733	0.95%	\$ 1,025

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) - See the schedule of Assessed Value and State Equalized Value of Taxable Property on page 110 for property value data.

(2) - Population data can be found in the Schedule of Demographics and Economic Statistics on page 118.

City of Saco, Maine
Direct and Overlapping Governmental Activities Debt
General Obligation Bonds
As of June 30, 2006

Table 12

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to government	Amount applicable to government
Direct:			
City of Saco	\$ 17,239,733	100.00%	\$ 17,239,733
Overlapping debt:			
York County	\$ 15,800,000	7.00%	\$ 1,106,000
	\$ 33,039,733		\$ 18,345,733

City of Saco, Maine
Statutory Debt Margin Information
Last Ten Fiscal Years
In Accordance with 30 MRSA, Section 5061 as Amended

Table 13

Fiscal Year	Debt Limit	Total net debt applicable to limit	Legal Debt Margin	Total net debt applicable to limit as a percentage of debt limit
1997	\$ 108,705,000	\$ 19,555,544	\$ 89,149,456	17.99%
1998	\$ 111,255,000	\$ 22,268,294	\$ 88,986,706	20.02%
1999	\$ 118,897,500	\$ 20,760,305	\$ 98,137,195	17.46%
2000	\$ 122,827,500	\$ 18,993,597	\$ 103,833,903	15.46%
2001	\$ 133,800,000	\$ 17,563,489	\$ 116,236,511	13.13%
2002	\$ 151,687,500	\$ 23,226,049	\$ 128,461,451	15.31%
2003	\$ 173,347,500	\$ 21,968,357	\$ 151,379,143	12.67%
2004	\$ 196,552,500	\$ 19,963,885	\$ 176,588,615	10.16%
2005	\$ 233,010,000	\$ 20,926,710	\$ 212,083,290	8.98%
2006	\$ 270,810,000	\$ 20,437,694	\$ 250,372,306	7.55%

Legal Debt Margin Calculation for Fiscal year 2006

	Outstanding bonds and leases	Percent of state assessed value \$1,805,400,000	Allowable Amount	Margin
For school purposes	\$ 8,480,521	10.00%	\$ 180,540,000	\$ 172,059,479
For waste water treatment plant	\$ 2,667,500	7.50%	\$ 135,405,000	\$ 132,737,500
For municipal	\$ 9,289,673	7.50%	\$ 135,405,000	\$ 126,115,327
Total	\$ 20,437,694	15.00%	\$ 270,810,000	\$ 250,372,306

City of Saco, Maine
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 14

Fiscal Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
1997	15,280	\$ 329,192,320	\$ 21,544	33.5	2,721	2.1%
1998	15,280	\$ 346,244,800	\$ 22,660	33.5	2,772	1.9%
1999	15,280	\$ 362,258,240	\$ 23,708	33.5	2,803	1.7%
2000	15,280	\$ 362,258,240	\$ 23,708	33.5	2,808	1.3%
2001	16,822	\$ 421,862,116	\$ 25,078	37.2	2,813	2.0%
2002	16,822	\$ 421,862,116	\$ 25,078	37.2	2,816	2.6%
2003	16,822	\$ 441,863,474	\$ 26,267	37.2	2,866	2.5%
2004	16,822	\$ 441,863,474	\$ 26,267	37.2	2,851	3.6%
2005	16,822	\$ 441,863,474	\$ 26,267	37.2	2,776	4.0%
2006	16,822	\$ 441,863,474	\$ 26,267	37.2	2,823	3.1%

(1) - U.S. Department of Commerce, Bureau of Census (1990 and 2000)

(2) - Maine Department of Education. Figures are based on April 1 enrollment

(3) - Maine Department of Labor

**City of Saco, Maine
Principal Employers
Current Year and Nine Years Ago**

Table 15

Employer	2006			1997		
	Employees	Rank	Percentage of Saco's Labor Force	Employees	Rank	Percentage of Saco's Labor Force
Sweetser Children's Services	479	1	5.19%	187	4	2.02%
Saco School Department	290	2	3.14%	220	3	2.38%
Hannaford Brothers	250	3	2.71%	160	6	1.73%
Wood Structures, Inc.	208	4	2.25%			
General Dynamics	183	5	1.98%	425	1	4.60%
Visiting Nurses Association	178	6	1.93%	232	2	2.51%
City of Saco	164	7	1.78%	138	7	1.49%
Shaw's Supermarkets	142	8	1.54%	170	5	1.84%
Thornton Academy	132	9	1.43%	110	8	1.19%
Saco & Biddeford Savings	99	10	1.07%			
Holman Cooking Equipment				75	9	0.81%
Lynn-Flex				75	10	0.81%

Source: Maine Department of Labor and U.S. Department of Labor

City of Saco, Maine
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years (1)

Table 16

	Full-time Equivalent Employees as of June 30						
	2000	2001	2002	2003	2004	2005	2006
Function:							
General Government	22	22.5	23.5	25	25.5	26	26.5
Public Safety							
Police	39	41	46	46	46	46	47
Fire	28	28	28	32	36	36	36
Public Works	29	31.5	32.5	33.25	33.75	34.75	34.25
Parks & Recreation	5	5	6	6.75	6.75	6.75	6.25
Total General Fund	123	128	136	143	148	149.5	150
Waste Water Treatment Plant	9.5	9.5	12.5	12.5	13	13	14
Total Enterprise Fund	9.5	9.5	12.5	12.5	13	13	14

(1) Data unavailable for fiscal years 1996-1999, so only 7 years of data has been presented.

**City of Saco, Maine
Operating Indicators by Function
Last Ten Fiscal Years (1)**

Table 17

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Building permits										
Single family	65	78	130	94	103	100	105	67	69	67
Condos	0	0	0	0	0	3	28	33	66	53
Commercial	75	69	79	70	82	76	87	78	83	71
Total number permits issued	417	451	575	540	505	543	631	585	565	598
Public Safety										
Police										
Number of calls for service	not avail	not avail	not avail	not avail	24,896	25,280	25,571	21,974	26,054	25,644
Number of traffic stops	not avail	not avail	not avail	not avail	8,126	7,896	8,922	7,876	8,497	6,681
Number of traffic summons issued	not avail	not avail	not avail	not avail	1,461	1,926	2,469	1,766	2,213	1,942
Number of warnings issued	not avail	not avail	not avail	not avail	5,102	5,301	5,618	5,927	5,908	4,548
Number of traffic related arrests	not avail	not avail	not avail	not avail	191	170	245	183	218	273
Number of non-traffic related arrests & summons	not avail	not avail	not avail	not avail	780	1,020	817	333	465	952
Number of parking tickets issued	not avail	not avail	not avail	not avail	406	420	1,218	551	567	913
Fire										
Number of calls for service	not avail	not avail	not avail	not avail	2,181	1,868	1,928	1,152	668	527
Number of inspections conducted	not avail	not avail	not avail	not avail	225	280	250	350	320	311
Ambulance										
Number of calls for service	not avail	not avail	not avail	not avail	1,735	2,214	2,215	1,915	1,960	1,846
Public Works										
Number of roads maintained	362	364	366	368	370	372	375	378	382	384
Lane miles of roads maintained	241	243	245	247	248	250	251	253	255	257
Acres of public area maintained	334	338	342	346	350	354	358	364	369	379

The information not available is within the years before the City began to prepare a Comprehensive Annual Financial Report. The data was therefore not accumulated in this manner prior to that time.

**City of Saco, Maine
Capital Asset Statistics by Function
Last Ten Fiscal Years (1)**

Table 18

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	6	6	6	6	6	6	6	6	6	6
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Street lights	1564	1592	1620	1645	1683	1726	1766	1791	1804	1825
Traffic signals	145	146	146	146	146	147	147	148	148	148
Recreation										
Parks	10	10	10	10	10	10	10	10	10	10
Park acreage	100	100	100	100	100	100	100	100	100	100
Tennis courts	6	6	6	6	6	6	6	6	6	6

Sources: Various City departments.

Note: No capital asset indicators are available for the general government function.