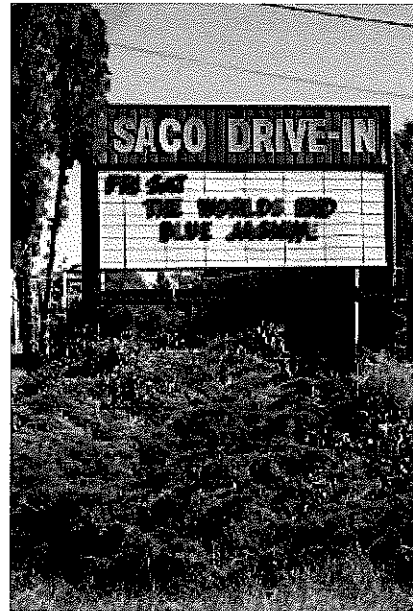
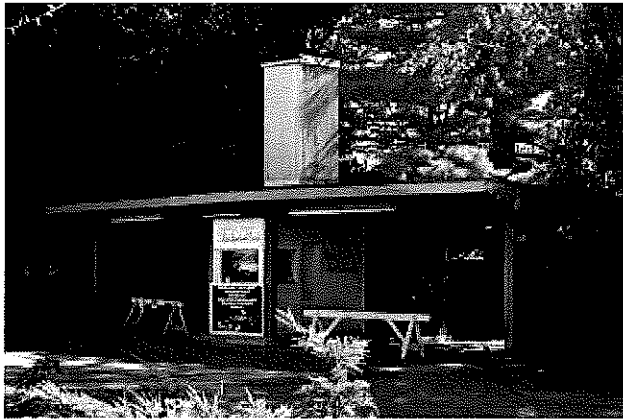


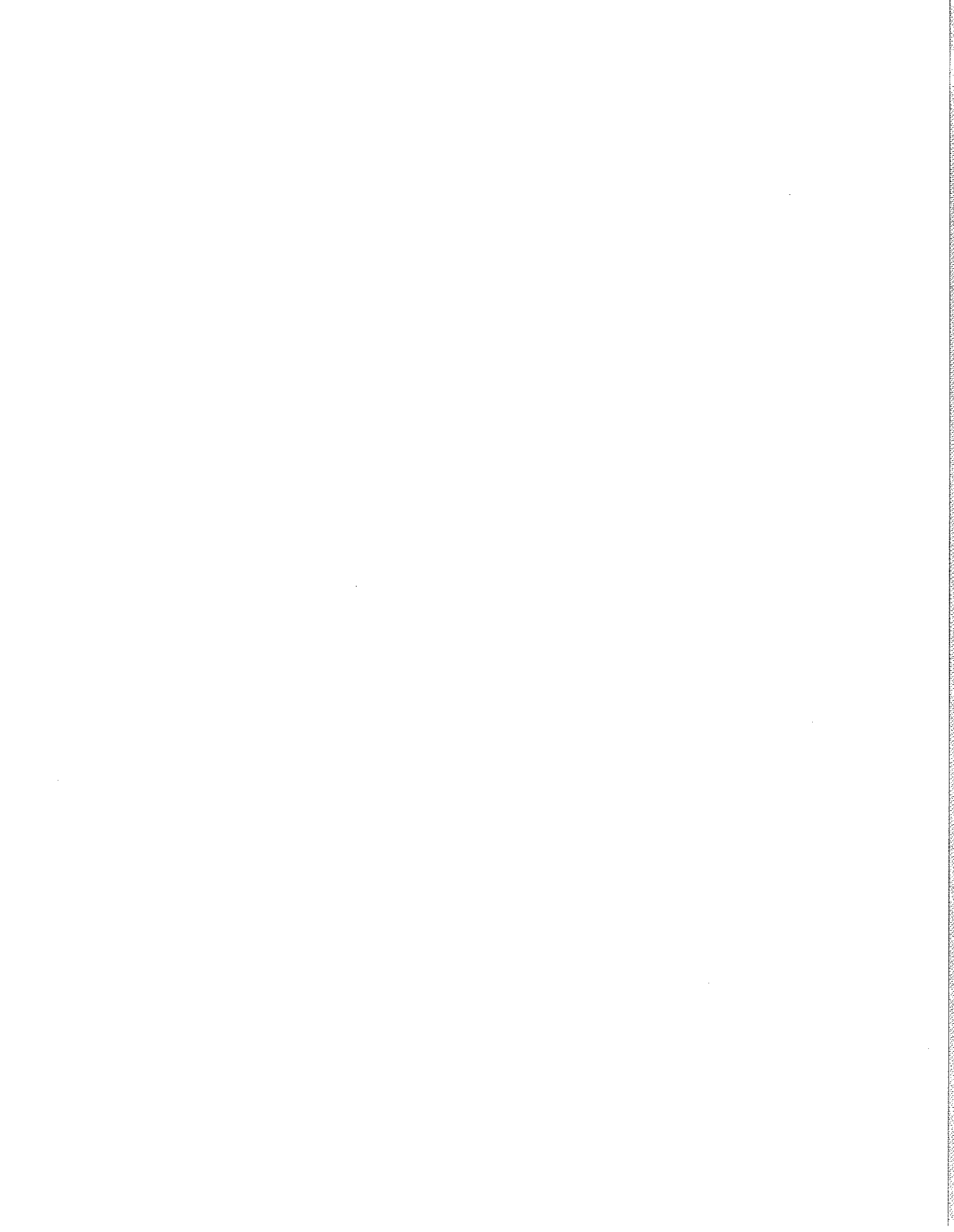
CITY OF SACO, MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended June 30, 2013



On September 11, 2013, the Saco Drive-in won a competition to receive a digital projector from Honda's Project Drive-In. All movies are being moved to digital next year, and without this new digital projector, the Saco Drive-In would have been outdated and unable to show newly released movies.

Prepared by:
Cheryl Fournier
Finance Director, City of Saco, Maine





City of Saco, Maine

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
GFOA Certificate of Achievement	9
Organizational Chart	11
List of Principal Officials	12

FINANCIAL SECTION

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		15
Management's Discussion and Analysis		18
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	35
Statement of Activities	2	36
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	37
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - General Fund	4	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	39
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund - Budgetary Basis	6	40
Statement of Net Position - Proprietary Fund	7	41
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	8	42
Statement of Cash Flows - Proprietary Fund	9	43
Notes to the Financial Statements		44

City of Saco, Maine

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS, CONTINUED

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information		70
Supplementary Information		
Governmental Funds by Fund Type:		
General Fund:		
Comparative Balance Sheets	A-1	79
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Budgetary Basis	A-2	80
All Other Non-major Governmental Funds:		
Combining Balance Sheet	B-1	85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	86
Non-major Special Revenue Funds:		
Combining Balance Sheet	C-1	91
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)	C-2	96
Non-major Capital Project Funds:		
Combining Balance Sheet	D-1	103
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	104
Non-major Permanent Funds:		
Balance Sheet	E-1	107
Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	108

City of Saco, Maine

COMPREHENSIVE ANNUAL FINANCIAL REPORT

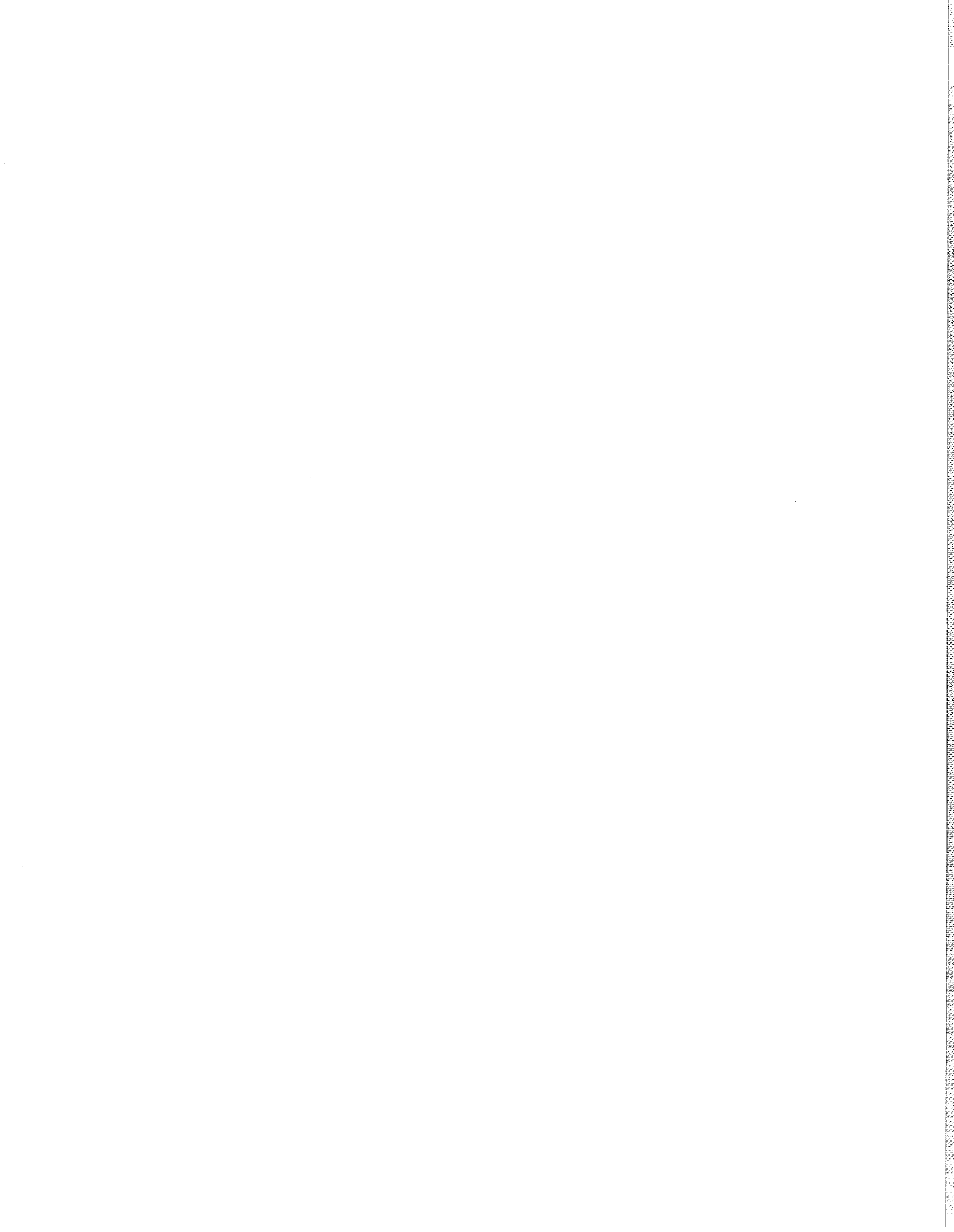
For the Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS, CONTINUED

	<u>Table</u>	<u>Page</u>
STATISTICAL SECTION		
Net Position by Component – Last Ten Fiscal Years	1	111
Change in Net Position – Last Ten Fiscal Years	2	112
Governmental Activities Tax Revenues by Source – Last Ten Fiscal Years	3	113
Fund Balances of Governmental Funds – Last Ten Fiscal Years	4	114
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	5	115
Assessed Value and State Equalized Value of Taxable Property – Last Ten Fiscal Years	6	116
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years	7	117
Principal Property Taxpayers – Current Year and Nine Years Ago	8	118
Property Tax Levies and Collections – Last Ten Fiscal Years	9	119
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	10	120
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	11	121
Direct & Overlapping Governmental Activities Debt – General Obligation Bonds	12	122
Statutory Debt Margin Information – Last Ten Fiscal Years and Legal Debt Margin Calculation	13	123
Demographic and Economic Statistics – Last Ten Fiscal Years	14	124
Principal Employers – Current Year and Nine Years Ago	15	125
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	16	126
Operating Indicators by Function – Last Ten Fiscal Years	17	127
Capital Asset Statistics by Function – Last Ten Fiscal Years	18	128

This page left blank intentionally.

INTRODUCTORY SECTION





City of Saco

Finance Office

Cheryl Fournier, Finance Director
Saco City Hall
300 Main Street, Saco, ME 04072

Tel: (207) 282-1032

Fax: (207) 282-8209

Email: cheryl.fournier@sacomaine.org

December 13, 2013

Honorable Mark Johnston, Mayor
and Distinguished Members of the City Council
300 Main Street
Saco, Maine 04072

The comprehensive annual financial report of the City of Saco, Maine for the fiscal year ended June 30, 2013, is hereby submitted in accordance with the requirements of both our City Charter and state statutes. The Charter and statutes require that the City of Saco issue annually a report of its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with the City of Saco. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Saco on a government-wide and fund basis. All disclosures necessary to enable the reader to gain the maximum understanding of the City's activities have been included.

The comprehensive annual financial report is prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

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

Governmental Structure, Local Economic Condition and Outlook

The City of Saco, Maine, incorporated in 1867, is located at the mouth of the Saco River on the southerly side of Saco Bay in the Gulf of Maine, in the southern coastal section of the State and is the eleventh largest city by population in the State of Maine. The City of Saco continues to be a key area within the state for residential growth, as well as a key area where industrial and commercial companies are investing. The City of Saco was ranked fifth within the State of Maine for this growth. Saco has a land area of 38.5 square miles and an estimated population of 18,482 based on the most recent census. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the Mayor-Council – City Administrator form of government. Policy making and legislative authority is vested in a 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 city 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 (Water Resource Recovery); solid waste collection; health and social welfare; recreation; general administration, and economic development.

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

Major Initiatives Fiscal Year 2012-2013

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

Economic Development. The City has worked for decades to improve the economic development climate in Saco, and proof of those efforts is the steady increase in the City's assessed valuation, which is due to growth in the industrial and commercial sector, as well as strong residential growth. Notable additions to the City's economic development base are due to the City's continually expanding business parks, expanding auto dealerships along Route 1, and the expanding recreation sector with large indoor hockey and soccer facilities and theme parks.

Assessed Valuation. For the 22nd consecutive year, the City's valuation has steadily increased with the exception of a couple of years with minor decreases. Since fiscal year 1991, the assessed valuation has risen from \$729,675,000, to this year's \$1,968,257,265. This equates to a 169.7% increase over this 22-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 account for approximately 77.1% of the taxes paid, while business/industry will account for 22.9%.

Financial Management. The City created objectives for the two year duration during 2013 budget process. The objections for fiscal year 2013 and 2014 included: keep taxes stable, create a capital program, and keep operating appropriations stable. We did not meet these goals during the budgeting process. The City had an increase to the tax rate of 6.0% due to the decrease in revenue. The City's capital program was created in fiscal year 2013, which was a majority of the increase for the city portion of the taxes. We did meet the last item as our increase of operating expenses was only 1.9%.

Strategic Planning. The City is committed to ensuring sound financial management of public funds. This includes monitoring goals and objectives through the Strategic Plan, maintaining sufficient fund balances in major governmental funds, and adhering to the highest management standards. The Strategic plan was last adopted by the City Council in fiscal year 2010. In January 2012, the Council created a listing of Objectives for the following two years, but did not create a priority listing of these Objectives.

Capital Improvements and Debt Service. The City has prepared a five-year Capital Improvement Plan Policy. This policy outlines all of the capital assets currently owned by the City, their historical costs, their estimated useful lives, and their estimated replacement years and costs. With this information, the City will be better able to plan for replacements which will aid in our budget preparation in future years as we will have a better idea of fiscal impacts due to replacements being projected. In the current fiscal year, \$1,500,000 was budgeted to fund capital improvement projects.

Ambulance Billing. The City outsourced our Ambulance Billing on July 1, 2012 to Freeport. A new system would have been needed.

Comprehensive Plan. A comprehensive plan for the City's development was adopted in October of 1999. This plan sets out development policies and goals for the next decade and is updated frequently. A new Comprehensive Plan was completed in fiscal year 2011.

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

Biddeford-Saco-Old Orchard Beach Transit Committee. The City is a member of the Biddeford-Saco-Old Orchard Beach Transit Committee which is a jointly governed organization. The Committee has operated a public mass transit passenger bus service within and between the three municipalities under a voluntary interlocal agreement since 1977. The City of Saco's contribution to the committee for the year ended June 30, 2013 was \$115,000. 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 - 2012-2013 Goals (Two year Goals)

Between January and March of 2012, the Mayor, City Council, City Administrator, and Department Heads worked together to create a long listing of issues, goals, and priorities. After a lot of thought, the long list of hundreds of items was summarized down to a short list of eight categories.

The City's goals established during March 5, 2012 workshop were:

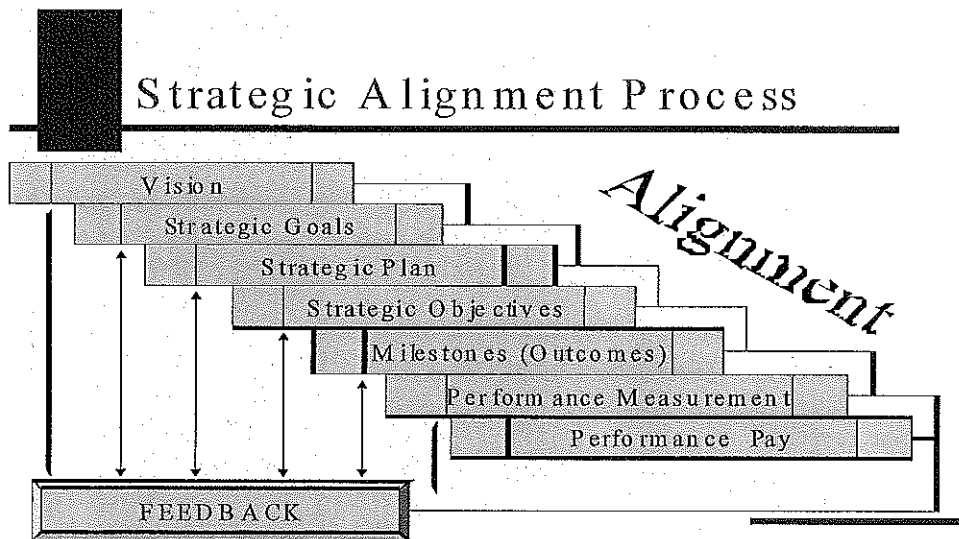
- A. Sustain and improve upon city services;
- B. Improve the city's financial infrastructure;
- C. Maintain taxes at present levels;
- D. Revitalize the city's Main Street;
- E. Improve and sustain Saco shoreline;
- F. Study and improve parking and traffic flow;
- G. Development and activate a sustainable Capital Improvement Plan to include improving the infrastructure of the road and sewer systems; and
- H. Work collaboratively with the City of Biddeford.

The above categories have multiple objectives created, and many of these objectives along with other items will be department head's goals (at least 240 hours of work) for the following years that will include milestones and descriptions of the goals. Each department head has three objectives, each taking 240 hours or more to complete. These objectives are part of the department head review process.

The City will continue to build upon our past successes. The City will also 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.

The City is working towards ensuring that services are provided in the most efficient and effective way. The City is currently formulating a mixture of performance measurements and comparable statistics between other Maine communities. This will be presented in the form of output measures, outcome measures and efficiency measures for each City department. These measures will be reported in the current year's report. In 2004, the City received a \$30,000 grant through the National Center for Innovative Technology to further this effort and to publish a performance information report on this data. The City was successful at completing its performance measurement reports and received a national Certificate of Excellence for Service Efforts and Accomplishments Reporting from the Association of Governmental Accountants (AGA) for all eight years of the published reports. This report substantially complied with the Governmental Accounting Standards Board's sixteen suggested criteria for these types of reports. In fiscal year 2009 and 2011, the City received smaller grant award of \$5,000 from the National Center for Civic Innovation to complete the City's citizen satisfaction survey. The results were included in the City's fiscal year 2009 performance measurement report. The City completed the citizen satisfaction survey in 2012, and progress was made in the majority of areas.

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



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

Vision – Values – Philosophy - Ethics

The City has three perspective vision statements, which are referred to regularly as a basis for discerning and justifying appropriate decisions and actions. The first one represents the global perspective of the elected officials; the second one represents the vision of constituents residing within the City of Saco. This citizen vision was vetted through a series of citizen focus group meetings; the third one represents the perspective of the City management in the delivery of City services.

1. City Council Vision: *“Our vision is a high quality of life for Saco citizens. Central to this vision is a sustainable economy that offers an opportunity for everyone to have rewarding employment and for business to prosper, now and in the future. The people of Saco bring this vision into reality by working together and building on our tradition of hard work, dedication and ingenuity.”*
2. Citizens’ statement that symbolizes the City of Saco: *“Saco is a city that provides families of all kinds with a community that values its heritage, cherishes its environment, balances its growth, and offers a concerned and caring spirit”.*
3. Staff’s statement of vision for the City: *“To Enhance Our Community through Exceptional Service”.*

Strategic Goals Categories

Downtown Revitalization



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

Infrastructure and Capital Development and Maintenance



The City is committed to maintaining and improving the City’s infrastructure, facilities, and equipment by maintaining the existing infrastructure and planning for future needs.

Growth Management



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

Environmental Protection and Sustainable Development



The City will protect the environment and natural resources, and will employ the concept of sustainability in order to enhance the well being of future generations.

Technological Innovation and Implementation



The City will develop and implement technologies to improve services.

Human Resource Investment



The City recognizes that employees are a valuable resource that requires investment to ensure that staff will attain the knowledge, skills, and abilities necessary to meet community needs.

Leisure Services Investment



The City understands the need for recreational and cultural opportunities for its citizens’ and will continue to explore, upgrade, and develop new outlets to meet these needs.

Meeting the Financial Needs for City Services



The City will support and adequately plan for the financial needs of the community.

Public Safety



The City will provide a safe environment for its citizens and visitors.

Traffic



The City will endeavor to provide safe, reliable and unfettered movement of people and freight through the City.

Significant Accomplishments of Fiscal Year 2013

- Wastewater Resource Recovery Division Generators at Wildwood and Hillview
- Rebuild of the Marshwood Pump Station
- RSU 23 School Withdrawal Committee Formed
- (Camp Ellis) Section 111 Shore Damage Mitigation Project Decision Document – April 2013
- Maine Department of Transportation design study of the new Somes Bridge on Market Street
- Saco Energy Committee Reorganized
- Economic Development: Branding & Wayfinding
- Comprehensive Annual Financial Reporting (GFOA Award) for 8 consecutive years
- EZ Pay Tax Program extended to Businesses
- Maine Department of Transportation spent \$6 to \$8 million on Route 112
- Saco Steel Site Clean-up Completed
- Tax Increment Financing Amendment for Park North Project
- 2nd Year Baldrige Review
- Saco Citizens for Sensible Taxes Engagement in the Budget Process
- 2nd Police Department Academy
- Iworks replaced Cityworks at Public Works
- 1st Annual Public Works Open House
- ICMA 101 Performance Report Participation: Fire Department and Police Department
- 3rd Year – Saco is Playful City USA – includes a Grant Award
- 3rd Year – Saco is Named Tree City USA
- Completed 6 of 7 Union Contracts
- 3rd Annual Recognition Dinner for Volunteers
- Funded Capital Budget with increase to \$1.5 Million
- Old Central Fire Station Listed on the National Register
- Old Central Fire Station under Contract for Sale
- 32 Market Street – EPA Brownfields Site
- Maintained Class A Rating for Flood Insurance – results in a 10% savings for citizens on Flood Insurance
- Independent Evaluation of Water Services
- New Central Fire Station – Insurance Service Office

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 annually adopts fiscal year budgets for its general fund 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. 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, yearend projections are made, and adjustments to the financial plan considered and any necessary changes are legally adopted through the passage of an appropriation resolve.

Relevant Financial Policies: The City's policy prescribes uses of the unassigned fund balances. In general, unassigned fund balance is not to be used to fund any portion of the on-going and routine year to year operating expenditures of the City. It is to be used primarily to ensure adequate fund balances, to respond to unforeseen emergencies, and to provide overall financial stability.

By Charter, the City is required to maintain a balance of 5% to 10%, and the Council has determined that a target of 8.33% is reasonable. Unassigned fund balance in the general fund as of June 30, 2013, was 11.23% of expenditures, net of debt service.

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 2013 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, 2013, 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 unmodified opinion that the City of Saco's financial statements for the fiscal year ending June 30, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued report.

Awards: The City of Saco received the GFOA's Certificate of Achievement for Excellence in Financial Reporting for many years including fiscal years 2009, 2010, 2011, and 2012. The City was recognized for performance reporting excellence by receiving the Association of Governmental Accountants' (AGA) national Certificate of Excellence in Service Efforts and Accomplishments (SEA) award. As this was the ninth consecutive year that the City of Saco received an SEA award.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Cheryl Fournier', with a long horizontal flourish extending to the right.

Cheryl Fournier
Finance Director