

Audited Financial Statements

Town of Berwick, Maine

June 30, 2013



Proven Expertise and Integrity

TOWN OF BERWICK, MAINE

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JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Berwick
Berwick, Maine

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and budgetary comparison information on page 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berwick, Maine's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RHR Smith & Company

Buxton, Maine
August 14, 2013

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013
(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, 2013. 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 Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position 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 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 position, and changes in net position of the Town's governmental activities. The Town's total governmental net position increased by \$424,315 from \$9,918,421 to \$10,342,736. The Town's total business-type net position increased by \$222,714 from \$3,175,424 to \$3,398,138.

Unrestricted net position - the part of net position 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 \$3,693,003 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$502,236.

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

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Assets				
Current and other assets	\$ 5,544,981	\$ 4,920,270	\$ 550,131	\$ 510,533
Capital assets	5,416,090	5,387,648	4,154,293	4,250,287
Total assets	10,961,071	10,307,918	4,704,424	4,760,820
Liabilities				
Current liabilities	405,873	290,275	162,575	616,829
Long-term debt outstanding	212,462	99,222	1,143,711	968,567
Total liabilities	618,335	389,497	1,306,286	1,585,396
Net Position				
Invested in capital assets, net of related debt	5,416,090	5,387,648	2,895,902	2,988,816
Restricted for: permanent funds	1,233,643	1,141,500	-	-
Unrestricted	3,693,003	3,389,273	502,236	186,608
Total net position	\$ 10,342,736	\$ 9,918,421	\$ 3,398,138	\$ 3,175,424

Revenues and Expenses

Revenues for the Town's governmental activities increased by 8.99%, while total expenses increased by 8.78%. The largest increase in revenues was property tax and the largest increase in expenses was in education.

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 Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues				
Taxes:				
Property	\$ 9,519,471	\$ 8,818,860	\$ -	\$ -
Excise	1,099,488	1,051,119	-	-
Intergovernmental	763,647	682,006	-	-
Charges for service	214,465	183,365	606,437	521,379
Investment income	119,888	-	-	-
Miscellaneous	133,082	136,252	98,199	2,058
Total revenues	<u>11,850,041</u>	<u>10,871,602</u>	<u>704,636</u>	<u>523,437</u>
Expenses				
General government	1,195,641	981,631	-	-
Public Safety	1,978,323	2,112,025	-	-
Public Works	653,865	656,375	-	-
Recreation & culture	167,080	170,363	-	-
Education	6,390,036	5,577,404	-	-
County tax	319,310	313,088	-	-
Health & welfare	473,358	462,940	-	-
Outside Appropriations	63,574	62,233	-	-
Unclassified	186,357	167,858	473,556	495,142
Unallocated depreciation (Note 4)	6,548	6,548	-	-
Total expenses	<u>11,434,092</u>	<u>10,510,465</u>	<u>473,556</u>	<u>495,142</u>
Net transfers	<u>8,366</u>	<u>(21,634)</u>	<u>(8,366)</u>	<u>21,634</u>
Change in net position	424,315	339,503	222,714	49,929
Net position - July 1	<u>9,918,421</u>	<u>9,578,918</u>	<u>3,175,424</u>	<u>3,125,495</u>
Net position - June 30	<u>\$ 10,342,736</u>	<u>\$ 9,918,421</u>	<u>\$ 3,398,138</u>	<u>\$ 3,175,424</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,

	2013	2012
Major Funds:		
General fund:		
Nonspendable	\$ 147,055	\$ 207,534
Committed	-	270,222
Assigned	440,870	273,415
Unassigned	1,617,078	1,570,201
Subtotal General Fund	2,205,003	2,321,372
Highway improvement reserve:		
Committed	504,146	291,391
Lena Clark trust:		
Nonspendable	402,736	375,244
Restricted	28,703	17,664
Cemetery trust:		
Restricted	778,726	726,854
Total Major Funds	\$ 3,919,314	\$ 3,732,525
Nonmajor Funds:		
Capital Projects:		
Restricted	\$ 4,999	\$ -
Committed	26,688	-
Assigned	48,201	-
Capital Projects:		
Committed	249,654	229,724
Permanent funds:		
Restricted	18,479	21,738
Total Nonmajor Funds	\$ 348,021	\$ 251,462

The general fund total fund balance decreased by \$116,369 from the prior fiscal year, the highway improvement reserve increased by \$212,755, the Lena Clark trust increased by \$38,531 and the cemetery trust increased by \$51,872. The non-major fund balances increased by \$96,559 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 position for the current year of \$222,714, and total net position of \$3,398,138.

Budgetary Highlights

There were no significant differences between the original and final budget for the general fund. Carry forwards utilized and transfer of funds to special revenue funds have been presented as budget adjustments.

The general fund actual revenues exceeded the budget by \$49,312. This was a result of most revenues recognized in excess of budgeted amounts, except for property taxes which was under received by \$227,660.

The general fund actual expenditures were under the budget by \$247,266. All expenditures were under budget with the exception of general government.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013, the net book value of capital assets recorded by the Town decreased by \$67,552. Refer to Note 4 of Notes to Financial Statements for more detailed information.

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

	2013	2012
Land and other non depreciable assets	\$ 713,415	\$ 700,946
Buildings and improvements, land improvements	1,301,503	1,334,662
Machinery and equipment	938,090	1,010,432
Vehicles	854,613	838,083
Art work and historical treasures	11,000	11,000
Infrastructure	5,751,762	5,742,812
Total	\$ 9,570,383	\$ 9,637,935

Long-Term Debt Activity

At June 30, 2013, the Town had \$1,258,391 in bonds outstanding versus \$1,261,471 last year. Other obligations include accrued vacation and sick time. Refer to Note 5 of Notes to Financial Statements for more detailed information.

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 11 Sullivan Street, Berwick, Maine 03901.

STATEMENT A

TOWN OF BERWICK, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 621,963	\$ 356,494	\$ 978,457
Investments	3,562,249	-	3,562,249
Accounts receivable (net of allowance for uncollectibles):			
Taxes	776,675	-	776,675
Liens	391,871	-	391,871
Other	9,970	169,878	179,848
Due from other governments	15,589	9,739	25,328
Tax acquired property	2,979	-	2,979
Prepaid expenses	51,870	-	51,870
Inventory	92,206	28,619	120,825
Internal balances	19,609	(19,609)	-
Total current assets	<u>5,544,981</u>	<u>545,121</u>	<u>6,090,102</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, & other assets not being depreciated	563,300	161,115	724,415
Buildings & equipment, net of accumulated depreciation	4,852,790	3,993,178	8,845,968
Total noncurrent assets	<u>5,416,090</u>	<u>4,154,293</u>	<u>9,570,383</u>
Other assets:			
Bond issuance costs(net of amortization)	-	5,010	5,010
Total other assets	<u>-</u>	<u>5,010</u>	<u>5,010</u>
TOTAL ASSETS	<u><u>\$ 10,961,071</u></u>	<u><u>\$ 4,704,424</u></u>	<u><u>\$ 15,665,495</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 207,696	\$ 20,597	\$ 228,293
Accrued payroll and related benefits	36,920	3,137	40,057
Due to other governments	115	-	115
Other liabilities	161,142	6,040	167,182
Current portion of long-term obligations	-	132,801	132,801
Total current liabilities	<u>405,873</u>	<u>162,575</u>	<u>568,448</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	-	1,125,590	1,125,590
Accrued compensated absences	212,462	18,121	230,583
Unamortized bond premium	-	-	-
Total noncurrent liabilities	<u>212,462</u>	<u>1,143,711</u>	<u>1,356,173</u>
TOTAL LIABILITIES	<u>618,335</u>	<u>1,306,286</u>	<u>1,924,621</u>
NET POSITION			
Invested in capital assets, net of related debt	5,416,090	2,895,902	8,311,992
Restricted	1,233,643	-	1,233,643
Unrestricted	3,693,003	502,236	4,195,239
TOTAL NET POSITION	<u>10,342,736</u>	<u>3,398,138</u>	<u>13,740,874</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 10,961,071</u></u>	<u><u>\$ 4,704,424</u></u>	<u><u>\$ 15,665,495</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, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Total Governmental Activities	Business type Activities	Total
Governmental activities:						
General government	\$ 1,195,641	\$ 22,063	\$ -	\$ (1,173,578)	\$ -	\$ (1,173,578)
Public Safety	1,978,323	22,058	-	(1,956,265)	-	(1,956,265)
Public Works	653,865	10,461	-	(643,404)	-	(643,404)
Recreation & culture	167,080	68,395	-	(98,685)	-	(98,685)
Education	6,390,036	-	-	(6,390,036)	-	(6,390,036)
County tax	319,310	-	-	(319,310)	-	(319,310)
Health & welfare	473,358	36,990	-	(436,368)	-	(436,368)
Outside Appropriations	63,574	-	-	(63,574)	-	(63,574)
Unclassified	186,357	54,498	-	(131,859)	-	(131,859)
Unallocated depreciation (Note 4)	6,548	-	-	(6,548)	-	(6,548)
Total governmental activities	11,434,092	214,465	-	(11,219,627)	-	(11,219,627)
Business-type activities:						
Water department	473,556	606,437	-	-	132,881	132,881
Total business-type activities	473,556	606,437	-	-	132,881	132,881
Total government	\$ 11,907,648	\$ 820,902	\$ -	(11,219,627)	132,881	(11,086,746)

STATEMENT B (CONTINUED)
TOWN OF BERWICK, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business-type Activities	Totals
Changes in net position:			
Net (expense) revenue	(11,219,627)	132,881	(11,086,746)
General revenues:			
Property taxes, levied for general purposes	9,519,471	-	9,519,471
Excise taxes	1,099,488	-	1,099,488
Grants and contributions not restricted to specific programs	763,647	-	763,647
Investment income	119,888	-	119,888
Miscellaneous	133,082	98,199	231,281
Transfers	8,366	(8,366)	-
Total general revenues and transfers	11,643,942	89,833	11,733,775
Change in net position	424,315	222,714	647,029
NET POSITION - JULY 1	9,918,421	3,175,424	13,093,845
NET POSITION - JUNE 30	\$ 10,342,736	\$ 3,398,138	\$ 13,740,874

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

TOWN OF BERWICK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Highway Improvement Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 560,073	\$ -	\$ 35,638	\$ 26,252	\$ -	\$ 621,963
Investments	2,413,974	-	395,801	752,474	-	3,562,249
Accounts receivable (net of allowance for uncollectibles):						
Taxes	776,675	-	-	-	-	776,675
Liens	391,871	-	-	-	-	391,871
Other	9,970	-	-	-	-	9,970
Due from other governments	15,589	-	-	-	-	15,589
Tax acquired property	2,979	-	-	-	-	2,979
Prepaid expenses	51,870	-	-	-	-	51,870
Inventory	92,206	-	-	-	-	92,206
Due from other funds	19,609	504,146	-	-	354,089	877,844
TOTAL ASSETS	\$ 4,334,816	\$ 504,146	\$ 431,439	\$ 778,726	\$ 354,089	\$ 6,403,216
LIABILITIES						
Accounts payable	\$ 201,628	\$ -	\$ -	\$ -	\$ 6,068	\$ 207,696
Accrued payroll and related benefits	36,920	-	-	-	-	36,920
Due to other governments	115	-	-	-	-	115
Deferred tax revenue	871,773	-	-	-	-	871,773
Other liabilities	161,142	-	-	-	-	161,142
Due to other funds	858,235	-	-	-	-	858,235
TOTAL LIABILITIES	2,129,813	-	-	-	6,068	2,135,881
FUND BALANCES						
Nonspendable	147,055	-	402,736	-	-	549,791
Restricted	-	-	28,703	778,726	23,478	830,907
Committed	-	504,146	-	-	276,342	780,488
Assigned	440,870	-	-	-	48,201	489,071
Unassigned	1,617,078	-	-	-	-	1,617,078
TOTAL FUND BALANCES	2,205,003	504,146	431,439	778,726	348,021	4,267,335
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,334,816	\$ 504,146	\$ 431,439	\$ 778,726	\$ 354,089	\$ 6,403,216

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 POSITION
JUNE 30, 2013

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 4,267,335
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	5,416,090
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	871,773
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	<u>(212,462)</u>
Net position of governmental activities	<u><u>\$ 10,342,736</u></u>

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, 2013

	General Fund	Highway Improvement Reserve	Lena Clark Trust	Cemetery Trust	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property taxes	\$ 9,293,705	\$ -	\$ -	\$ -	\$ -	\$ 9,293,705
Excise taxes	1,099,488	-	-	-	-	1,099,488
Intergovernmental revenues	697,323	66,324	-	-	-	763,647
Charges for service	79,164	-	-	5,600	129,701	214,465
Investment income, net of unrealized gains/(losses)	2,241	-	39,580	78,028	39	119,888
Miscellaneous revenues	114,295	-	-	-	18,787	133,082
TOTAL REVENUES	11,286,216	66,324	39,580	83,628	148,527	11,624,275
EXPENDITURES						
Current:						
General government	1,072,933	-	-	-	-	1,072,933
Public safety	1,933,120	-	-	-	-	1,933,120
Public works	529,789	-	-	-	-	529,789
Recreation & culture	164,239	-	-	-	-	164,239
Education	6,390,036	-	-	-	-	6,390,036
County tax	319,310	-	-	-	-	319,310
Health & welfare	472,450	-	-	-	-	472,450
Outside appropriations	63,574	-	-	-	-	63,574
Unclassified	58,804	-	1,049	31,756	94,757	186,366
Capital outlay	-	173,569	-	-	43,907	217,476
TOTAL EXPENDITURES	11,004,255	173,569	1,049	31,756	138,664	11,349,293
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	281,961	(107,245)	38,531	51,872	9,863	274,982
OTHER FINANCING SOURCES (USES)						
Operating transfers in	40,000	320,000	-	-	96,696	456,696
Operating transfers (out)	(438,330)	-	-	-	(10,000)	(448,330)
TOTAL OTHER FINANCING SOURCES (USES)	(398,330)	320,000	-	-	86,696	8,366
NET CHANGE IN FUND BALANCES	(116,369)	212,755	38,531	51,872	96,559	283,348
FUND BALANCES - JULY 1	2,321,372	291,391	392,908	726,854	251,462	3,983,987
FUND BALANCES - JUNE 30	\$ 2,205,003	\$ 504,146	\$ 431,439	\$ 778,726	\$ 348,021	\$ 4,267,335

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, 2013

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 283,348</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	353,213
Capital assets disposed	(46,435)
Depreciation expense	<u>(278,336)</u>
	<u>28,442</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>(113,240)</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>225,765</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 424,315</u></u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Enterprise Funds</u> <u>Water</u> <u>Department</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 356,494
Accounts receivable (net of allowance for uncollectibles)	169,878
Due from other governments	9,739
Inventory	28,619
Due from other funds	-
Total current assets	<u>564,730</u>
Noncurrent assets:	
Land and other non depreciated assets	161,115
Buildings and improvements	1,475,014
Vehicles and equipment	1,127,337
Plant / infrastructure	3,702,984
Total capital assets	<u>6,466,450</u>
Less: accumulated depreciation	<u>(2,312,157)</u>
Total noncurrent assets	<u>4,154,293</u>
Other assets:	
Bond issuance costs (net of amortization)	<u>5,010</u>
Total other assets	<u>5,010</u>
TOTAL ASSETS	<u><u>\$ 4,724,033</u></u>
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	\$ 20,597
Accrued payroll and related liabilities	3,137
Accrued interest	6,040
Due to other funds	19,609
Current portion of long-term debt	132,801
Total current liabilities	<u>182,184</u>
Noncurrent liabilities:	
Bonds payable	1,125,590
Accrued compensated absences	18,121
Total noncurrent liabilities	<u>1,143,711</u>
TOTAL LIABILITIES	<u>1,325,895</u>
NET POSITION	
Invested in capital assets, net of related debt	2,895,902
Unrestricted	502,236
TOTAL NET POSITION	<u>3,398,138</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,724,033</u></u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds
	Water Department
OPERATING REVENUES	
Charges for service	\$ 606,437
Other	97,588
TOTAL OPERATING REVENUES	704,025
OPERATING EXPENSES	
Labor and salaries	130,673
Employee benefits	25,783
Payroll taxes	12,882
Audit services	1,900
Contract labor and other services	7,740
Operating supplies	36,216
Equipment / equipment maintenance	9,235
Purchase of power	19,401
Utilities	7,909
Water testing	3,135
Sewer disposal	34,497
Postage	2,094
Clothing	3,386
Depreciation	120,019
Amortization	19,110
Miscellaneous	9,590
TOTAL OPERATING EXPENSES	443,570
OPERATING INCOME (LOSS)	260,455
NONOPERATING REVENUES (EXPENSES)	
Interest income	611
Interest expense	(29,986)
Operating transfers in	21,634
Operating transfers (out)	(30,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	(37,741)
CHANGE IN NET POSITION	222,714
NET POSITION - JULY 1	3,175,424
NET POSITION - JUNE 30	\$ 3,398,138

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, 2013

	<u>Enterprise Funds</u>
	Water
	<u>Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 816,229
Other receipts	97,588
Payments to employees	(127,536)
Payments to suppliers	(152,436)
Net cash provide (used) by operating activities	<u>633,845</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers to other funds, net	(8,366)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments on bond payable	(29,986)
Principal payments on bond payable	(303,080)
Purchase of capital assets	(24,025)
Net cash provided (used) by capital and related financing activities	<u>(357,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	611
Net cash provided (used) by investing activities	<u>611</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	268,999
CASH AND CASH EQUIVALENTS - JULY 1	<u>87,495</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 356,494</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 260,455
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	120,019
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(96,875)
(Increase) decrease in inventory	4,959
(Increase) decrease in due from other governments	(9,739)
(Increase) decrease in due from other funds	293,865
(Increase) decrease in unamortized deferred refunding	17,266
(Increase) decrease in bond costs	316
(Decrease) increase in deferred revenue	(3,778)
(Decrease) increase in accounts payable	20,597
(Decrease) increase in accrued payroll	3,137
(Decrease) increase in accrued interest	(3,931)
(Decrease) increase in due to other funds	19,609
(Decrease) increase in unamortized bond premium	(1,915)
(Decrease) increase in compensated absences	9,860
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 633,845</u>

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

TOWN OF BERWICK, MAINE

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private-purpose Trust Funds
	Clark Clement Scholarship
ASSETS	
Cash and cash equivalents	\$ -
Other receivables	37,494
TOTAL ASSETS	\$ 37,494
 LIABILITIES	
Accounts payable	\$ -
TOTAL LIABILITIES	-
 NET POSITION	
Nonspendable	30,000
Restricted	7,494
TOTAL NET POSITION	37,494
 TOTAL LIABILITIES AND NET POSITION	 \$ 37,494

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

TOWN OF BERWICK, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Private-purpose Trust Funds <u>Clark Clement Scholarship</u>
ADDITIONS	
Investment income	\$ 82
Net increase (decrease) in the fair value of investments	-
Contributions	-
Total additions	<u>82</u>
DEDUCTIONS	
Scholarships	1,200
Misc fees	-
Total deductions	<u>1,200</u>
Change in net position	(1,118)
NET POSITION - JULY 1	<u>38,612</u>
NET POSITION - JUNE 30	<u><u>\$ 37,494</u></u>

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

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 Position, 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 position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. Component units that are fiduciary in nature have been excluded from these 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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 position and changes in net position 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, 2013

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, 2013

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, 2013

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, 2013 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, 2013

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 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, 2013, the Town's liability for compensated absences is \$230,583.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 21, 2012 on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. Taxes were due on October 15, 2012 and April 15, 2013. Interest on unpaid taxes commenced on October 16, 2012 and April 16, 2013, 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 \$73,072 for the year ended June 30, 2013.

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.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 – DEPOSITS 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, 2013, the Town's cash balances amounting to \$978,457 were comprised of deposits of \$1,028,476. Of these bank deposits, \$561,890 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$466,586 was insured or collateralized with securities held by the financial institution in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 966,586
Cash equivalents	61,890
	<u>\$ 1,028,476</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – DEPOSITS 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, 2013, the Town's investments were comprised of certificates of deposit of \$2,413,974, equities of \$714,672, fixed income of \$322,214, real estate of \$69,443 and tangible assets of \$41,946. All of this amount was insured or collateralized with securities held by the financial institution in the Town's name.

<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	\$ 2,413,974	\$ -	\$ 2,413,974	\$ -
Equities	714,672	714,672	-	-
Fixed Income	322,214	322,214	-	-
Real estate	69,443	69,443	-	-
Tangible assets	41,946	41,946	-	-
	<u>\$ 3,562,249</u>	<u>\$ 1,148,275</u>	<u>\$ 2,413,974</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, 2013

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 19,609	\$ 858,235
Highway improvement reserve	504,146	-
Enterprise fund	-	19,609
Nonmajor special revenue funds	79,888	-
Nonmajor capital project funds	252,424	-
Nonmajor permanent funds	21,777	-
Totals	<u>\$ 877,844</u>	<u>\$ 877,844</u>

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is as follows:

	Balance, 7/1/12	Additions	Deletions	Balance, 6/30/13
<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	157,328	2,371	-	159,699
Buildings and improvements	907,977	36,031	-	944,008
Machinery & equipment	1,324,873	23,909	(253,354)	1,095,428
Vehicles	2,141,541	161,540	(101,153)	2,201,928
Infrastructure	3,237,527	129,362	-	3,366,889
	<u>7,769,246</u>	<u>353,213</u>	<u>(354,507)</u>	<u>7,767,952</u>
Less: accumulated depreciation	<u>(2,944,898)</u>	<u>(278,336)</u>	<u>308,072</u>	<u>(2,915,162)</u>
	<u>4,824,348</u>	<u>74,877</u>	<u>(46,435)</u>	<u>4,852,790</u>
Net capital assets	<u>\$ 5,387,648</u>	<u>\$ 74,877</u>	<u>\$ (46,435)</u>	<u>\$ 5,416,090</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation

Administration	\$ 9,468
Police	49,857
Fire	84,638
Public works	124,076
Recreation	2,841
Recycling	908
Town-wide	6,548
Total depreciation expense	<u><u>\$ 278,336</u></u>

	<u>Balance, 7/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 6/30/13</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 148,646	\$ -	\$ -	\$ 148,646
Construction in progress	-	12,469	-	12,469
	<u>148,646</u>	<u>12,469</u>	<u>-</u>	<u>161,115</u>
Depreciated assets:				
Land improvements	-	-	-	-
Buildings and improvements	1,475,014	-	-	1,475,014
Machinery & equipment	1,086,113	11,556	-	1,097,669
Vehicles	29,668	-	-	29,668
Infrastructure	3,702,984	-	-	3,702,984
	<u>6,293,779</u>	<u>11,556</u>	<u>-</u>	<u>6,305,335</u>
Less: accumulated depreciation	<u>(2,192,138)</u>	<u>(120,019)</u>	<u>-</u>	<u>(2,312,157)</u>
	<u>4,101,641</u>	<u>(108,463)</u>	<u>-</u>	<u>3,993,178</u>
Net capital assets	<u><u>\$ 4,250,287</u></u>	<u><u>\$ (95,994)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,154,293</u></u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2013:

Governmental activities:

	Balance, 7/1/12	Additions	Deletions	Balance, 6/30/13	Current Portion
Accrued compensated absences	\$ 99,222	\$ 113,240	\$ -	\$ 212,462	\$ -
	<u>\$ 99,222</u>	<u>\$ 113,240</u>	<u>\$ -</u>	<u>\$ 212,462</u>	<u>\$ -</u>

Business-type activities:

	Balance, 7/1/12	Additions	Deletions	Balance, 6/30/13	Current Portion
Bonds payable	\$ 1,261,471	\$ 300,000	\$ (303,080)	\$ 1,258,391	\$ 132,801
Accrued compensated absences	8,261	9,860	-	18,121	-
	<u>\$ 1,269,732</u>	<u>\$ 309,860</u>	<u>\$ (303,080)</u>	<u>\$ 1,276,512</u>	<u>\$ 132,801</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

	<u>Business-type Activities</u>
\$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.	\$ 442,113
\$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.	370,334
\$415,083, 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.	145,944
\$300,000, 2012 General Obligation Bond due in annual principal and semiannual interest payments through November 2022. Interest is charged at a rate between 2.086%-2.410% per annum. Annual principal payments are \$30,000.	<u>300,000</u>
	<u><u>\$ 1,258,391</u></u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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:

Year	Business-type Activities		Total Debt Service
	Principal	Interest	
2014	\$ 132,801	\$ 25,989	\$ 158,790
2015	133,853	24,296	158,149
2016	134,952	22,527	157,479
2017	136,100	20,678	156,778
2018	137,300	18,732	156,032
2019-2023	428,485	59,722	488,207
2024-2028	154,900	23,129	178,029
	<u>\$ 1,258,391</u>	<u>\$ 195,073</u>	<u>\$ 1,453,464</u>

NOTE 6 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures were overspent at June 30, 2013:

General expense account (Article 6)	\$ 56,703
Town administration	15,193
	<u>\$ 71,896</u>

NOTE 7 – RESTRICTED FUND BALANCES

At June 30, 2013, the Town had the following restricted fund balances:

Lena Clark cemetery trust	\$ 28,703
Cemetery trust	778,726
Nonmajor special revenue funds (Schedule D)	4,999
Nonmajor permanent funds (Schedule H)	18,479
	<u>\$ 830,907</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 – NONSPENDABLE FUND BALANCES

At June 30, 2013, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	\$ 2,979
Prepaid expenses	51,870
Inventory	92,206
Lena Clark Trust	402,736
	<u>\$ 549,791</u>

NOTE 9 – COMMITTED FUND BALANCES

At June 30, 2013, the Town had the following committed fund balances:

Highway improvement reserve	\$ 504,146
Nonmajor special revenue funds (Schedule D)	26,688
Nonmajor capital project funds (Schedule F)	249,654
	<u>\$ 780,488</u>

NOTE 10 – ASSIGNED FUND BALANCES

At June 30, 2013, the Town had the following assigned fund balances:

General fund:	
Used for road improvements - 2014	\$ 250,000
Triumph Restoration	4,138
Economic development	5,127
Recreation Donation	858
Purchase of Prime Land	130,000
Emergency Management	350
Update Properties	5,000
Boundary Surveys	31,163
ADA Repairs and Modifications	11,004
EPA Stormwater	3,230
Nonmajor special revenue funds (Schedule D)	48,201
	<u>\$ 489,071</u>

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 – 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.

NOTE 12 – 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, 2013, the Town’s share was approximately:

	<u>Outstanding Debt</u>	<u>Town’s Percentage</u>	<u>Total Share</u>
County of York	\$ 8,900,000	2.00%	\$ 178,000
RSU No. 60	11,933,546	39.39%	4,700,624
			<u><u>\$ 4,878,624</u></u>

NOTE 13 – 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.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 unpoolled 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.

As of June 30, 2013, 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, 2013 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 \$183,262, \$183,981 and \$164,217 for the years ended June 30, 2013, 2012 and 2011, respectively.

NOTE 14 – 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.

TOWN OF BERWICK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – DEFERRED COMPENSATION PLAN (CONTINUED)

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 contributions vest 100% with the employee when contributed.

The Town's contributions to the plan including employee contributions for 2013, 2012, and 2011 were \$59,710, \$58,863, and \$55,737, respectively.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$132,592, \$148,641 and \$121,792 for the years ended June 30, 2013, 2012 and 2011, respectively.

NOTE 15 – 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 16 - 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.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,321,372	\$ 2,321,372	\$ 2,321,372	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	9,521,365	9,521,365	9,293,705	(227,660)
Excise Taxes	1,000,000	1,000,000	1,099,488	99,488
Intergovernmental Revenues:				
State Revenue Sharing	470,499	470,499	483,584	13,085
Homestead Reimbursement	118,078	118,078	127,816	9,738
General assistance	-	-	20,594	20,594
Other	20,712	20,712	65,329	44,617
Interest Income	27,500	27,500	43,891	16,391
Charges for Service	63,750	63,750	79,164	15,414
Miscellaneous Revenues	15,000	15,000	72,645	57,645
Transfers from Other Funds	40,000	40,000	40,000	-
Amounts Available for Appropriation	<u>13,598,276</u>	<u>13,598,276</u>	<u>13,647,588</u>	<u>49,312</u>
Charges to Appropriations (Outflows):				
General Government	1,019,869	1,019,869	1,072,933	(53,064)
Public Safety	1,981,362	1,981,362	1,933,120	48,242
Public Works	594,238	594,238	529,789	64,449
Recreation and Culture	175,862	175,862	164,239	11,623
Education	6,390,063	6,390,063	6,390,036	27
County Tax	319,310	319,310	319,310	-
Health and Welfare	537,929	537,929	472,450	65,479
Outside Appropriations	65,065	65,065	63,574	1,491
Unclassified	146,572	167,823	58,804	109,019
Transfers to Other Funds	326,634	438,330	438,330	-
Total Charges to Appropriations	<u>11,556,904</u>	<u>11,689,851</u>	<u>11,442,585</u>	<u>247,266</u>
Budgetary Fund Balance, June 30	<u>\$ 2,041,372</u>	<u>\$ 1,908,425</u>	<u>\$ 2,205,003</u>	<u>\$ 296,578</u>
Utilization of unassigned fund balance	\$ 280,000	\$ 280,000	\$ -	\$ (280,000)
Utilization of assigned fund balance	-	132,947	-	(132,947)
	<u>\$ 280,000</u>	<u>\$ 412,947</u>	<u>\$ -</u>	<u>\$ (412,947)</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 Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue 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, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General expense account	\$ 211,920	\$ -	\$ 211,920	\$ 268,623	\$ (56,703)
Assessors	93,324	-	93,324	88,215	5,109
Town administration	475,554	-	475,554	490,747	(15,193)
Town Hall	128,600	-	128,600	123,439	5,161
Planning Department	110,471	-	110,471	101,909	8,562
	<u>1,019,869</u>	<u>-</u>	<u>1,019,869</u>	<u>1,072,933</u>	<u>(53,064)</u>
Public Safety -					
Police	1,295,738	-	1,295,738	1,251,264	44,474
Fire Department	503,268	-	503,268	499,500	3,768
Hydrants	182,356	-	182,356	182,356	-
	<u>1,981,362</u>	<u>-</u>	<u>1,981,362</u>	<u>1,933,120</u>	<u>48,242</u>
Public Works -					
Highway	594,238	-	594,238	529,789	64,449
	<u>594,238</u>	<u>-</u>	<u>594,238</u>	<u>529,789</u>	<u>64,449</u>
Recreation and Culture -					
Recreation department	103,362	-	103,362	91,739	11,623
Berwick Library	72,500	-	72,500	72,500	-
	<u>175,862</u>	<u>-</u>	<u>175,862</u>	<u>164,239</u>	<u>11,623</u>
Education	6,390,063	-	6,390,063	6,390,036	27

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
County tax	319,310	-	319,310	319,310	-
Health And Welfare -					
Refuse disposal	458,929	-	458,929	397,384	61,545
Berwick sewer department	39,000	-	39,000	39,000	-
General assistance	40,000	-	40,000	36,066	3,934
	<u>537,929</u>	<u>-</u>	<u>537,929</u>	<u>472,450</u>	<u>65,479</u>
Outside Appropriations -					
Ambulance service	35,287	-	35,287	34,908	379
Nursing service	6,968	-	6,968	6,968	-
Sexual Assault Response Services	1,000	-	1,000	1,000	-
York County Shelter	1,000	-	1,000	1,000	-
Christmas decorations	630	-	630	518	112
Memorial Day parade	1,200	-	1,200	1,200	-
Seacoast Shipyard Asociation	500	-	500	500	-
So. Maine Area Agency on Aging	2,200	-	2,200	2,200	-
American Red Cross	750	-	750	-	750
York County Commumity Action	2,000	-	2,000	2,000	-
Caring Unlimited	1,920	-	1,920	1,920	-
Counseling Service	2,000	-	2,000	2,000	-
Coast Bus Service	6,810	-	6,810	6,810	-
American Legion	1,500	-	1,500	1,500	-
Table of Plenty	750	-	750	750	-
Other	550	-	550	300	250
	<u>65,065</u>	<u>-</u>	<u>65,065</u>	<u>63,574</u>	<u>1,491</u>

TOWN OF BERWICK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Operational contingency	20,000	-	20,000	13,464	6,536
Unfunded liability	15,000	-	15,000	-	15,000
Federal stormwater program	13,500	14,041	27,541	14,148	13,393
Emergency management	-	741	741	390	351
Property tax assistance ordinance	-	6,469	6,469	1,232	5,237
Comprehensive master plan	25,000	-	25,000	19,873	5,127
Overlay	73,072	-	73,072	9,697	63,375
	<u>146,572</u>	<u>21,251</u>	<u>167,823</u>	<u>58,804</u>	<u>109,019</u>
Transfer to other funds -					
Capital projects	305,000	70,000	375,000	375,000	-
Special revenue funds	-	41,696	41,696	41,696	-
Water department	21,634	-	21,634	21,634	-
	<u>326,634</u>	<u>111,696</u>	<u>438,330</u>	<u>438,330</u>	<u>-</u>
Totals	<u>\$ 11,556,904</u>	<u>\$ 132,947</u>	<u>\$ 11,689,851</u>	<u>\$ 11,442,585</u>	<u>\$ 247,266</u>

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

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	79,888	252,424	21,777	354,089
TOTAL ASSETS	<u>\$ 79,888</u>	<u>\$ 252,424</u>	<u>\$ 21,777</u>	<u>\$ 354,089</u>
LIABILITIES				
Accounts payable	\$ -	\$ 2,770	\$ 3,298	\$ 6,068
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>2,770</u>	<u>3,298</u>	<u>6,068</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	4,999	-	18,479	23,478
Committed	26,688	249,654	-	276,342
Assigned	48,201	-	-	48,201
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>79,888</u>	<u>249,654</u>	<u>18,479</u>	<u>348,021</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 79,888</u>	<u>\$ 252,424</u>	<u>\$ 21,777</u>	<u>\$ 354,089</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, 2013

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ 39	\$ 39
Charges for services	129,701	-	-	129,701
Other	-	8,837	9,950	18,787
TOTAL REVENUES	<u>129,701</u>	<u>8,837</u>	<u>9,989</u>	<u>148,527</u>
EXPENDITURES				
Capital outlay	-	43,907	-	43,907
Other	81,509	-	13,248	94,757
TOTAL EXPENDITURES	<u>81,509</u>	<u>43,907</u>	<u>13,248</u>	<u>138,664</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>48,192</u>	<u>(35,070)</u>	<u>(3,259)</u>	<u>9,863</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer in	41,696	55,000	-	96,696
Operating transfers (out)	(10,000)	-	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>31,696</u>	<u>55,000</u>	<u>-</u>	<u>86,696</u>
NET CHANGE IN FUND BALANCES	79,888	19,930	(3,259)	96,559
FUND BALANCES, JULY 1	<u>-</u>	<u>229,724</u>	<u>21,738</u>	<u>251,462</u>
FUND BALANCES, JUNE 30	<u>\$ 79,888</u>	<u>\$ 249,654</u>	<u>\$ 18,479</u>	<u>\$ 348,021</u>

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

Special Revenue Funds Description

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Town Hall Water Damage	Tee Shirts	Wellness Incentive	York Hospital	BEBA	Berwick Community Television	Recreation Fees	Recreation Trips	Totals
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	863	242	162	500	3,232	26,688	24,527	23,674	79,888
TOTAL ASSETS	\$ 863	\$ 242	\$ 162	\$ 500	\$ 3,232	\$ 26,688	\$ 24,527	\$ 23,674	\$ 79,888
LIABILITIES									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	863	242	162	500	3,232	-	-	-	4,999
Committed	-	-	-	-	-	26,688	-	-	26,688
Assigned	-	-	-	-	-	-	24,527	23,674	48,201
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	863	242	162	500	3,232	26,688	24,527	23,674	79,888
TOTAL LIABILITIES AND FUND BALANCES	\$ 863	\$ 242	\$ 162	\$ 500	\$ 3,232	\$ 26,688	\$ 24,527	\$ 23,674	\$ 79,888

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
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Town Hall Water Damage	Tee Shirts	Wellness Incentive	York Hospital	BEBA	Berwick Community Television	Recreation Fees	Recreation Trips	Totals
REVENUES									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	182	-	-	2,435	48,898	33,687	44,499	129,701
TOTAL REVENUES	-	182	-	-	2,435	48,898	33,687	44,499	129,701
EXPENDITURES									
Program expenditures	-	-	144	-	1,678	42,432	315	36,940	81,509
TOTAL EXPENDITURES	-	-	144	-	1,678	42,432	315	36,940	81,509
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	182	(144)	-	757	6,466	33,372	7,559	48,192
OTHER FINANCING SOURCES (USES)									
Operating transfers in	863	60	306	500	2,475	20,222	1,155	16,115	41,696
Operating transfers (out)	-	-	-	-	-	-	(10,000)	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	863	60	306	500	2,475	20,222	(8,845)	16,115	31,696
NET CHANGE IN FUND BALANCES	863	242	162	500	3,232	26,688	24,527	23,674	79,888
FUND BALANCES, JULY 1	-	-	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ 863	\$ 242	\$ 162	\$ 500	\$ 3,232	\$ 26,688	\$ 24,527	\$ 23,674	\$ 79,888

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, 2013

	Civil Defense	Highway Equipment Reserve	Fire Department Reserve	Recreation Improvement Reserve
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	3,263	147,661	1,068	3,558
TOTAL ASSETS	<u>\$ 3,263</u>	<u>\$ 147,661</u>	<u>\$ 1,068</u>	<u>\$ 3,558</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,770
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,770</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	3,263	147,661	1,068	1,788
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>3,263</u>	<u>147,661</u>	<u>1,068</u>	<u>1,788</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,263</u>	<u>\$ 147,661</u>	<u>\$ 1,068</u>	<u>\$ 3,558</u>

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2013

	Transfer Station Reserve	Police Department Reserve	Town Hall Reserve	Water Department Reserve	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	4,103	33,289	39,482	20,000	252,424
TOTAL ASSETS	<u>\$ 4,103</u>	<u>\$ 33,289</u>	<u>\$ 39,482</u>	<u>\$ 20,000</u>	<u>\$ 252,424</u>
LIABILITIES					
Accounts payable	\$ -	\$ 1,000	\$ -	\$ -	\$ 2,770
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>2,770</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	4,103	32,289	39,482	20,000	249,654
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>4,103</u>	<u>32,289</u>	<u>39,482</u>	<u>20,000</u>	<u>249,654</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,103</u>	<u>\$ 33,289</u>	<u>\$ 39,482</u>	<u>\$ 20,000</u>	<u>\$ 252,424</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 CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	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				
Capital outlay	-	-	5,712	4,845
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>5,712</u>	<u>4,845</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(5,712)</u>	<u>(4,845)</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	-	-	(5,712)	(4,845)
FUND BALANCES, JULY 1	<u>3,263</u>	<u>147,661</u>	<u>6,780</u>	<u>6,633</u>
FUND BALANCES, JUNE 30	<u>\$ 3,263</u>	<u>\$ 147,661</u>	<u>\$ 1,068</u>	<u>\$ 1,788</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, 2013

	Transfer Station Reserve	Police Department Reserve	Town Hall Reserve	Water Department Reserve	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	8,837	-	-	8,837
TOTAL REVENUES	<u>-</u>	<u>8,837</u>	<u>-</u>	<u>-</u>	<u>8,837</u>
EXPENDITURES					
Capital outlay	-	2,524	30,826	-	43,907
TOTAL EXPENDITURES	<u>-</u>	<u>2,524</u>	<u>30,826</u>	<u>-</u>	<u>43,907</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>6,313</u>	<u>(30,826)</u>	<u>-</u>	<u>(35,070)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	55,000	-	55,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
NET CHANGE IN FUND BALANCES	-	6,313	24,174	-	19,930
FUND BALANCES, JULY 1	<u>4,103</u>	<u>25,976</u>	<u>15,308</u>	<u>20,000</u>	<u>229,724</u>
FUND BALANCES, JUNE 30	<u>\$ 4,103</u>	<u>\$ 32,289</u>	<u>\$ 39,482</u>	<u>\$ 20,000</u>	<u>\$ 249,654</u>

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 that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

TOWN OF BERWICK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2013

	McCue Lord Trust	Lord's Cemetery Maintenance	300th Anniversary	Monument Fund	Webster Cemetery	Lena Clark Cemetery Road	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	1,187	1,187	6,848	834	4,193	7,528	21,777
TOTAL ASSETS	<u>\$ 1,187</u>	<u>\$ 1,187</u>	<u>\$ 6,848</u>	<u>\$ 834</u>	<u>\$ 4,193</u>	<u>\$ 7,528</u>	<u>\$ 21,777</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 3,298	\$ -	\$ -	\$ -	\$ 3,298
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>3,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,298</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,187	1,187	3,550	834	4,193	7,528	18,479
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,187</u>	<u>1,187</u>	<u>3,550</u>	<u>834</u>	<u>4,193</u>	<u>7,528</u>	<u>18,479</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,187</u>	<u>\$ 1,187</u>	<u>\$ 6,848</u>	<u>\$ 834</u>	<u>\$ 4,193</u>	<u>\$ 7,528</u>	<u>\$ 21,777</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, 2013

	McCue Lord Trust	Lord's Cemetery Maintenance	300th Anniversary	Monument Fund	Webster Cemetery	Lena Clark Cemetery Road	Totals
REVENUES							
Investment income, net of unrealized gains/(losses)	\$ 2	\$ 2	\$ 13	\$ 1	\$ 7	\$ 14	\$ 39
Other	-	-	9,950	-	-	-	9,950
TOTAL REVENUES	<u>2</u>	<u>2</u>	<u>9,963</u>	<u>1</u>	<u>7</u>	<u>14</u>	<u>9,989</u>
EXPENDITURES	-	-	13,248	-	-	-	13,248
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2</u>	<u>2</u>	<u>(3,285)</u>	<u>1</u>	<u>7</u>	<u>14</u>	<u>(3,259)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2	2	(3,285)	1	7	14	(3,259)
FUND BALANCES, JULY 1	<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>
FUND BALANCES, JUNE 30	<u><u>\$ 1,187</u></u>	<u><u>\$ 1,187</u></u>	<u><u>\$ 3,550</u></u>	<u><u>\$ 834</u></u>	<u><u>\$ 4,193</u></u>	<u><u>\$ 7,528</u></u>	<u><u>\$ 18,479</u></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 position.

TOWN OF BERWICK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2013

	Land and Non-depreciable Assets	Buildings Buildings Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Administration	\$ -	\$ 167,586	\$ 120,016	\$ -	\$ 287,602
Recycling	98,100	36,301	-	-	134,401
Fire	77,200	118,072	1,701,123	-	1,896,395
Police	-	196,691	440,565	-	637,256
Public Works	74,200	107,728	1,028,462	3,366,889	4,577,279
Recreation	58,200	158,363	7,189	-	223,752
Water	161,115	1,475,014	1,127,337	3,702,984	6,466,450
Town Wide	255,600	318,967	-	-	574,567
Total General Capital Assets	724,415	2,578,722	4,424,692	7,069,873	14,797,702
Less: Accumulated Depreciation	-	(1,277,218)	(2,631,990)	(1,318,111)	(5,227,319)
Net General Capital Assets	\$ 724,415	\$ 1,301,504	\$ 1,792,702	\$ 5,751,762	\$ 9,570,383

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, 2013

	General Capital Assets 7/1/12	Additions	Deletions	General Capital Assets 6/30/13
Administration	\$ 257,107	\$ 30,495	\$ -	\$ 287,602
Recycling	134,401	-	-	134,401
Fire	1,947,985	153,094	(204,684)	1,896,395
Police	672,848	-	(35,592)	637,256
Public Works	4,519,917	130,362	(73,000)	4,577,279
Recreation	225,721	2,371	(4,340)	223,752
Water	6,442,425	24,025	-	6,466,450
Town Wide	574,567	-	-	574,567
Total General Capital Assets	14,774,971	340,347	(317,616)	14,797,702
Less: Accumulated Depreciation	<u>(5,137,036)</u>	<u>(399,996)</u>	<u>309,713</u>	<u>(5,227,319)</u>
Net General Capital Assets	<u>\$ 9,637,935</u>	<u>\$ (59,649)</u>	<u>\$ (7,903)</u>	<u>\$ 9,570,383</u>

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