

Audited Financial Statements

Town of Berwick, Maine

June 30, 2012



Proven Expertise and Integrity

TOWN OF BERWICK, MAINE

CONTENTS

JUNE 30, 2012

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 10
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT- WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET ASSETS	11
STATEMENT B - STATEMENT OF ACTIVITIES	12 - 13
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	14
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	15
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	16
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17
STATEMENT G - BALANCE SHEET – PROPRIETARY FUNDS	18
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS	19
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	20
STATEMENT J - STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS	21
STATEMENT K - STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS	22

NOTES TO FINANCIAL STATEMENTS	23 - 43
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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	44
--	----

SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS - BUDGET AND ACTUAL – GENERAL FUND	45
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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	46
---	----

SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS	47 - 49
--	---------

SCHEDULE B - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	50
--	----

SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	51
--	----

CAPITAL PROJECTS FUND DESCRIPTION	52
-----------------------------------	----

SCHEDULE D - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUND	53 - 54
---	---------

SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS	55 - 56
---	---------

PERMANENT FUNDS DESCRIPTION	57
-----------------------------	----

SCHEDULE F - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	58
---	----

SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	59
--	----

GENERAL CAPITAL ASSETS DESCRIPTION	60
------------------------------------	----

SCHEDULE H - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	61
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SCHEDULE I - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	62
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INDEPENDENT AUDITORS' REPORT

January 11, 2013

Board of Selectmen
Town of Berwick
Berwick, Maine

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berwick, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RHR Smith & Company

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(UNAUDITED)

The following management's discussion and analysis of the Town of Berwick, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Berwick's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government - Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Berwick are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation and culture, health and welfare and education.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. The activity for the Town of Berwick includes the water department.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Berwick, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Berwick can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Berwick presents five columns in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, highway improvement reserve, Lena Clark cemetery trust and cemetery trust. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Berwick maintains one proprietary fund, the water department. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Berwick. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Fiduciary Fund Financial Statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total governmental net assets increased by \$339,503 from \$9,578,918 to \$9,918,421 or a 3.54% increase. The Town's total business-type net assets increased by \$49,929 from \$3,125,495 to \$3,175,424 or a 1.60% increase.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$3,389,273 at the end of this year. Unrestricted net assets for business-type activities decreased to a balance of \$186,608.

Table 1
Town of Berwick, Maine
Net Assets
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011 (Restated)</u>	<u>2012</u>	<u>2011 (Restated)</u>
Assets				
Current and other assets	\$ 4,920,270	\$ 4,955,447	\$ 510,533	\$ 347,224
Capital assets	5,387,648	5,339,409	4,250,287	4,370,298
Total assets	<u>\$ 10,307,918</u>	<u>\$ 10,294,856</u>	<u>\$ 4,760,820</u>	<u>\$ 4,717,522</u>
Liabilities				
Current liabilities	\$ 290,275	\$ 521,108	\$ 616,829	\$ 54,275
Long-term debt outstanding	99,222	194,830	968,567	1,537,752
Total liabilities	<u>\$ 389,497</u>	<u>\$ 715,938</u>	<u>\$ 1,585,396</u>	<u>\$ 1,592,027</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 5,387,648	\$ 5,339,409	\$ 2,988,816	\$ 2,888,657
Restricted for: permanent funds	1,141,500	1,168,245	-	-
Unrestricted	3,389,273	3,071,264	186,608	236,838
Total net assets	<u>\$ 9,918,421</u>	<u>\$ 9,578,918</u>	<u>\$ 3,175,424</u>	<u>\$ 3,125,495</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 4.47%, while total expenses increased by 3.92%. The biggest increase in revenues was property tax compared to the previous year. The biggest increase in expenses was in education with minor increases or decreased in other departments.

Proprietary fund revenues and expenses were consistent with the previous year with minor increases or decreases.

Table 2
Town of Berwick, Maine
Change in Net Assets
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Revenues				
Taxes:				
Property	\$ 8,818,860	\$ 7,955,847	\$ -	\$ -
Excise	1,051,119	1,031,245	-	-
Intergovernmental	682,006	1,153,936	-	-
Charges for service	183,365	188,247	521,379	618,149
Miscellaneous	136,252	77,091	2,058	336
Total revenues	<u>10,871,602</u>	<u>10,406,366</u>	<u>523,437</u>	<u>618,485</u>
Expenses				
Current:				
General government	981,631	977,097	-	-
Public Safety	2,112,025	2,050,497	-	-
Public Works	656,375	926,648	-	-
Recreation & culture	170,363	86,196	-	-
Education	5,577,404	4,967,887	-	-
County tax	313,088	308,934	-	-
Health & welfare	462,940	528,292	-	-
Outside Appropriations	62,233	59,812	-	-
Unclassified	167,858	208,543	495,142	499,087
Unallocated depreciation (Note 4)	6,548	-	-	-
Total expenses	<u>10,510,465</u>	<u>10,113,906</u>	<u>495,142</u>	<u>499,087</u>
Transfers	<u>(21,634)</u>	<u>(21,634)</u>	<u>21,634</u>	<u>21,634</u>
Change in net assets	339,503	270,826	49,929	141,032
Net assets - July 1, Restated	<u>9,578,918</u>	<u>9,308,092</u>	<u>3,125,495</u>	<u>2,984,463</u>
Net assets - June 30	<u><u>\$ 9,918,421</u></u>	<u><u>\$ 9,578,918</u></u>	<u><u>\$ 3,175,424</u></u>	<u><u>\$ 3,125,495</u></u>

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Berwick, Maine
Fund Balances - Governmental Funds
June 30,

	2012	2011
Major Funds:		
General fund:		
Nonspendable	\$ 207,534	\$ 187,921
Committed	270,222	225,225
Assigned	273,415	-
Unassigned	1,570,201	1,883,795
Subtotal General Fund	2,321,372	2,296,941
Highway improvement reserve:		
Committed	291,391	244,718
Lenna Clark cemetery trust:		
Restricted	392,908	401,166
Cemetery trust:		
Restricted	726,854	743,389
Total Major Funds	\$ 3,732,525	\$ 3,686,214
Nonmajor Funds:		
Capital Projects:		
Committed	\$ 229,724	\$ 219,958
Permanent funds:		
Restricted	21,738	21,690
Total Nonmajor Funds	\$ 251,462	\$ 241,648

The general fund total fund balance increased by \$24,431 over the prior fiscal year, the highway improvement reserve increased by \$46,673, the Lenna Clark cemetery trust decreased by \$8,258 and the cemetery trust decreased by \$16,535. The non-major fund balances increased by \$9,814 over the prior fiscal year.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The water department had an increase in net assets for the current year of \$49,929, and total net assets of \$3,175,424.

Budgetary Highlights

There were significant differences between the original and final budget for the general fund. Carry forwards utilized and use of receipts have been presented as budget adjustments.

The general fund actual revenues exceeded the budget by \$140,593. This was a result of most revenues recognized in excess of budgeted amount.

The general fund actual expenditures were under the budget by \$259,858. All expenditures were under budget with the exception of general government, county tax and unclassified.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the net book value of capital assets recorded by the Town decreased by \$71,774. This is the result of additions in land improvements, building improvements, vehicles, and infrastructure of \$329,216 less current year depreciation expense of \$400,990.

Table 4
Town of Berwick, Maine
Capital Assets (Net of Depreciation)
June 30,

	2012	2011 (Restated)
Land	\$ 700,946	\$ 700,946
Buildings and improvements	1,334,662	1,289,700
Machinery and equipment	1,010,432	1,084,469
Vehicles	838,083	894,628
Art work and historical treasures	11,000	11,000
Infrastructure	5,742,812	5,728,966
Total	\$ 9,637,935	\$ 9,709,709

Long-Term Debt Activity

At June 30, 2012, the Town had \$1,261,471 in bonds outstanding versus \$1,552,102 last year, a decrease of 18.72%, as shown in Note 5 of Notes to Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager or Finance Director at P.O. Box 696, Berwick, Maine 03901.

STATEMENT A

TOWN OF BERWICK, MAINE

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 513,711	\$ 87,495	\$ 601,206
Investments	3,566,192	-	3,566,192
Accounts receivable (net of allowance for uncollectibles):			
Taxes	665,434	-	665,434
Liens	261,264	-	261,264
Other	-	73,003	73,003
Tax acquired property	2,979	-	2,979
Prepaid expenses	82,332	-	82,332
Inventory	122,223	33,578	155,801
Internal balances	(293,865)	293,865	-
Total current assets	<u>4,920,270</u>	<u>487,941</u>	<u>5,408,211</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, & other assets not being depreciated	563,300	148,646	711,946
Buildings & equipment, net of accumulated depreciation	<u>4,824,348</u>	<u>4,101,641</u>	<u>8,925,989</u>
Total noncurrent assets	<u>5,387,648</u>	<u>4,250,287</u>	<u>9,637,935</u>
Other assets:			
Unamortized deferred advanced refunding	-	17,266	17,266
Bond issuance costs (net of amortization)	-	5,326	5,326
Total other assets	<u>-</u>	<u>22,592</u>	<u>22,592</u>
TOTAL ASSETS	<u><u>\$ 10,307,918</u></u>	<u><u>\$ 4,760,820</u></u>	<u><u>\$ 15,068,738</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 13,146	\$ -	\$ 13,146
Accrued interest	-	9,971	9,971
Deferred revenue	-	3,778	3,778
Accrued payroll and benefits	147,905	-	147,905
Other liabilities	129,224	-	129,224
Short-term borrowing	-	300,000	300,000
Current portion of long-term obligations	-	303,080	303,080
Total current liabilities	<u>290,275</u>	<u>616,829</u>	<u>907,104</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	-	958,391	958,391
Accrued compensated absences	99,222	8,261	107,483
Unamortized bond premium	-	1,915	1,915
Total noncurrent liabilities	<u>99,222</u>	<u>968,567</u>	<u>1,067,789</u>
TOTAL LIABILITIES	<u>389,497</u>	<u>1,585,396</u>	<u>1,974,893</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,387,648	2,988,816	8,376,464
Restricted for: Permanent funds	1,141,500	-	1,141,500
Unrestricted	<u>3,389,273</u>	<u>186,608</u>	<u>3,575,881</u>
TOTAL NET ASSETS	<u>9,918,421</u>	<u>3,175,424</u>	<u>13,093,845</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,307,918</u></u>	<u><u>\$ 4,760,820</u></u>	<u><u>\$ 15,068,738</u></u>

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

TOWN OF BERWICK, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Total Governmental Activities	Business type Activities	Total
Governmental activities:						
General government	\$ 981,631	\$ 49,325	\$ -	\$ (932,306)	\$ -	\$ (932,306)
Public Safety	2,112,025	28,157	-	(2,083,868)	-	(2,083,868)
Public Works	656,375	-	66,324	(590,051)	-	(590,051)
Recreation & culture	170,363	37,403	-	(132,960)	-	(132,960)
Education	5,577,404	-	-	(5,577,404)	-	(5,577,404)
County tax	313,088	-	-	(313,088)	-	(313,088)
Health & welfare	462,940	68,480	-	(394,460)	-	(394,460)
Outside Appropriations	62,233	-	-	(62,233)	-	(62,233)
Unclassified	167,858	-	-	(167,858)	-	(167,858)
Unallocated depreciation (Note 4)	6,548	-	-	(6,548)	-	(6,548)
Total governmental activities	<u>10,510,465</u>	<u>183,365</u>	<u>66,324</u>	<u>(10,260,776)</u>	<u>-</u>	<u>(10,260,776)</u>
Business-type activities:						
Water department	495,142	521,379	-	-	26,237	26,237
Total business-type activities	<u>495,142</u>	<u>521,379</u>	<u>-</u>	<u>-</u>	<u>26,237</u>	<u>26,237</u>
Total government	<u>\$ 11,005,607</u>	<u>\$ 704,744</u>	<u>\$ 66,324</u>	<u>\$ (10,260,776)</u>	<u>\$ 26,237</u>	<u>\$ (10,234,539)</u>

STATEMENT B (CONTINUED)
TOWN OF BERWICK, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Changes in net assets:			
Net (expense) revenue	<u>(10,260,776)</u>	<u>26,237</u>	<u>(10,234,539)</u>
General revenues:			
Property taxes	8,818,860	-	8,818,860
Excise taxes	1,051,119	-	1,051,119
Grants and contributions			
not restricted to specific programs	615,682	-	615,682
Miscellaneous	136,252	2,058	138,310
Transfers	<u>(21,634)</u>	<u>21,634</u>	<u>-</u>
Total general revenues and transfers	<u>10,600,279</u>	<u>23,692</u>	<u>10,623,971</u>
Change in net assets	339,503	49,929	389,432
NET ASSETS - JULY 1 (RESTATED)	<u>9,578,918</u>	<u>3,125,495</u>	<u>12,704,413</u>
NET ASSETS - JUNE 30	<u>\$ 9,918,421</u>	<u>\$ 3,175,424</u>	<u>\$ 13,093,845</u>

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

STATEMENT C

TOWN OF BERWICK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Highway Improvement Reserve	Lenna Clark Cemetery Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 437,138	\$ -	\$ 24,835	\$ 30,000	\$ 21,738	\$ 513,711
Investments	2,501,307	-	368,073	696,812	-	3,566,192
Accounts receivables (net of allowance for uncollectibles):						
Taxes	665,434	-	-	-	-	665,434
Liens	261,264	-	-	-	-	261,264
Tax acquired property	2,979	-	-	-	-	2,979
Prepaid expenses	82,332	-	-	-	-	82,332
Inventory	122,223	-	-	-	-	122,223
Due from other funds	-	291,391	-	42	229,724	521,157
TOTAL ASSETS	\$ 4,072,677	\$ 291,391	\$ 392,908	\$ 726,854	\$ 251,462	\$ 5,735,292
LIABILITIES						
Accounts payable	\$ 13,146	\$ -	\$ -	\$ -	\$ -	\$ 13,146
Accrued payroll	38,930	-	-	-	-	38,930
Accrued benefits	108,975	-	-	-	-	108,975
Deferred tax revenue	646,008	-	-	-	-	646,008
Other liabilities	129,224	-	-	-	-	129,224
Due to other funds	815,022	-	-	-	-	815,022
TOTAL LIABILITIES	1,751,305	-	-	-	-	1,751,305
FUND BALANCES						
Nonspendable	207,534	-	-	-	-	207,534
Restricted	-	-	392,908	726,854	21,738	1,141,500
Committed	270,222	291,391	-	-	229,724	791,337
Assigned	273,415	-	-	-	-	273,415
Unassigned	1,570,201	-	-	-	-	1,570,201
TOTAL FUND BALANCES	2,321,372	291,391	392,908	726,854	251,462	3,983,987
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,072,677	\$ 291,391	\$ 392,908	\$ 726,854	\$ 251,462	\$ 5,735,292

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

TOWN OF BERWICK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

	Total Governmental Funds
Total Fund Balances	\$ 3,983,987
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	5,387,648
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	646,008
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Accrued compensated absences	(99,222)
Net assets of governmental activities	\$ 9,918,421

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

STATEMENT E

TOWN OF BERWICK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Highway Improvement Reserve	Lenna Clark Cemetery Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 8,679,329	\$ -	\$ -	\$ -	\$ -	\$ 8,679,329
Excise taxes	1,051,119	-	-	-	-	1,051,119
Intergovernmental revenues	682,006	-	-	-	-	682,006
Charges for service	183,365	-	-	-	-	183,365
Miscellaneous revenues	143,517	-	(7,933)	620	48	136,252
TOTAL REVENUES	10,739,336	-	(7,933)	620	48	10,732,071
EXPENDITURES						
Current:						
General government	1,061,820	-	-	-	7,449	1,069,269
Public safety	1,869,810	-	-	-	90,078	1,959,888
Public works	540,094	-	-	-	4,707	544,801
Recreation & culture	168,522	-	-	-	-	168,522
Education	5,577,404	-	-	-	-	5,577,404
County tax	313,088	-	-	-	-	313,088
Health & welfare	462,033	-	-	-	-	462,033
Outside appropriations	62,233	-	-	-	-	62,233
Capital outlay	-	269,651	-	-	-	269,651
Unclassified	209,943	-	325	17,155	-	227,423
TOTAL EXPENDITURES	10,264,947	269,651	325	17,155	102,234	10,654,312
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	474,389	(269,651)	(8,258)	(16,535)	(102,186)	77,759
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	316,324	-	-	112,000	428,324
Operating transfers (out)	(449,958)	-	-	-	-	(449,958)
TOTAL OTHER FINANCING SOURCES (USES)	(449,958)	316,324	-	-	112,000	(21,634)
NET CHANGE IN FUND BALANCES	24,431	46,673	(8,258)	(16,535)	9,814	56,125
FUND BALANCES - JULY 1	2,296,941	244,718	401,166	743,389	241,648	3,927,862
FUND BALANCES - JUNE 30	\$ 2,321,372	\$ 291,391	\$ 392,908	\$ 726,854	\$ 251,462	\$ 3,983,987

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

TOWN OF BERWICK, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 56,125</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	329,216
Capital assets disposed	-
Depreciation expense	<u>(280,977)</u>
	<u>48,239</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>95,608</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>139,531</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 339,503</u></u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Enterprise Funds</u>
	Water
	<u>Department</u>
ASSETS	
Current assets:	
Cash	\$ 87,495
Accounts receivable (net of allowance for uncollectibles)	73,003
Inventory	33,578
Due from other funds	293,865
Total current assets	<u>487,941</u>
Noncurrent assets:	
Land	148,646
Buildings and improvements	1,475,014
Vehicles and equipment	1,115,781
Plant / infrastructure	3,702,984
Total capital assets	<u>6,442,425</u>
Less: accumulated depreciation	<u>(2,192,138)</u>
Total noncurrent assets	<u>4,250,287</u>
Other assets:	
Unamortized deferred advanced refunding	17,266
Bond issuance costs (net of amortization)	5,326
Total other assets	<u>22,592</u>
TOTAL ASSETS	<u><u>\$ 4,760,820</u></u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accrued interest	\$ 9,971
Deferred revenue	3,778
Short-term borrowing	300,000
Current portion of long-term debt	303,080
Total current liabilities	<u>616,829</u>
Noncurrent liabilities:	
Bonds payable	958,391
Unamortized bond premium	1,915
Accrued compensated absences	8,261
Total noncurrent liabilities	<u>968,567</u>
TOTAL LIABILITIES	<u>1,585,396</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,988,816
Unrestricted	186,608
TOTAL NET ASSETS	<u>3,175,424</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,760,820</u></u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds
	Water
	Department
OPERATING REVENUES	
Charges for service	\$ 521,379
Other	1,725
TOTAL OPERATING REVENUES	523,104
OPERATING EXPENSES	
Labor and salaries	99,336
Employee benefits	30,924
Payroll taxes	7,905
Audit services	4,500
Contract labor and other services	15,057
Operating supplies	37,534
Maintenance	3,476
Purchase of power	19,932
Utilities	35,862
Water testing	3,535
Accounting and collection	30,000
Transportation and training	816
Depreciation	120,013
Miscellaneous	29,946
TOTAL OPERATING EXPENSES	438,836
OPERATING INCOME (LOSS)	84,268
NONOPERATING REVENUES (EXPENSES)	
Interest income	333
Interest expense	(56,306)
Operating transfers in	21,634
Operating transfers (out)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(34,339)
CHANGE IN NET ASSETS	49,929
NET ASSETS - JULY 1 (RESTATED)	3,125,495
NET ASSETS - JUNE 30	\$ 3,175,424

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

TOWN OF BERWICK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Enterprise Funds</u>
	Water
	<u>Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 328,819
Other receipts	301,725
Payments to employees	(106,302)
Payments to suppliers	<u>(258,097)</u>
Net cash provide (used) by operating activities	<u>266,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>333</u>
Net cash provided (used) by investing activities	<u>333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments on bond payable	(56,306)
Principal payments on bond payable	(257,827)
Transfers	21,634
Bond funds returned	<u>(32,804)</u>
Net cash provided (used) by capital and related financing activities	<u>(325,303)</u>
NET INCREASE (DECREASE) IN CASH	(58,825)
CASH AND CASH EQUIVALENTS - JULY 1	<u>146,320</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 87,495</u>
TO NET CASH PROVIDED (USED) BY OPERATING	
Operating income (loss)	\$ 84,268
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	120,013
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	46,953
(Increase) decrease in inventory	3,218
(Increase) decrease in due from other governments	35,190
(Increase) decrease in due from other funds	(293,865)
(Increase) decrease in unamortized deferred refunding	12,187
(Increase) decrease in bond costs	3,760
(Decrease) increase in deferred revenue	(18,402)
(Decrease) increase in accounts payable	(15,158)
(Decrease) increase in accrued payroll	(6,966)
(Decrease) increase in due to other funds	(124)
(Decrease) increase in short term borrowing	300,000
(Decrease) increase in unamortized bond premium	(1,352)
(Decrease) increase in compensated absences	<u>(3,574)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 266,148</u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-purpose Trust Funds
	Clark Clement Scholarship
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 11,209
Investments	<u>33,117</u>
TOTAL ASSETS	<u><u>\$ 44,326</u></u>
LIABILITIES	
Accounts payable	<u>\$ 5,714</u>
TOTAL LIABILITIES	<u>5,714</u>
NET ASSETS	
Held in trust for special purposes	<u>38,612</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 44,326</u></u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Private-purpose Trust Funds
	Clark Clement Scholarship
ADDITIONS	
Investment income	\$ 52
Net increase (decrease) in the fair value of investments	-
Contributions	-
Total additions	<u>52</u>
DEDUCTIONS	
Scholarships	600
Misc fees	-
Total deductions	<u>600</u>
Change in net assets	(548)
NET ASSETS - JULY 1	<u>39,160</u>
NET ASSETS - JUNE 30	<u><u>\$ 38,612</u></u>

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Berwick was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, and recreation and culture.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

Government –Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's water department is categorized as business-type activities. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- c. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

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

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town is called for the purpose of adopting the proposed budget after public notice of the meeting is given.
3. The budget is adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Berwick has a formal investment policy, and also follows the State of Maine Statutes.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures when used.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$35,000 as of June 30, 2012 for taxes and liens receivables.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2012, the Town's liability for compensated absences is \$107,483.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

The Town is in the process of adopting a set of financial policies to guide the financial operation of the Town. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 16, 2011 on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due on April 15 2012. Interest on unpaid taxes commenced on April 16, 2012, at 7% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$55,160 for the year ended June 30, 2012.

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Operating/Non-operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - CASH AND INVESTMENTS

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2012, the Town's cash balances amounting to \$612,415 were comprised of deposits of \$868,677. Of these bank deposits, \$803,426 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$65,251 was insured or collateralized with securities held by the financial institution in the Town's name and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 454,394
Sweep	378,145
Money market accounts	36,138
	<u>\$ 868,677</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2012, the Town's investments were comprised of certificates of deposit of \$2,534,424, equities of \$611,214, fixed income of \$384,195, real estate of \$32,453 and tangible assets of \$37,022. All of this amount was insured or collateralized with securities held by the financial institution in the Town's name and consequently was not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>
Certificates of deposit	\$ 2,534,424	\$ -	\$ 2,534,424	\$ -
Equities	611,214	611,214	-	-
Fixed Income	384,195	384,195	-	-
Real estate	32,453	32,453	-	-
Tangible assets	37,022	37,022	-	-
	<u>\$ 3,599,309</u>	<u>\$ 1,064,884</u>	<u>\$ 2,534,424</u>	<u>\$ -</u>

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a policy related to interest rate risk.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ -	\$ 815,022
Highway improvement reserve	291,391	-
Cemetery trust	42	-
Enterprise fund	293,865	-
Nonmajor capital project funds	229,724	-
Totals	<u>\$ 815,022</u>	<u>\$ 815,022</u>

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is as follows:

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 552,300	\$ -	\$ -	\$ 552,300
Art works & historical treasures	11,000	-	-	11,000
	<u>563,300</u>	<u>-</u>	<u>-</u>	<u>563,300</u>
Depreciated assets:				
Land improvements	150,328	7,000	-	157,328
Buildings and improvements	855,250	52,727	-	907,977
Machinery & equipment	1,324,873	-	-	1,324,873
Vehicles	2,111,198	30,343	-	2,141,541
Infrastructure	2,998,381	239,146	-	3,237,527
	7,440,030	329,216	-	7,769,246
Less: accumulated depreciation	<u>(2,663,921)</u>	<u>(280,977)</u>	<u>-</u>	<u>(2,944,898)</u>
	4,776,109	48,239	-	4,824,348
Net capital assets	<u>\$ 5,339,409</u>	<u>\$ 48,239</u>	<u>\$ -</u>	<u>\$ 5,387,648</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation

Administration	\$ 7,970
Police	71,181
Fire	80,956
Public works	111,574
Recreation	1,841
Recycling	907
Town-wide	6,548
Total depreciation expense	<u><u>\$ 280,977</u></u>

	<u>Balance,</u> <u>7/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>6/30/12</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 148,646	\$ -	\$ -	\$ 148,646
	<u>148,646</u>	<u>-</u>	<u>-</u>	<u>148,646</u>
Depreciated assets:				
Land improvements	-	-	-	-
Buildings and improvements	1,475,014	-	-	1,475,014
Machinery & equipment	1,086,113	-	-	1,086,113
Vehicles	29,668	-	-	29,668
Infrastructure	3,702,984	-	-	3,702,984
	6,293,779	-	-	6,293,779
Less: accumulated depreciation	<u>(2,072,125)</u>	<u>(120,013)</u>	<u>-</u>	<u>(2,192,138)</u>
	<u>4,221,654</u>	<u>(120,013)</u>	<u>-</u>	<u>4,101,641</u>
Net capital assets	<u><u>\$ 4,370,300</u></u>	<u><u>\$ (120,013)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,250,287</u></u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2012:

Governmental activities:

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12	Current Portion
Accrued compensated absences	\$ 194,830	\$ -	\$ (95,608)	\$ 99,222	\$ -
	<u>\$ 194,830</u>	<u>\$ -</u>	<u>\$ (95,608)</u>	<u>\$ 99,222</u>	<u>\$ -</u>

Business-type activities:

	Balance, 7/1/11	Additions	Bond Proceeds Returned	Deletions	Balance, 6/30/12	Current Portion
Bonds payable	\$ 1,552,102	\$ -	\$ (32,804)	\$ (257,827)	\$ 1,261,471	\$ 303,080
Accrued compensated absences	11,835	-	-	(3,574)	8,261	-
	<u>\$ 1,563,937</u>	<u>\$ -</u>	<u>\$ (32,804)</u>	<u>\$ (261,401)</u>	<u>\$ 1,269,732</u>	<u>\$ 303,080</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

	<u>Business-type Activities</u>
\$2,205,000, 1998 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2012. Interest is charged at a rate from 4% to 4.25% per annum. Annual principal payments vary from \$215,000 to \$240,000.	\$ 240,000
\$681,050, 1999 General Obligation Bond due in annual principal and interest installments through February 2027. Interest is charged at a rate of 4.5% per annum. Annual payments are \$43,268.	464,479
\$434,627, 2009 General Obligation Bond due in semiannual principal and interest installments through October 2019. This is a drinking water state revolving loan so no interest is charged. Annual principal payments are either \$500 or \$28,487.	399,322
\$434,627, 2009 General Obligation Bond due in annual principal and interest installments through October 2019. This is a ARRA drinking water state revolving loan so no interest is charged. Annual principal payments are either \$500 or \$11,226.	<u>157,670</u>
	<u><u>\$ 1,261,471</u></u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

<u>Year</u>	<u>Business-type Activities</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 303,080	\$ 26,002	\$ 329,082
2014	102,800	19,895	122,695
2015	103,852	18,843	122,695
2016	104,951	17,744	122,695
2017	106,100	16,596	122,696
2018-2022	351,052	63,857	414,909
2023-2027	189,636	26,318	215,954
	<u>\$ 1,261,471</u>	<u>\$ 189,255</u>	<u>\$ 1,450,726</u>

NOTE 6 – SHORT-TERM DEBT

On May 25, 2012, the Town issued a bond anticipation note in anticipation of a bond during the next fiscal year. The note allowed for a principal draw of \$300,000 at 3.56% interest with a maturity date of October 31, 2012.

Short-term debt activity for the year ended June 30, 2012, was as follows:

	<u>Balance, 7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, 6/30/12</u>
Bond anticipation note	\$ -	\$ 300,000	\$ -	\$ 300,000
Totals	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures were overspent at June 30, 2012:

General expense account (Article 6)	\$	60,853
Unfunded liability (Article 32)		124,060
Non-appropriated:		
County tax		2
Plumbing permits		3,027
		<u>3,027</u>
	\$	<u>187,942</u>

NOTE 8 – RESTRICTED FUND BALANCES

At June 30, 2012, the Town had the following restricted fund balances:

Lenna Clark cemetery trust	\$	392,908
Cemetery trust		726,854
Nonmajor permanent funds (Schedule F)		21,738
		<u>21,738</u>
	\$	<u>1,141,500</u>

NOTE 9 – NONSPENDABLE FUND BALANCES

At June 30, 2012, the Town had the following nonspendable fund balances:

Tax acquired property	\$	2,979
Prepaid expenses		82,332
Inventory		122,223
		<u>122,223</u>
	\$	<u>207,534</u>

NOTE 10 – COMMITTED FUND BALANCES

At June 30, 2012, the Town had the following committed fund balances:

Cable TV	\$	20,222
General fund FY 2013 use of fund balance		250,000
Highway improvement reserve		291,391
Nonmajor capital project funds (Schedule D)		229,724
		<u>229,724</u>
	\$	<u>791,337</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 – ASSIGNED FUND BALANCES

At June 30, 2012, the Town had the following assigned fund balances:

Triumph Restoration	\$	4,138
Property Tax Assistance Ordinance		6,469
Recreation Donation		858
Purchase of Prime Land		130,000
Emergency Management		741
Update Properties		5,000
Boundary Surveys		31,163
ADA Repairs and Modifications		11,004
EPA Stormwater		14,041
BEBA		1
Rochester Street Project		70,000
		<u>70,000</u>
	\$	<u>273,415</u>

NOTE 12 – PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker’s compensation coverage. The Town’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member Town’s for claims in excess of \$400,000 with an excess limit of \$2,000,000.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 – OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2012, the Town's share was approximately:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 9,900,000	7.18%	\$ 710,820
RSU No. 60	13,471,261	37.92%	<u>5,108,302</u>
			<u>\$ 5,819,122</u>

NOTE 14 – DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333 or by calling (800) 451-9800.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLD's Consolidated Board of Trustees. The Town's employees are required to contribute 6.5% of their annual salary. The Town is required to contribute based upon actuarially determined rates along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of June 30, 2012, the Town had an unfunded actuarial accrued liability credit computed using the actuarial method used for funding purposes. (The amount of the unfunded actuarial accrued liability credit as of June 30, 2012 is not currently available.) This credit is being used to reduce future contributions and is being amortized over a closed period of 10 years. Actual plan contributions made by the Town and employees after the unfunded actuarial accrued liability credit was deducted from the annual pension cost were \$200,499, \$162,502 and \$135,884 for the years ended June 30, 2012, 2011 and 2010, respectively.

NOTE 15 – DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –
RETIREMENT CORPORATION

A. Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all employees, permits them to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Selectmen. For employees that choose to participate in the 457 plan alone, the Town will contribute up to 4% of annual salary. For the Town's employees that participate in the Town's defined benefit plan, the Town will contribute an amount up to 2% of their annual salary. For both employee groups, there are no minimum deferral requirements to receive the Town's contributions. The employee's and the Town's matching contribution vests 100% with the employee when contributed.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 15 – DEFERRED COMPENSATION PLAN (CONTINUED)

The Town's contributions to the plan including employee contributions for 2012, 2011, and 2010 were \$58,863, \$55,737, and \$59,564, respectively.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$148,641 for the year ended June 30, 2012, and \$121,792 for the year ended June 30, 2011.

NOTE 16 – LEASE COMMITMENT

On August 31, 2011 the Town signed a 75 year ground lease with Bateman Investments, LLC to lease certain land and structures to the lessee for \$1 per year. The lease allows the lessee to perform certain improvements and repairs to the property as outlined in the agreement. The lessee will be the owner of all improvements to the property until such time as the lease expires at which time the lessor becomes the owner of the improvements.

NOTE 17 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 18 – RESTATEMENT OF NET ASSETS

Net assets for the business-type activities have been restated by \$41,701 from \$3,083,794 to \$3,125,495 for capital asset differences for depreciation from the prior year. Net assets for the governmental type activities have also been restated for the purpose of capital asset differences for depreciation by \$109,136.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

TOWN OF BERWICK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 2,296,941	\$ 2,296,941	\$ 2,296,941	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	8,796,781	8,796,781	8,679,329	(117,452)
Excise Taxes	965,000	965,000	1,051,119	86,119
Intergovernmental Revenues:				
State Revenue Sharing	460,335	460,335	503,596	43,261
Homestead Reimbursement	112,688	112,688	76,104	(36,584)
Local Road Assistance	66,100	66,324	66,324	-
Other	19,115	19,115	35,982	16,867
Interest Income	19,500	19,500	49,687	30,187
Charges for Service	85,500	103,000	183,365	80,365
Miscellaneous Revenues	16,000	56,000	93,830	37,830
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	<u>12,837,960</u>	<u>12,895,684</u>	<u>13,036,277</u>	<u>140,593</u>
Charges to Appropriations (Outflows):				
Current:				
General Government	1,033,730	1,033,730	1,061,820	(28,090)
Public Safety	1,952,260	1,952,260	1,869,810	82,450
Public Works	694,898	694,898	540,094	154,804
Recreation and Culture	154,462	171,962	168,522	3,440
Education	5,577,404	5,577,404	5,577,404	-
County Tax	313,086	313,086	313,088	(2)
Health and Welfare	534,629	534,629	462,033	72,596
Outside Appropriations	74,156	74,156	62,233	11,923
Unclassified	106,660	172,680	209,943	(37,263)
Transfers to Other Funds	449,734	449,958	449,958	-
Total Charges to Appropriations	<u>10,891,019</u>	<u>10,974,763</u>	<u>10,714,905</u>	<u>259,858</u>
Budgetary Fund Balance, June 30	<u>\$ 1,946,941</u>	<u>\$ 1,920,921</u>	<u>\$ 2,321,372</u>	<u>\$ 400,451</u>
Utilization of unassigned fund balance	\$ 350,000	\$ 350,000	\$ -	\$ (350,000)
Utilization of assigned fund balance	-	26,020	-	(26,020)
	<u>\$ 350,000</u>	<u>\$ 376,020</u>	<u>\$ -</u>	<u>\$ (376,020)</u>

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

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General expense account	\$ 183,455	\$ -	\$ 183,455	\$ 244,308	\$ (60,853)
Assessors	100,536	-	100,536	86,333	14,203
Town administration	508,851	-	508,851	501,131	7,720
Town Hall	123,600	-	123,600	121,519	2,081
Planning Department	117,288	-	117,288	108,529	8,759
	<u>1,033,730</u>	<u>-</u>	<u>1,033,730</u>	<u>1,061,820</u>	<u>(28,090)</u>
Public Safety -					
Police	1,256,657	-	1,256,657	1,230,136	26,521
Fire Department	513,347	-	513,347	502,907	10,440
Hydrants	182,256	-	182,256	136,767	45,489
	<u>1,952,260</u>	<u>-</u>	<u>1,952,260</u>	<u>1,869,810</u>	<u>82,450</u>
Public Works -					
Highway	624,898	-	624,898	540,094	84,804
MDOT - Rochester Rd project	70,000	-	70,000	-	70,000
	<u>694,898</u>	<u>-</u>	<u>694,898</u>	<u>540,094</u>	<u>154,804</u>
Recreation and Culture -					
Parks & Recreation	84,962	17,500	102,462	99,022	3,440
Berwick Library Association	69,500	-	69,500	69,500	-
	<u>154,462</u>	<u>17,500</u>	<u>171,962</u>	<u>168,522</u>	<u>3,440</u>
Education	<u>5,577,404</u>	<u>-</u>	<u>5,577,404</u>	<u>5,577,404</u>	<u>-</u>

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
County tax	313,086	-	313,086	313,088	(2)
Health And Welfare -					
Refuse disposal	494,629	-	494,629	428,690	65,939
General assistance	40,000	-	40,000	33,343	6,657
	<u>534,629</u>	<u>-</u>	<u>534,629</u>	<u>462,033</u>	<u>72,596</u>
Outside Appropriations -					
Ambulance service	34,193	-	34,193	33,692	501
Nursing service	7,636	-	7,636	-	7,636
Sexual Assault Response Services	1,000	-	1,000	-	1,000
York County Shelter	1,000	-	1,000	1,000	-
Christmas decorations	630	-	630	630	-
Memorial Day parade	900	-	900	1,200	(300)
Seacoast Shipyard Asociation	500	-	500	500	-
So. Maine Area Agency on Aging	2,000	-	2,000	2,000	-
American Red Cross	750	-	750	750	-
York County Commumity Action	2,000	-	2,000	2,000	-
Caring Unlimited	1,886	-	1,886	-	1,886
Counseling Service	2,000	-	2,000	2,000	-
Coast Bus Service	6,461	-	6,461	6,461	-
American Legion	2,700	-	2,700	1,500	1,200
Table of Plenty	500	-	500	500	-
Green Works Land Trust	10,000	-	10,000	10,000	-
	<u>74,156</u>	<u>-</u>	<u>74,156</u>	<u>62,233</u>	<u>11,923</u>

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Operational contingency	20,000	-	20,000	8,355	11,645
Unfunded liability	18,000	16,289	34,289	158,349	(124,060)
Federal stormwater program	13,500	-	13,500	10,162	3,338
Plumbing permits	-	-	-	3,027	(3,027)
Property tax assistance ordinance	-	7,680	7,680	1,211	6,469
Community television	-	40,000	40,000	27,530	12,470
BEBA fuel assistance	-	247	247	247	-
BEBA	-	804	804	803	1
Emergency management	-	1,000	1,000	259	741
Overlay	55,160	-	55,160	-	55,160
	<u>106,660</u>	<u>66,020</u>	<u>172,680</u>	<u>209,943</u>	<u>(37,263)</u>
Transfer to other funds					
Capital projects	428,100	224	428,324	428,324	-
Water department	21,634	-	21,634	21,634	-
	<u>449,734</u>	<u>224</u>	<u>449,958</u>	<u>449,958</u>	<u>-</u>
Totals	<u>\$ 10,891,019</u>	<u>\$ 83,744</u>	<u>\$ 10,974,763</u>	<u>\$ 10,714,905</u>	<u>\$ 259,858</u>

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

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 21,738	\$ 21,738
Due from other funds	229,724	-	229,724
TOTAL ASSETS	<u>\$ 229,724</u>	<u>\$ 21,738</u>	<u>\$ 251,462</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	21,738	21,738
Committed	229,724	-	229,724
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>229,724</u>	<u>21,738</u>	<u>251,462</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 229,724</u>	<u>\$ 21,738</u>	<u>\$ 251,462</u>

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

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental revenue	\$ -	\$ -	\$ -
Interest income	-	48	48
Other	-	-	-
TOTAL REVENUES	<u>-</u>	<u>48</u>	<u>48</u>
EXPENDITURES			
Administration	7,449	-	7,449
Program expense	4,707	-	4,707
Capital outlay	90,078	-	90,078
Other	-	-	-
TOTAL EXPENDITURES	<u>102,234</u>	<u>-</u>	<u>102,234</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(102,234)</u>	<u>48</u>	<u>(102,186)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer in	112,000	-	112,000
Operating transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>112,000</u>	<u>-</u>	<u>112,000</u>
NET CHANGE IN FUND BALANCES	9,766	48	9,814
FUND BALANCES, JULY 1	<u>219,958</u>	<u>21,690</u>	<u>241,648</u>
FUND BALANCES, JUNE 30	<u><u>\$ 229,724</u></u>	<u><u>\$ 21,738</u></u>	<u><u>\$ 251,462</u></u>

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds. The projects also include significant purchases of vehicles and equipment, as well as the servicing of leases and bonds associated with those purchases. Projects are generally segregated by the related Town department managing the project.

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Civil Defense	Highway Equipment Reserve	Fire Department Reserve	Recreation Improvement Reserve
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	3,263	147,661	6,780	6,633
TOTAL ASSETS	<u>\$ 3,263</u>	<u>\$ 147,661</u>	<u>\$ 6,780</u>	<u>\$ 6,633</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	3,263	147,661	6,780	6,633
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>3,263</u>	<u>147,661</u>	<u>6,780</u>	<u>6,633</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,263</u>	<u>\$ 147,661</u>	<u>\$ 6,780</u>	<u>\$ 6,633</u>

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2012

	Transfer Station Reserve	Police Department Reserve	Town Hall Reserve	Water Department Reserve	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	4,103	25,976	15,308	20,000	229,724
TOTAL ASSETS	\$ 4,103	\$ 25,976	\$ 15,308	\$ 20,000	\$ 229,724
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	4,103	25,976	15,308	20,000	229,724
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	4,103	25,976	15,308	20,000	229,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,103	\$ 25,976	\$ 15,308	\$ 20,000	\$ 229,724

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

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Civil Defense	Highway Equipment Reserve	Fire Department Reserve	Recreation Improvement Reserve
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Administration	-	-	-	-
Program expense	-	2,902	-	-
Capital outlay	-	-	7,449	-
TOTAL EXPENDITURES	<u>-</u>	<u>2,902</u>	<u>7,449</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(2,902)</u>	<u>(7,449)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(2,902)	(7,449)	-
FUND BALANCES, JULY 1	<u>3,263</u>	<u>150,563</u>	<u>14,229</u>	<u>6,633</u>
FUND BALANCES, JUNE 30	<u>\$ 3,263</u>	<u>\$ 147,661</u>	<u>\$ 6,780</u>	<u>\$ 6,633</u>

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Transfer Station Reserve	Police Department Reserve	Town Hall Reserve	Water Department Reserve	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Administration	-	-	7,449	-	7,449
Program expense	1,000	805	-	-	4,707
Capital outlay	-	32,782	49,847	-	90,078
TOTAL EXPENDITURES	1,000	33,587	57,296	-	102,234
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,000)	(33,587)	(57,296)	-	(102,234)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	48,000	64,000	-	112,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	48,000	64,000	-	112,000
NET CHANGE IN FUND BALANCES	(1,000)	14,413	6,704	-	9,766
FUND BALANCES, JULY 1	5,103	11,563	8,604	20,000	219,958
FUND BALANCES, JUNE 30	\$ 4,103	\$ 25,976	\$ 15,308	\$ 20,000	\$ 229,724

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Berwick, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2012

	McCue Lord Trust	Lord's Cemetery Maintenance	300th Anniversary	Monument Fund	Webster Cemetery	Lenna Clark Cemetery Road	Totals
ASSETS							
Cash and cash equivalents	\$ 1,185	\$ 1,185	\$ 6,835	\$ 833	\$ 4,186	\$ 7,514	\$ 21,738
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,185</u>	<u>\$ 1,185</u>	<u>\$ 6,835</u>	<u>\$ 833</u>	<u>\$ 4,186</u>	<u>\$ 7,514</u>	<u>\$ 21,738</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,185	1,185	6,835	833	4,186	7,514	21,738
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,185</u>	<u>1,185</u>	<u>6,835</u>	<u>833</u>	<u>4,186</u>	<u>7,514</u>	<u>21,738</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,185</u>	<u>\$ 1,185</u>	<u>\$ 6,835</u>	<u>\$ 833</u>	<u>\$ 4,186</u>	<u>\$ 7,514</u>	<u>\$ 21,738</u>

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

TOWN OF BERWICK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	McCue Lord Trust	Lord's Cemetery Maintenance	300th Anniversary	Monument Fund	Webster Cemetery	Lenna Clark Cemetery Road	Totals
REVENUES							
Interest income	\$ 3	\$ 3	\$ 15	\$ 2	\$ 9	\$ 16	\$ 48
TOTAL REVENUES	<u>3</u>	<u>3</u>	<u>15</u>	<u>2</u>	<u>9</u>	<u>16</u>	<u>48</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3</u>	<u>3</u>	<u>15</u>	<u>2</u>	<u>9</u>	<u>16</u>	<u>48</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3	3	15	2	9	16	48
FUND BALANCES, JULY 1	<u>1,182</u>	<u>1,182</u>	<u>6,820</u>	<u>831</u>	<u>4,177</u>	<u>7,498</u>	<u>21,690</u>
FUND BALANCES, JUNE 30	<u>\$ 1,185</u>	<u>\$ 1,185</u>	<u>\$ 6,835</u>	<u>\$ 833</u>	<u>\$ 4,186</u>	<u>\$ 7,514</u>	<u>\$ 21,738</u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

TOWN OF BERWICK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2012

	Land and Non-depreciable Assets	Buildings Buildings Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Administration	\$ -	\$ 160,000	\$ 97,107	\$ -	\$ 257,107
Recycling	98,100	36,301	-	-	134,401
Fire	77,200	89,627	1,781,158	-	1,947,985
Police	-	196,690	476,158	-	672,848
Public Works	74,200	107,728	1,100,462	3,237,527	4,519,917
Recreation	58,200	155,992	11,529	-	225,721
Water	148,646	1,475,014	1,115,781	3,702,984	6,442,425
Town Wide	<u>255,600</u>	<u>318,967</u>	<u>-</u>	<u>-</u>	<u>574,567</u>
 Total General Capital Assets	 711,946	 2,540,319	 4,582,195	 6,940,511	 14,774,971
 Less: Accumulated Depreciation	 <u>-</u>	 <u>(1,205,657)</u>	 <u>(2,733,680)</u>	 <u>(1,197,699)</u>	 <u>(5,137,036)</u>
 Net General Capital Assets	 <u>\$ 711,946</u>	 <u>\$ 1,334,662</u>	 <u>\$ 1,848,515</u>	 <u>\$ 5,742,812</u>	 <u>\$ 9,637,935</u>

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

TOWN OF BERWICK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2012

	General Capital Assets 7/1/11	Additions	Deletions	General Capital Assets 6/30/12
Administration	\$ 257,107	\$ -	\$ -	\$ 257,107
Recycling	134,401	-	-	134,401
Fire	1,947,985	-	-	1,947,985
Police	642,505	30,343	-	672,848
Public Works	4,228,044	291,873	-	4,519,917
Recreation	218,721	7,000	-	225,721
Water	6,442,425	-	-	6,442,425
Town Wide	<u>574,567</u>	<u>-</u>	<u>-</u>	<u>574,567</u>
 Total General Capital Assets	 14,445,755	 329,216	 -	 14,774,971
 Less: Accumulated Depreciation	 <u>(4,736,046)</u>	 <u>(400,990)</u>	 <u>-</u>	 <u>(5,137,036)</u>
 Net General Capital Assets	 <u>\$ 9,709,709</u>	 <u>\$ (71,774)</u>	 <u>\$ -</u>	 <u>\$ 9,637,935</u>

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