

**TOWN OF BERWICK, MAINE**

Audited Financial Statements  
And Supplementary Financial Information

For the Fiscal Year Ended June 30, 2011

TOWN OF BERWICK, MAINE

Audited Financial Statements and  
Supplementary Financial Information

For the Fiscal Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Selectmen  
Town of Berwick, Maine  
Berwick, Maine 03901

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berwick, Maine (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Berwick, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Berwick, Maine as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-11 and 41-42 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. The combining budget comparison schedule on pages 43-44 is presented for purposes of additional analysis and is not a required part of the financial statements nor is it required by

the Governmental Accounting Standards Board. We have applied certain limited procedures to the required supplementary information and the combining budget comparison schedule 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.

A handwritten signature in black ink that reads "Joel Patterson & Assoc". The signature is written in a cursive, flowing style.

Joel F. Patterson & Associates, P.A.  
May 14, 2012

## TOWN OF BERWICK, MAINE

### Management's Discussion and Analysis Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

As the management of the Town of Berwick, Maine we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town as of and for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the Town's financial condition as a whole and to provide a comparative analysis to fiscal 2010. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Town's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- The Town's net assets exceeded its liabilities by \$12,559,910 which represents an increase \$411,858 or a 3.4% increase over the prior year. Of the total net assets the amount which is invested in capital assets, net of related debt, represents 64% of the total (66% as of June 30, 2010).
- The capital assets of the Town, net of depreciation, are \$9,558,870 as of June 30, 2011 and represent approximately 64% of the Town's total assets. At June 30, 2010 the Town's capital assets comprised approximately 65% of its total assets.
- Long-term liabilities decreased during fiscal 2011 due to the Town paying principal on previously issued bonds. As of June 30, 2011 outstanding bonds payable was \$1,552,103.
- Revenues were greater than expenses by \$411,858 for the year ended June 30, 2011 as compared to an excess of \$251,876 for the prior fiscal year.
- The general fund balance was \$2,303,275 as of June 30, 2011 of which \$1,890,129 was unassigned.

#### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements:** The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town's finances utilizing the accrual method of accounting. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, assets, liabilities, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid expenses).

The Statement of Net Assets presents information on all of the Town's assets and liabilities, including capital assets and long-term liabilities, with the difference between these two amounts reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. In addition, to assess the Town's overall health, one needs to address other non-financial factors such as changes in the Town's tax base, the condition of its capital assets and the local and regional economy.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenues. This statement shows the extent to which the various functions depend on general property taxes, excise taxes and non-program revenues for support.

The government-wide financial statements distinguish between functions of the Town's government which are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, health & sanitation, highways, recreation, and education. The Town's only business-type activity is the Water Department. The Town has no separate legal entities which function as part of the Town and therefore there are no component units included in these financial statements.

**Fund Financial Statements:** The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Town's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflows and outflows of spendable resources. This information is useful in evaluating the Town's near-term financial requirements. The Town considers all of its governmental funds to be major: general fund, highway improvement fund, capital projects fund, and the permanent fund.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the 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 funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Berwick adopts an annual budget based upon a town meeting format. Amounts are recommended by the Selectmen and are presented to the taxpayers in a Warrant. Each taxpayer at town meeting then has a vote to determine if the warrant article (budget item) will pass. Taxes for the year are then committed by the Board of Selectmen based upon the approval of expenditures at town meeting. Any changes in budgeted items require the action of a special town meeting. Budgets are only required for the general fund and are presented in the financial reporting package as required supplementary information.

**Proprietary Funds:** The Town's only proprietary fund is the Water Department. This enterprise fund is used to report the same function as the business-type activities in the government-wide financial statements where the Town recovers the majority of its costs through user charges. Therefore, the proprietary fund financial statements provide the same information as the government-wide financial statements under the full accrual method of accounting, except in more detail.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not presented in the government-wide financial statements because these resources are not available to support the Town's own programs.

**Notes to Financial Statements:** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Supplementary Financial Information:** In addition to the basic financial statements and notes to the financial statements this report also presents additional combining fund schedules which are not a required part of the financial reporting package.

## THE TOWN AS A WHOLE

The assets of the Town are classified as current and other assets as well as capital assets. The Town's current and other assets include cash and cash equivalents, investments, accounts receivable, taxes receivable, prepaid items, and inventory. These assets are primarily available to provide resources for the near-term operations of the Town.

Restricted cash and investments provide a short-term and long-term portfolio of funds to support specific activities of the Town - principally town hall as well as cemetery maintenance. Most of these restrictions are permanent in nature and are therefore included in restricted net assets. Capital assets are used in the Town's operations and consist of land, land improvements, buildings and improvements, equipment, vehicles, roads and other infrastructure, and water transmission mains. Capital assets are discussed in greater length in the section entitled "Capital Assets".

Current (other) liabilities and long-term liabilities are classified based upon their anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries, deferred revenue, escrows payable and accrued interest. These liabilities are anticipated to be liquidated through the use of current assets or subsequent revenue sources. Long-term obligations will be liquidated with long-term resources.

**Net Assets**  
**June 30, 2011 and 2010**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$4,961,781	\$4,816,458	\$ 347,224	\$ 415,354	\$ 5,309,005	\$ 5,231,812
Capital Assets	<u>5,230,273</u>	<u>5,214,780</u>	<u>4,328,597</u>	<u>4,360,040</u>	<u>9,558,870</u>	<u>9,574,820</u>
Total Assets	<u>10,192,054</u>	<u>10,031,238</u>	<u>4,675,821</u>	<u>4,775,394</u>	<u>14,867,875</u>	<u>14,806,632</u>
Other Liabilities	521,108	649,232	54,275	49,936	575,383	699,168
Long-Term Liabilities	<u>194,830</u>	<u>176,716</u>	<u>1,537,752</u>	<u>1,782,696</u>	<u>1,732,582</u>	<u>1,959,412</u>
Total Liabilities	<u>715,938</u>	<u>825,948</u>	<u>1,592,027</u>	<u>1,832,632</u>	<u>2,307,965</u>	<u>2,658,580</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	5,230,273	5,214,780	2,846,956	2,785,573	8,077,229	8,000,353
Restricted	1,166,245	972,662	-	-	1,166,245	972,662
Unrestricted	<u>3,079,598</u>	<u>3,017,848</u>	<u>236,838</u>	<u>157,189</u>	<u>3,316,436</u>	<u>3,175,037</u>
Total Net Assets	<u>\$9,476,116</u>	<u>\$9,205,290</u>	<u>\$3,083,794</u>	<u>\$2,942,762</u>	<u>\$12,559,910</u>	<u>\$12,148,052</u>

Our analysis above focuses on the net assets of the Town's governmental and business-type activities. The Town's total net assets increased by \$411,858 during the fiscal year as compared to an increase of \$251,876 during fiscal 2010. The net asset increase for 2011 is consistent with other fiscal years and the Town's expectations. Unrestricted net assets increased by approximately \$141,000 during 2011 which is in line with the Town's objective of maintaining a stable equity position.

The asset base of the Town as of June 30, 2011 is comprised of 36% (35% as of June 30, 2010) current and other assets, and 64% capital assets. This allocation is in line with expectations based upon current year capital asset additions net of depreciation expense as well as consistency amongst the value of other assets.

The long-term debt of the Town has decreased by approximately \$227,000 during 2011 and represents primarily the repayment of principal on bonds. Long-term debt within the governmental activities remained very stable. Other liabilities for the town decreased by \$123,785 which was attributable to a decrease in both accounts payable and accrued salaries.

The next chart, Change in Net Assets, takes information from the Statement of Activities and reorganizes it so that total revenues and total expenses may be presented.

**Change in Net Assets  
For the Fiscal Years Ended June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for services	\$ 188,247	\$ 215,346	\$ 618,149	\$ 611,951	\$ 806,396	\$ 827,297
Operating grants & contributions	420,083	377,804	-	-	420,083	377,804
Capital grants & contributions	243,873	144,400	-	254,913	243,873	399,313
<u>General Revenues:</u>						
Property Taxes	7,955,847	7,643,718	-	-	7,955,847	7,643,718
Excise Taxes	1,031,245	1,043,053	-	-	1,031,245	1,043,053
Unrestricted grants, subsidies and contributions	489,980	473,496	-	-	489,980	473,496
Interest Earned	48,932	76,010	336	404	49,268	76,414
Miscellaneous Revenue	28,159	14,013	-	-	28,159	14,013
Transfers	-	-	21,634	21,634	21,634	21,634
Total Revenues	<u>10,406,366</u>	<u>9,987,840</u>	<u>640,119</u>	<u>888,902</u>	<u>11,046,485</u>	<u>10,876,742</u>
<b>Expenses:</b>						
<u>Program Activities:</u>						
General Government	977,097	995,342	-	-	977,097	995,342
Public Safety	2,050,497	1,938,723	-	-	2,050,497	1,938,723
Health & Sanitation	484,153	476,893	-	-	484,153	476,893
Outside Appropriations	59,812	51,147	-	-	59,812	51,147
Public Works & Highways	926,648	990,565	-	-	926,648	990,565
Recreation	86,196	142,333	-	-	86,196	142,333
General Assistance	44,139	35,794	-	-	44,139	35,794
Library	63,000	63,000	-	-	63,000	63,000
County Tax	308,934	291,372	-	-	308,934	291,372
Education	4,967,887	4,958,031	-	-	4,967,887	4,958,031
Cemetery & Town Hall Maintenance	23,860	36,865	-	-	23,860	36,865
Water	-	-	499,087	558,152	499,087	558,152
Unclassified	100,883	65,015	-	-	100,883	65,015
Loss on Disposal of Capital Assets	20,800	-	-	-	20,800	-
Transfers	21,634	21,634	-	-	21,634	21,634
Total Expenses	<u>10,135,540</u>	<u>10,066,714</u>	<u>499,087</u>	<u>558,152</u>	<u>10,634,627</u>	<u>10,624,866</u>
Increase in Net Assets	270,826	(78,874)	141,032	330,750	411,858	251,876
Net Assets, Beginning of Year	<u>9,205,290</u>	<u>9,284,164</u>	<u>2,942,762</u>	<u>2,612,012</u>	<u>12,148,052</u>	<u>11,896,176</u>
Net Assets, End of Year	<u>\$9,476,116</u>	<u>\$9,205,290</u>	<u>\$3,083,794</u>	<u>\$2,942,762</u>	<u>\$12,559,910</u>	<u>\$12,148,052</u>

Revenues for the Town's governmental and business-type activities were \$11,046,485 or an increase of approximately \$170,000 from 2010. Of this increase \$312,129 is represented by an increase in property taxes. This increase combined with a decrease of approximately \$155,000 in capital grants accounts for the most significant changes in revenue. Capital grants decreased during fiscal 2011 as a result of a one time loan forgiveness grant for the water department in 2010. During the year, excise tax revenue remained very stable compared to the prior fiscal year with only a 1.13% decrease while operating grants increased by \$42,279. The remaining allocation of total revenue was fairly consistent with the prior year and expectations.

Overall, expenses increased by only \$9,761 for fiscal 2011 and only a \$52,000 increase for fiscal 2010. The Town's share of educational costs increased by \$9,856 which helped contribute to a very small increase in Town's overall expenses. The total expenses from the Town's governmental activities increased by \$68,826 or 0.7% with the most significant increase attributable to public safety. The expenses within the Water Department decreased by \$59,065 which is similar to the prior year increase of \$58,538 to yield fairly stable costs over a two year period.

The costs of the Town's governmental activities for the year ended June 30, 2011 were \$10,135,540 (\$10,066,714 in fiscal 2010). However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town assessments was \$8,987,092 (\$8,686,771 in fiscal 2010) because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

**Governmental Funds:** The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Governmental fund balances represent the difference between assets and liabilities in the fund financial statements. Therefore, spendable fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The Town's total governmental fund balance was \$3,934,197 as of June 30, 2011. Of this total, \$1,890,129 is unassigned within the general fund to be available for future appropriation. This represents a decrease in unassigned/undesignated general fund balance from 2010 of \$267,844 and results from the previously mentioned items. Other fund balances are either nonspendable or are spendable yet they are to utilized for specific purposes (restricted, committed or assigned).

General fund revenues increased by approximately \$200,000 with property tax revenue increasing by \$241,000, excise tax revenue decreasing by \$11,000 and permits and fees decreasing by \$27,000. General fund expenditures are well controlled and monitored very closely to remain in line with the approved budget. The increase in expenditures of approximately \$118,000 or 1.2% for the year was not unexpected and is primarily attributable to increases within both public safety as well as the unclassified category.

**Proprietary Fund:** The Town's proprietary fund provides the same information as presented in the government-wide financial statements except in more detail. The net assets of the Water Fund increased by \$141,032 in 2011 and \$330,750 in 2010. The significant increase in net assets for 2010 was attributable to loan forgiveness on newly issued bonds of \$254,913. Since principal loan proceeds of this amount were forgiven at the time of issuance this amount was considered non-operating revenue during the 2010 fiscal year. In addition, during 2011 the water department decreased its operating expenses by \$51,013 due primarily to savings in salaries and wages.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The 2011 final budget showed an increase in overall budgeted expenditures of \$434,119 over the fiscal 2010 budget. The most significant increases between these final budgets occurred within general government, public safety and unclassified. The increase in unclassified expenditures was directly attributable to prior years' carryovers of fund balance which had been previously approved by the taxpayers. The overall budget adjustments for the fiscal year were \$20,000.

Total revenues exceeded the budget for the year by \$132,888 which was attributable to greater than anticipated excise tax collections, fees and interest income. Meanwhile, the collection of real estate taxes fell under projections by \$73,453 for the fiscal year. These excess revenues of \$132,888 combined with expenditures being under budget by \$285,306 created a total of \$418,194 in savings as compared to the budget. Most of the expenditure savings were in the unclassified category including the purchase of Prime land which did not occur during fiscal 2011.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### CAPITAL ASSETS (net of accumulated depreciation) June 30, 2011 and 2010

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Works of Art	\$ 11,000	\$ 11,000	\$ -	\$ -	\$ 11,000	\$ 11,000
Land	531,500	533,100	148,646	148,646	680,146	681,746
Land Improvements	22,371	25,893	-	-	22,371	25,893
Buildings & Improvements	484,505	489,271	782,824	818,699	1,267,329	1,307,970
Machinery & Equipment	465,563	321,018	618,906	547,562	1,084,469	868,580
Vehicles	880,289	956,273	14,339	17,306	894,628	973,579
Reservoir & Distribution Mains	-	-	2,763,862	2,827,827	2,763,862	2,827,827
Roads and Other Infrastructure	<u>2,835,045</u>	<u>2,878,225</u>	<u>-</u>	<u>-</u>	<u>2,835,045</u>	<u>2,878,225</u>
<b>Total</b>	<b><u>\$ 5,230,273</u></b>	<b><u>\$ 5,214,780</u></b>	<b><u>\$ 4,328,597</u></b>	<b><u>\$ 4,360,040</u></b>	<b><u>\$ 9,558,870</u></b>	<b><u>\$ 9,574,820</u></b>

The capital assets of the Town include items with a value of \$5,000 or more and an estimated useful life in excess of one year. The asset inventory also includes all town property whether purchased, donated, constructed or previously owned as well as all land, buildings and improvements to either land or buildings. The Town also reports roads and other infrastructure as these assets are accepted by the Town or constructed. Any items which do not meet the capitalization requirements are expensed as they are incurred.

As of June 30, 2011, the gross book value of the capital assets recorded by the Town in governmental activities remained quite stable as asset additions were equally offset by depreciation expense of \$284,866. The majority of the Town's new assets included various fire equipment and police vehicles.

The business-type activities completed the final steps of a water main replacement project as well as depreciation expense for the fiscal year of \$119,971.

### LONG-TERM LIABILITIES

General Obligation Bonds – Business-Type Activities	\$1,552,103
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At June 30, 2011, the Town had \$1,552,103 in bonds outstanding as compared to \$1,797,530 at June 30, 2010. As shown in Note 5 of the financial statements, this decrease was due to the principal payments on existing bonds of \$245,427. It should be noted that the financial statements report long-term debt net of unamortized advance refunding costs and bond premiums. There was no outstanding long-term bond debt in the Town's governmental activities.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Selectmen calculated the 2011/2012 budget based upon current factors including rising fuel costs, increased cost of insurance coverage as well as the rising costs of services, supplies and union contracts. The 2012 fiscal year budget shows the following approximate changes as compared to the prior fiscal year:

General Government	19.50% Decrease
Public Safety	1.50% Increase
Health & Sanitation	7.00% Decrease
Outside Appropriations	1.50% Increase
Public Works	5.00% Decrease
Recreation	1.00% Increase
Education	14.50% Increase

We will continue to maintain the GASB program and monitor other revenues through our Finance Office. We feel confident that our budget for 2012 will keep the Town in a financially stable position.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's Finances and to demonstrate the Town's accountability for the money it receives. If you have questions or need additional information, please contact the Town's Finance Director, Janet Canney, at 207-698-1101 ext.113 or write to the Town of Berwick, PO Box 696, Berwick, Maine 03901.

Town of Berwick, Maine  
Statement of Net Assets  
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 2,879,939	\$ 146,320	\$ 3,026,259
Accounts Receivable	39,987	119,956	159,943
Property Taxes Receivable	480,040	-	480,040
Tax Liens Receivable	189,115	-	189,115
Tax Acquired Property	2,979	-	2,979
Internal Balances	124	(124)	-
Prepaid Expenses	84,111	-	84,111
Inventory	103,810	36,796	140,606
Other Receivables	-	35,190	35,190
Restricted Cash and Cash Equivalents	21,690	-	21,690
Restricted Investments	1,159,986	-	1,159,986
Bond Issuance Costs, net	-	9,086	9,086
Capital Assets:			
Works of Art	11,000	-	11,000
Land	531,500	148,646	680,146
Land Improvements	150,328	-	150,328
Buildings and Improvements	855,250	1,475,014	2,330,264
Machinery and Equipment	1,324,868	1,086,112	2,410,980
Vehicles	2,111,198	29,668	2,140,866
Reservoirs & Distribution Mains	-	3,702,984	3,702,984
Roads and Other Infrastructure	2,998,381	-	2,998,381
Less Accumulated Depreciation	(2,752,252)	(2,113,827)	(4,866,079)
Net Capital Assets	5,230,273	4,328,597	9,558,870
<i>Total Assets</i>	10,192,054	4,675,821	14,867,875
<b><u>Liabilities</u></b>			
Accounts Payable	184,175	15,158	199,333
Accrued Salaries and Compensated Absences	153,159	6,966	160,125
Deferred Revenue	26,323	22,180	48,503
Accrued Interest Payable	-	9,971	9,971
Escrows Payable	157,451	-	157,451
Long-Term Liabilities:			
Compensated Absences	194,830	11,835	206,665
Due Within One Year	-	260,962	260,962
Due In More Than One Year	-	1,264,955	1,264,955
<i>Total Liabilities</i>	715,938	1,592,027	2,307,965
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	5,230,273	2,846,956	8,077,229
Restricted For:			
Nonexpendable- Permanent Endowment	1,123,185	-	1,123,185
Expendable- Cemetary & Town Hall Maintenance	43,060	-	43,060
Unrestricted	3,079,598	236,838	3,316,436
<i>Total Net Assets</i>	\$ 9,476,116	\$ 3,083,794	\$ 12,559,910

The accompanying notes are an integral part of these financial statements.

Town of Berwick, Maine  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b><u>Governmental Activities:</u></b>			
General Government	\$ 977,097	\$ 115,459	\$ -
Public Safety	2,050,497	10,704	50,314
Health & Sanitation	484,153	38,455	-
Recreation	86,196	22,379	-
Education	4,967,887	-	-
Highways	779,913	1,250	14,585
Unclassified	576,768	-	49,527
Expenditures for Cemetary and Town Hall Maintenance	23,860	-	239,333
Highway Maintenance	146,735	-	66,324
Loss on Disposition of Capital Assets	20,800	-	-
	<b>Total Governmental Activities</b>	<b>188,247</b>	<b>420,083</b>
	10,113,906	188,247	420,083
<b><u>Business-Type Activities:</u></b>			
Water	499,087	618,149	-
	<b>Totals</b>	<b>\$ 806,396</b>	<b>\$ 420,083</b>
	<b>\$ 10,612,993</b>	<b>\$ 806,396</b>	<b>\$ 420,083</b>
<b><u>General Revenues:</u></b>			
Property Taxes, levied for general purposes			
Excise Taxes			
Grants, Subsidies and Contributions, not restricted			
Interest Earned			
Miscellaneous Revenue			
<i>Total General Revenues</i>			
Transfers			
<b>Change in Net Assets</b>			
<b>Net Assets, Beginning of Year</b>			
<b>Net Assets, End of Year</b>			

The accompanying notes are an integral part of these financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ 19,200	\$ (842,438)	\$ -	\$ (842,438)
224,673	(1,764,806)	-	(1,764,806)
-	(445,698)	-	(445,698)
-	(63,817)	-	(63,817)
-	(4,967,887)	-	(4,967,887)
-	(764,078)	-	(764,078)
-	(527,241)	-	(527,241)
-	215,473	-	215,473
-	(80,411)	-	(80,411)
-	(20,800)	-	(20,800)
243,873	(9,261,703)	-	(9,261,703)
-	-	119,062	119,062
<u>\$ 243,873</u>	<u>(9,261,703)</u>	<u>119,062</u>	<u>(9,142,641)</u>
	7,955,847	-	7,955,847
	1,031,245	-	1,031,245
	489,980	-	489,980
	48,932	336	49,268
	28,159	-	28,159
	9,554,163	336	9,554,499
	(21,634)	21,634	-
	270,826	141,032	411,858
	9,205,290	2,942,762	12,148,052
	<u>\$ 9,476,116</u>	<u>\$ 3,083,794</u>	<u>\$ 12,559,910</u>

The accompanying notes are an integral part of these financial statements.

Town of Berwick, Maine  
Balance Sheet  
Governmental Funds  
June 30, 2011

<u>Assets</u>	<u>General</u>	Highway Improvement <u>Fund</u>	<u>Capital Projects</u>	Permanent <u>Fund</u>
Cash and Cash Equivalents	\$ 2,879,939	\$ -	\$ -	\$ 21,690
Investments	-	-	-	36,801
Accounts Receivable	39,987	-	-	-
Property Taxes Receivable	480,040	-	-	-
Tax Liens Receivable	189,115	-	-	-
Tax Acquired Property	2,979	-	-	-
Due from Other Funds	15,597	244,718	219,959	42
Prepaid Items	84,111	-	-	-
Inventory	103,810	-	-	-
Restricted Investments	-	-	-	1,123,185
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 3,795,578	\$ 244,718	\$ 219,959	\$ 1,181,718
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	184,175	-	-	-
Accrued Salaries and Compensated Absences	153,159	-	-	-
Deferred Revenue	532,799	-	-	-
Escrows Payable	157,451	-	-	-
Due to Other Funds	464,719	-	-	15,473
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	1,492,303	-	-	15,473
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Fund Balances:</u></b>				
Nonspendable	187,921	-	-	1,123,185
Restricted	-	-	-	43,060
Committed	225,225	-	-	-
Assigned	-	244,718	219,959	-
Unassigned	1,890,129	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	2,303,275	244,718	219,959	1,166,245
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 3,795,578	\$ 244,718	\$ 219,959	\$ 1,181,718
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

<p style="text-align: center;">Total Governmental Funds</p> <p>\$ 2,901,629</p> <p style="padding-left: 20px;">36,801</p> <p style="padding-left: 20px;">39,987</p> <p style="padding-left: 20px;">480,040</p> <p style="padding-left: 20px;">189,115</p> <p style="padding-left: 20px;">2,979</p> <p style="padding-left: 20px;">480,316</p> <p style="padding-left: 20px;">84,111</p> <p style="padding-left: 20px;">103,810</p> <p style="padding-left: 20px;"><u>1,123,185</u></p> <p><u>\$ 5,441,973</u></p> <p style="padding-left: 20px;">184,175</p> <p style="padding-left: 20px;">153,159</p> <p style="padding-left: 20px;">532,799</p> <p style="padding-left: 20px;">157,451</p> <p style="padding-left: 20px;"><u>480,192</u></p> <p><u>1,507,776</u></p> <p style="padding-left: 20px;">1,311,106</p> <p style="padding-left: 20px;">43,060</p> <p style="padding-left: 20px;">225,225</p> <p style="padding-left: 20px;">464,677</p> <p style="padding-left: 20px;"><u>1,890,129</u></p> <p><u>3,934,197</u></p> <p><u>\$ 5,441,973</u></p>	<p><b>Total Governmental Funds Balance</b> <span style="float: right;">\$ 3,934,197</span></p> <p><b>Amounts reported for governmental activities in the statement of net assets are different because:</b></p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds <span style="float: right;">5,230,273</span></p> <p>Deferred revenue for property taxes are recognized as revenue in the government-wide financial statements <span style="float: right;">506,476</span></p> <p>Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the funds <span style="float: right;"><u>(194,830)</u></span></p> <p><i>Net Assets of Governmental Activities</i> <span style="float: right;"><u>\$ 9,476,116</u></span></p>
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The accompanying notes are an integral part of these financial statements.

Town of Berwick, Maine  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	<u>General</u>	Highway Improvement <u>Fund</u>	Capital Projects	<u>Permanent Fund</u>
<b><u>REVENUES:</u></b>				
Property Taxes	\$ 7,871,482	\$ -	\$ -	\$ -
Excise Taxes	1,031,245	-	-	-
Licenses, Permits & Fees	158,247	-	-	-
Intergovernmental Revenues	539,508	66,324	-	-
Grant Revenues	289,572	-	-	-
Investment & Interest Income	48,932	-	-	224,460
Charges for Administrative Services	30,000	-	-	-
Miscellaneous Revenues	28,159	-	-	14,873
	<u>9,997,145</u>	<u>66,324</u>	<u>-</u>	<u>239,333</u>
<b><u>EXPENDITURES:</u></b>				
Current				
General Government	956,277	-	-	-
Public Safety	1,874,887	-	-	-
Health & Sanitation	483,579	-	-	-
Recreation	83,959	-	-	-
Education	4,967,887	-	-	-
Highways	659,991	-	-	-
Unclassified	585,623	-	-	1,092
Expenditures from Income for Cemetery and Town Hall Maintenance	-	-	-	44,658
Highway Maintenance	-	146,735	-	-
Capital Outlay	186,535	-	100,863	-
	<u>9,798,738</u>	<u>146,735</u>	<u>100,863</u>	<u>45,750</u>
Excess of Revenues Over (Under) Expenditures	198,407	(80,411)	(100,863)	193,583
<b><u>Other Financing Sources (Uses)</u></b>				
Interfund Transfers	(401,634)	200,000	180,000	-
Net Change in Fund Balances	(203,227)	119,589	79,137	193,583
Fund Balances, Beginning of Year	2,506,502	125,129	140,822	972,662
Fund Balances, End of Year	<u>\$ 2,303,275</u>	<u>\$ 244,718</u>	<u>\$ 219,959</u>	<u>\$ 1,166,245</u>

The accompanying notes are an integral part of these financial statements.

<p>Total Governmental Funds</p> <p>\$ 7,871,482</p> <p>1,031,245</p> <p>158,247</p> <p>605,832</p> <p>289,572</p> <p>273,392</p> <p>30,000</p> <p>43,032</p> <hr/> <p>10,302,802</p> <p>956,277</p> <p>1,874,887</p> <p>483,579</p> <p>83,959</p> <p>4,967,887</p> <p>659,991</p> <p>586,715</p> <p>44,658</p> <p>146,735</p> <p>287,398</p> <hr/> <p>10,092,086</p> <p>210,716</p> <p>(21,634)</p> <hr/> <p>189,082</p> <p>3,745,115</p> <hr/> <p>\$ 3,934,197</p>	<p><b>Net Change in Fund Balances- Governmental Funds</b> <span style="float: right;">\$ 189,082</span></p> <p><b>Amounts reported for governmental activities in the statement of activities are different because</b></p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Capital Asset Additions</td> <td style="text-align: right;">321,159</td> <td></td> </tr> <tr> <td>Current Year Depreciation</td> <td style="text-align: right;"><u>(284,866)</u></td> <td style="text-align: right;">36,293</td> </tr> </table> <p>In the statement of activities, property tax revenue is recorded when levied, whereas in the governmental funds, revenue is deferred for any taxes collected sixty days after year end <span style="float: right;">84,365</span></p> <p>The cost of capital assets disposed of during the current year is expensed in the statement of activities. In the governmental funds the cost of the assets was recognized as an expenditure in the year purchased. Therefore, the change in net assets differs from the change in fund balance by the net cost of the disposed assets. <span style="float: right;">(20,800)</span></p> <p>Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Compensated Absences</td> <td style="text-align: right;"><u>(18,114)</u></td> </tr> </table> <p><i>Change in Net Assets of Governmental Activities</i> <span style="float: right;"><u>\$ 270,826</u></span></p>	Capital Asset Additions	321,159		Current Year Depreciation	<u>(284,866)</u>	36,293	Compensated Absences	<u>(18,114)</u>
Capital Asset Additions	321,159								
Current Year Depreciation	<u>(284,866)</u>	36,293							
Compensated Absences	<u>(18,114)</u>								

The accompanying notes are an integral part of these financial statements.

Town of Berwick, Maine  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011

	<u>Water Fund</u>
<b><u>ASSETS</u></b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 146,320
Accounts Receivable	119,956
Inventory	36,796
Due from Other Governments	<u>35,190</u>
Total Current Assets	<u>338,262</u>
<b>Capital Assets:</b>	
Land	148,646
Buildings and Improvements	1,475,014
Machinery & Equipment	1,086,112
Vehicles	29,668
Reservoirs & Transmission Mains	3,702,984
Less Accumulated Depreciation	<u>(2,113,827)</u>
Total Capital Assets	<u>4,328,597</u>
Bond Issuance Costs, net	<u>9,086</u>
<i>Total Assets</i>	<u>4,675,945</u>
 <b><u>LIABILITIES</u></b>	
<b>Current Liabilities:</b>	
Accounts Payable	15,158
Accrued Salaries and Compensated Absences	6,966
Accrued Interest	9,971
Deferred Revenue	22,180
Due to Other Funds	124
Current Portion of Bonds Payable	<u>260,962</u>
Total Current Liabilities	<u>315,361</u>
<b>Noncurrent Liabilities:</b>	
Bonds Payable, net of current portion	1,291,141
Unamortized Deferred Advanced Refunding Costs	(29,453)
Unamortized Bond Premium	3,267
Accrued Compensated Absences	<u>11,835</u>
Total Noncurrent Liabilities	<u>1,276,790</u>
Total Liabilities	<u>1,592,151</u>
 <b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt	2,846,956
Unrestricted	<u>236,838</u>
<i>Total Net Assets</i>	<u>\$ 3,083,794</u>

The accompanying notes are an integral part of these financial statements.

**Town of Berwick, Maine**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<b>Water Fund</b>
<b><u>OPERATING REVENUES:</u></b>	
Charges for Service	\$ 615,613
Miscellaneous	2,536
<i>Total Operating Revenues</i>	618,149
<b><u>OPERATING EXPENSES:</u></b>	
Labor and Salaries	125,791
Employee Benefits	41,503
Payroll Taxes	10,936
Insurance	788
Contract Labor and Other Services	9,623
Operating Supplies	20,824
Maintenance	10,339
Purchase of Power	19,839
Utilities	30,470
Water Testing	3,325
Accounting and Collection	30,000
Transportation and Training	787
Depreciation and Amortization	123,731
Miscellaneous	11,885
<i>Total Operating Expenses</i>	439,841
<i>Operating Income</i>	178,308
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>	
Interest Revenue	336
Loss on Disposal of Capital Assets	(522)
Interest on Debt and Advanced Refunding Costs	(58,724)
<i>Total Non-Operating Revenues (Expenses)</i>	(58,910)
<i>Income Before Transfers</i>	119,398
<i>Transfers In</i>	21,634
<i>Change in Net Assets</i>	141,032
NET ASSETS, Beginning of Year	2,942,762
NET ASSETS, End of Year	\$ 3,083,794

The accompanying notes are an integral part of these financial statements.

Town of Berwick, Maine  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2011

	<b>Water Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Users	\$ 640,647
Cash Payments to Employees and Others for Services and Benefits	(235,238)
Cash Payments to Suppliers for Goods and Supplies	(104,392)
Internal Activity- Payments Made to General Fund	(39,564)
Cash Payments for Other Operating Expenses	(12,673)
	<b>248,780</b>
<b>Net Cash Provided by Operating Activities</b>	
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers In	21,634
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for Capital Acquisitions	(89,050)
Proceeds from Issuance of Bonds	138,006
Principal Paid on Bonds Payable	(245,427)
Interest Paid on Bonds Payable	(49,436)
	<b>(245,907)</b>
<b>Net Cash Used by Capital and Related Financing Activities</b>	
<b>Cash Flows from Investing Activities</b>	
Interest Income	336
	<b>336</b>
<b>Net Increase in Cash and Cash Equivalents</b>	
	<b>24,843</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>121,477</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 146,320</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 178,308
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation and Amortization	123,731
(Increase) Decrease in Accounts Receivable	318
(Increase) Decrease in Inventories	(9,546)
Increase (Decrease) in Accounts Payable	(10,049)
Increase (Decrease) in Accrued Salaries and Compensated Absences	(16,598)
Increase (Decrease) in Deferred Revenue	22,180
Increase (Decrease) in Due to Other Funds	(39,564)
Total Adjustments	<b>70,472</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 248,780</b>
<b><u>Noncash Investing, Capital and Financing Activities:</u></b>	
Amortization of Deferred Advance Refunding Costs	\$ (12,188)
Amortization of Bond Premium	\$ 1,352
Accrued Interest	\$ 1,547
Loss on Disposal of Capital Assets	\$ (522)

The accompanying notes are an integral part of these financial statements.

**Town of Berwick, Maine**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	<u>Private Purpose Trust</u>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 44,274
Accounts Receivable	<u>-</u>
Total Assets	<u><u>\$ 44,274</u></u>
<b><u>Liabilities</u></b>	
Accounts Payable	5,114
<b><u>Net Assets</u></b>	
Held in Trust for Scholarships	<u>39,160</u>
Total Liabilities and Net Assets	<u><u>\$ 44,274</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Berwick, Maine**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2011*

	<u>Private Purpose Trust</u>
<b><u>ADDITIONS</u></b>	
Gifts and Contributions	\$ -
Interest	115
Total Additions	<u>115</u>
<b><u>DEDUCTIONS</u></b>	
Scholarships Awarded	<u>1,200</u>
Change in Net Assets	(1,085)
NET ASSETS, Beginning of Year	<u>40,245</u>
NET ASSETS, End of Year	<u><u>\$ 39,160</u></u>

The accompanying notes are an integral part of these financial statements.

## TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### The Reporting Entity

The Town of Berwick, Maine was incorporated in 1713, under the laws of the State of Maine and provides the following services: general administration, public safety, health and sanitation, recreation, highways, planning and zoning. The Town operates under a Board of Selectman, Town Manager, Finance Director and Town meeting form of government.

The financial statements of the Town of Berwick have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The Town has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities.

Governmental Accounting Standards Board Statement No. 14 "The Financial Reporting Entity", as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units", established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Town as a reporting entity, management has addressed all potential component units which may or may not fall within the Town's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the Town's reporting entity include financial accountability and the nature and significance of the relationship. The Town has identified no component units. This report includes all of the funds of the Town of Berwick based upon the above criteria. The most significant of the Town's accounting policies are described below.

#### Fund Accounting

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

The Town reports the following major funds and fund types in this report:

#### Governmental Funds

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

## TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Fund – The special revenue fund is used to account for the proceeds of specific revenue sources which require separate accounting because of legal or regulatory provisions or administrative action. This fund type includes the highway improvement fund.

Capital Projects Fund – The capital projects fund is used to account for financial resources which are utilized in the acquisition, construction or improvement of capital facilities and equipment.

Permanent Fund – The permanent fund is used to account for resources which are legally restricted to the extent that only earnings, and not principal, may be utilized to benefit the government or its citizenry.

#### Proprietary Fund

This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods and services on a continuing basis be financed or recovered primarily through user charges. The operations of the Town's Water Department are accounted for in this fund.

Fiduciary Funds – This fund accounts for assets held by the town as a trustee for individuals, private organizations and/or other governmental units and are therefore not available to support the Town's own programs. The funds included in this category are as follows:

Private Purpose Trust Fund – This fund is used to account for assets held by the town in a trustee capacity. This fund accounts for various scholarship programs.

#### Basis of Presentation

**Government-wide financial statements** (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town of Berwick. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which are supported primarily by property taxes, excise taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Property taxes, excise taxes, certain intergovernmental revenues and other items properly not included among program revenues are reported instead as general revenues.

## TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fund financial statements** are also provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the Town of Berwick. The Town's major individual governmental funds and its enterprise fund are reported as separate columns in the fund financial statements. Nonmajor funds, if applicable, are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the town's enterprise fund are water charges. Operating expenses for the town's enterprise fund include salaries and benefits, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources except those which are required to be accounted for in another fund.

The highway improvement fund accounts for financial resources which are to be utilized for various road improvements.

The capital projects fund accounts for financial resources which are to be used for the acquisition, construction or renovation of major capital facilities and equipment which are not financed in the proprietary or fiduciary funds.

The permanent fund accounts for resources in which the principal is legally restricted and only earnings may be utilized for specified purposes. These purposes include cemetery maintenance and town hall improvements.

#### Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Therefore, all of the Town's assets and liabilities, including capital assets and long-term debt, are included in the statement of net assets. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes, regardless of when collection occurs, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets.

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is charged as an expense against current operations and accumulated depreciation is reported in the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days after the end of the fiscal year. Property taxes are recorded as current year revenue when collected including those taxes collected within 60 days subsequent to year end. Miscellaneous revenues and excise taxes are generally recorded when received because they are not measurable until the cash is received. Intergovernmental revenues and investment income are accrued when their receipt occurs soon enough after the end of the accounting period to be both measurable and available. Revenue from federal, state and other grants designated for payment of specific town expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, general capital asset acquisitions are reported as expenditures in the governmental funds and any associated proceeds from the issuance of debt are reported as other financing sources. Expenditures related to compensated absences and debt service are recognized only when payment is due.

Cash and Cash Equivalents

For purposes of the governmental fund balance sheet, statement of net assets and the statement of cash flows the Town considers all highly liquid investments including those with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable within the general fund consists primarily of grants due to the Town. Due to the strong likelihood of collection no allowance for doubtful receivables has been reported.

Accounts receivable within the proprietary fund consist of amounts due to the Town for water billings. Accounts receivable are reported net of an allowance for doubtful accounts of \$3,500 at June 30, 2011.

Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**TOWN OF BERWICK, MAINE**

Notes to Financial Statements  
June 30, 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Investments are segregated in the financial statements to indicate that they are either permanently restricted or that unexpended prior years' earnings are to be utilized only for cemetery maintenance or town hall maintenance. When both restricted and unrestricted resources are available to meet a specific use, it is the Town's policy to utilize restricted resources first, to the extent possible, then unrestricted resources as they are needed.

**Investments**

The Town records investments at fair value as of the balance sheet date based upon quoted market prices.

**Inventories**

In the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in first-out basis, and are expensed when used.

Inventories in the governmental funds consist of materials and supplies used in operations and are stated at cost by the first-in first-out method. The purchase method is used to account for these inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset at year end. The inventories are equally offset by a nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The general fund is the only governmental fund that has material inventory balances as of June 30, 2011.

Inventory in the proprietary fund is valued at the lower of cost or market based upon the first-in first-out method. The inventory consisted of materials, parts and chemicals used in the water treatment facility.

**Prepaid Expenses (Items)**

In both the government-wide and fund financial statements, prepaid expenses (items) are reported as assets in the specific governmental fund in which future benefits will be derived. These items consist of prepaid vendor invoices including various insurances and service agreements. The governmental fund financial statements reflect a nonspendable fund balance reserve of \$84,111 for these prepaid costs to indicate that they do not constitute "available spendable resources."

**TOWN OF BERWICK, MAINE**

Notes to Financial Statements  
June 30, 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets, which includes property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation and are reported as program revenues (capital grants and contributions) within the statement of activities. The Town is not required to retroactively report infrastructure assets within its governmental activities and therefore has elected to perform only prospective financial statement reporting.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
<u>Governmental Activities</u>	
Land Improvements	10-50
Buildings and Improvements	5-40
Machinery and Equipment	5-30
Vehicles	3-20
Roads and Other Infrastructure	45-75
<u>Business-Type Activities</u>	
Buildings and Improvements	40
Machinery and Equipment	10-50
Vehicles	10
Reservoirs and Distribution Mains	50-77

**Property Taxes**

In the government wide financial statements property tax revenue is recognized on the accrual basis of accounting in accordance with GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Therefore, property tax revenues are recorded on the Town's fiscal year since this is the period for which they have been committed, regardless of when they are due or collected. Property tax

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues in the fund financial statements are recognized on the modified accrual basis of accounting as they become available. Available means those taxes which are collected within 60 days of year end are considered current year tax revenue. Deferred revenue is recorded in the fund financial statements for taxes which are collected after the sixty day period. The Town has an allowance for uncollectible taxes of \$35,000 at June 30, 2011 which is based upon its prior collection history as well as the nature of its outstanding taxes.

The majority of the Town's revenue is received from property taxes. The Town's property tax for the current year was committed on August 17, 2010 based upon the assessed value of all real and personal property as of April 1, 2010. Taxes were due on October 15, 2010 and April 15, 2011 and interest on unpaid taxes commenced on October 16, 2010 and April 16, 2011 at 7.00%. Tax liens are placed on delinquent property on August 8, 2011 for the current year taxes. The Town has the authority to foreclose on property eighteen months after the filing of a tax lien if the taxes remain unpaid.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide and proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences are reported as a liability in the governmental funds only to the extent they are due for payment during the current year. Long-term debt principal and interest payments are recognized as a liability in the governmental fund financial statements when due and payable.

Escrows Payable

The planning department will receive monies in advance from developers and landowners for various projects. The money is held by the Town until the owner has performed certain steps required by the Planning Board. Upon completion of the required steps the remaining money is then returned to its owner. The Town tracks each individual escrow account separately.

Net Assets

Net assets represent the difference between assets and liabilities. "Net assets invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. "Restricted net assets" represent that portion of net assets restricted by creditors, grantors, contributors, laws or regulations of other governments or restrictions placed through constitutional provisions or enabling legislation. "Unrestricted net assets" are the remaining net assets not included in the previous two categories.

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

The Town has adopted the requirements of GASB Statement 54 with the fiscal year ended June 30, 2011. This statement employs new terminology and provides a more structured classification of governmental fund balances. The reporting standard also establishes a hierarchy for fund balance classifications as well as the constraints imposed on the uses of those resources.

GASB 54 provides two major types of fund balances- spendable and nonspendable. Nonspendable fund balances are balances which cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. In addition to nonspendable fund balances, GASB 54 establishes a hierarchy of spendable fund balances based upon the nature of the spending constraints:

- Restricted- fund balances which are constrained by external parties, constitutional provisions or enabling legislation.
- Committed- fund balances which contain self-imposed constraints of the government from its highest level of decision making authority. Those committed amounts cannot be used for any other purposes unless the Board of Selectmen takes the same type of action as was required when committing the funds. This classification may also include contractual obligations to the extent existing resources in the fund have been committed for use in satisfying those contractual requirements.
- Assigned- fund balances which contain self-imposed constraints of the government to be utilized for a particular purpose but are neither restricted nor committed. The Board of Selectmen has the authority to assign amounts to be used for specific purposes. Assigned fund balances include those positive balances within governmental funds, other than the general fund, which are not classified as nonspendable and are also neither restricted nor committed.
- Unassigned- fund balance of the general fund which is not constrained for any particular purpose.

The Town has classified its governmental fund balances as follows:

Nonspendable- This classification includes inventories and prepaid items which are not likely to be converted to cash as well as the principal of the permanent fund which is required to remain intact.

Restricted- This classification includes unspent earnings of the permanent fund which are required to be utilized for town hall maintenance or cemetery maintenance.

Committed- This classification includes resources within the general fund which are to be utilized for specific purposes as approved by the Board of Selectmen and the taxpayers.

## TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned- This classification includes resources assigned by the Board of Selectmen to provide highway maintenance as well as future purchases of equipment and other capital assets.

Unassigned- This classification represents the remainder of the Town's equity in its general fund which is not classified in any of the above categories.

When both restricted and unrestricted resources are available for use, it is the Town's policy to utilize restricted resources first, to the extent possible, and then unrestricted resources (committed, assigned and unassigned) in respective order as needed.

#### Encumbrances

Encumbrances are not liabilities and therefore are not recorded as expenditures until liabilities for payments are incurred. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end may be reappropriated in the next year. The Town does not utilize encumbrance accounting. In limited situations there may be a carryforward of unexpended appropriations to the future year's budget if approved at the town meeting.

#### Compensated Absences

The Town allows employees to accumulate earned but unused benefits to be paid upon separation from service. Benefits which are expected to be liquidated with expendable available financial resources are reported as an expenditure and a liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long-term liabilities in the government-wide financial statements. No current expenditure is reported for these amounts in the governmental fund financial statements. All short-term and long-term liabilities for compensated absences are reported in the proprietary fund statement of net assets.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### NOTE 2 – CASH AND INVESTMENTS

The Town maintains a cash pool that is used primarily by the general, highway improvement and capital projects funds. Each fund's position of this pool is displayed on the governmental funds balance sheet as "due from other funds" under each fund's caption. Cash equivalents also include the carrying amounts held in various demand and time deposit accounts as well as funds "swept" daily to either an interest bearing joint custody management account or accounts covered by an irrevocable letter of credit issued by the Federal Home Loan Bank of Pittsburgh.

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Therefore, all cash and cash equivalents during the year carry additional insurance over the FDIC limit or are collateralized with securities held by an agent in the Town's name. Differences between carrying amounts and bank balances are reflective of outstanding transactions in process.

Maine statutes authorize the Town to invest funds in savings banks, trust companies, national banks and credit unions located within the State of Maine. The Town is also authorized to invest in obligations of the U.S. Treasury and U.S. agencies, in repurchase agreements, certain corporate stocks and bonds, and in certain mutual funds. The Town has no cash and investment policy to formally address its risks.

**Deposits with Financial Institutions and other Cash Equivalents**

Cash and cash equivalents are categorized to give an indication of the level of risk assumed by the Town at year-end. These categories are described as follows:

Category #1 – Insured or collateralized with securities held by the Town or by its agent in the Town's name.

Category #2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category #3 – Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name.

<u>Carrying</u> <u>Amount</u>	<u>Bank</u> <u>Balance</u>	<u>#1</u>	<u>Category</u> <u>#2</u>	<u>#3</u>
<u>\$3,092,223</u>	<u>\$3,018,652</u>	<u>\$3,018,652</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**Investments**

At June 30, 2011 the Town's investments consisted of amounts held in trust funds at a national bank. The authorized investments and amount of risk exposure are controlled by the trust documents. The bank's trust department retains investment specialists to help mitigate the Town's exposure to these risks.

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

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

Category #2 – Includes uninsured and unregistered investments with securities held by the broker, dealer, or bank's trust department or agent in the Town's name.

**TOWN OF BERWICK, MAINE**

Notes to Financial Statements  
June 30, 2011

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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

	<u>Fair Value</u>	<u>Category</u>		
		<u>#1</u>	<u>#2</u>	<u>#3</u>
Bonds	\$ 120,796	\$ -0-	\$120,796	\$ -0-
Common Stocks	730,012	-0-	730,012	-0-
Money Market Funds	<u>73,516</u>	<u>-0-</u>	<u>73,516</u>	<u>-0-</u>
	\$ 924,324	<u>\$ -0-</u>	<u>\$924,324</u>	<u>\$ -0-</u>
Mutual Funds	<u>235,662</u>			
	<u>\$1,159,986</u>			

Investments in open end mutual funds are considered to be unclassified as to custodial credit risk and are therefore not classified in any risk category.

The Town's investments include \$150,267 of stocks held in foreign countries. The majority of these countries utilize US currency conversion and the Town does not believe it is exposed to any foreign currency risk which would be material to the financial statements.

The Town also has investments which are subject to credit risk as follows:

	<u>Amount</u>	<u>Credit Rating</u>
Money Market Funds	\$73,516	Not Available
Other Fixed Income Investments	\$204,304	Not Available

Investments subject to interest rate risk consists of government bonds as follows:

<u>Amount</u>	<u>Weighted Average Maturity</u>
\$ 67,460	3.3 years
<u>\$ 53,337</u>	1.4 years
<u>\$120,797</u>	

**NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2011 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Highway Improvement	General	\$244,718
Capital Projects	General	\$219,959
Permanent	General	\$ 42
General	Permanent	\$ 15,473
General	Proprietary	\$ 124

**TOWN OF BERWICK, MAINE**

Notes to Financial Statements  
June 30, 2011

**NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES (Continued)**

Interfund transfers during 2011 were as follow:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Capital Projects	General	\$180,000
Highway Improvement	General	\$200,000
Enterprise	General	\$ 21,634

Transfers to the capital projects fund and the highway improvement fund are authorized annually by taxpayers to meet the specific needs of the fund. The transfer to the enterprise fund is made annually to help fund debt service payments.

**NOTE 4 – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance 6/30/10</u>	<u>Additions &amp; Reclassifications</u>	<u>Deductions &amp; Reclassifications</u>	<u>Balance 6/30/11</u>
<b><u>Governmental Activities</u></b>				
<i>Capital Assets, not being depreciated:</i>				
Works of Art	\$ 11,000	\$ -	\$ -	\$ 11,000
Land	<u>533,100</u>	<u>19,200</u>	<u>(20,800)</u>	<u>531,500</u>
<i>Total Capital Assets, not being depreciated</i>	<u>544,100</u>	<u>19,200</u>	<u>(20,800)</u>	<u>542,500</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	150,328	-	-	150,328
Buildings and Improvements	834,452	20,798	-	855,250
Machinery and Equipment	1,127,471	214,002	(16,605)	1,324,868
Vehicles	2,209,221	67,159	(165,182)	2,111,198
Roads and Other Infrastructure	<u>2,998,381</u>	<u>-</u>	<u>-</u>	<u>2,998,381</u>
<i>Total Capital Assets, being depreciated</i>	<u>7,319,853</u>	<u>301,959</u>	<u>(181,787)</u>	<u>7,440,025</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	124,435	3,522	-	127,957
Buildings and Improvements	345,181	25,564	-	370,745
Machinery and Equipment	806,453	69,457	(16,605)	859,305
Vehicles	1,252,948	143,143	(165,182)	1,230,909
Roads and Other Infrastructure	<u>120,156</u>	<u>43,180</u>	<u>-</u>	<u>163,336</u>
<b>Total Accumulated Depreciation</b>	<u>2,649,173</u>	<u>284,866</u>	<u>(181,787)</u>	<u>2,752,252</u>

**TOWN OF BERWICK, MAINE**

Notes to Financial Statements  
June 30, 2011

**NOTE 4 – CHANGES IN CAPITAL ASSETS (Continued)**

	<u>Balance</u> <u>6/30/10</u>	<u>Additions &amp;</u> <u>Reclassifications</u>	<u>Deductions &amp;</u> <u>Reclassifications</u>	<u>Balance</u> <u>6/30/11</u>
Total Capital Assets, being depreciated, net	4,670,680	17,093	-	4,687,773
Governmental Activities Capital Assets, Net	<u>\$ 5,214,780</u>	<u>\$ 36,293</u>	<u>\$ (20,800)</u>	<u>\$ 5,230,273</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 12,683
Public Safety	157,736
Health & Sanitation	908
Recreation	1,841
Highways	<u>111,698</u>
	<u>\$ 284,866</u>

	<u>Balance</u> <u>6/30/10</u>	<u>Additions &amp;</u> <u>Reclassifications</u>	<u>Deductions &amp;</u> <u>Reclassifications</u>	<u>Balance</u> <u>6/30/11</u>
<b><u>Business-Type Activities:</u></b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$ 148,646	\$ -	\$ -	\$ 148,646
<i>Total Capital Assets, not being depreciated</i>	<u>148,646</u>	<u>-</u>	<u>-</u>	<u>148,646</u>
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	1,475,014	-	-	1,475,014
Machinery and Equipment	988,892	98,710	(1,490)	1,086,112
Vehicles	29,668	-	-	29,668
Reservoirs and Distribution Mains	<u>3,712,644</u>	<u>84,175</u>	<u>(93,835)</u>	<u>3,702,984</u>
<i>Total Capital Assets, being depreciated</i>	<u>6,206,218</u>	<u>182,885</u>	<u>(95,325)</u>	<u>6,293,778</u>
<b><i>Less Accumulated Depreciation:</i></b>				
Buildings and Improvements	656,315	35,875	-	692,190
Machinery and Equipment	441,330	26,844	(968)	467,206
Vehicles	12,362	2,967	-	15,329
Reservoirs and Distribution Mains	<u>884,817</u>	<u>54,285</u>	<u>-</u>	<u>939,102</u>
Total Accumulated Depreciation	<u>1,994,824</u>	<u>119,971</u>	<u>(968)</u>	<u>2,113,827</u>
Total Capital Assets, being depreciated, net	<u>4,211,394</u>	<u>62,914</u>	<u>(94,357)</u>	<u>4,179,951</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,360,040</u>	<u>\$ 62,914</u>	<u>\$ (94,357)</u>	<u>\$ 4,328,597</u>

Depreciation expense for the year ended June 30, 2011 for business-type activities was \$119,971.

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 5 – LONG-TERM DEBT

A summary of long-term debt activity of the Town's proprietary fund for the year ended June 30, 2011 is as follows:

	<u>Bonds Payable</u>
Beginning of Year	\$1,797,530
Principal Borrowings	-0-
Principal Payments	<u>(245,427)</u>
End of Year	<u>\$1,552,103</u>
Amount Due within one year	<u>\$260,962</u>

The amount of bonds payable as of June 30, 2011 is as follows:

Bonds Payable:

1998 General Obligation Refunding Bonds, annual interest rates from 4% to 4.25% with interest paid semi-annually, annual principal payments vary from \$35,000 to \$240,000. Maturity in November, 2012.	\$ 475,000
1999 General Obligation Bond, annual interest rate at 4.5%, annual payments of principal and interest are \$43,268. Maturity in March, 2027.	485,307
2009 General Obligation Bond, annual interest rate of 0%, semi-annual principal payments of \$500 through October 1, 2012 and semi-annual principal payments of \$30,830 thereafter. Maturity in October, 2019.	433,126
2009 General Obligation Bond, annual interest rate of 0%, semi-annual principal payments of \$500 through October 1, 2012 and semi-annual principal payments of \$11,226 thereafter. Maturity in October, 2019.	<u>158,670</u>
Total Outstanding Bonds Payable	<u>\$1,552,103</u>

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 5 – LONG-TERM DEBT (Continued)

The annual requirements to amortize outstanding bonds as of June 30, 2011 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 260,962	\$ 36,941	\$ 297,903
2013	305,422	26,002	331,424
2014	107,487	19,895	127,382
2015	108,539	18,843	127,382
2016	109,638	17,744	127,382
2017-2021	440,315	70,423	510,738
2022-2026	181,839	34,501	216,340
2027-2031	<u>37,901</u>	<u>1,847</u>	<u>39,748</u>
	<u>\$1,552,103</u>	<u>\$226,196</u>	<u>\$1,778,299</u>

On August 12, 2009 the Town of Berwick issued two general obligation bonds in order to fund various water main replacements. The Maine Department of Health and Human Services approved eligible project costs of \$849,710 of which \$254,913 is considered forgiveness of loan principal. As of June 30, 2011 the Town had \$35,190 in bond proceeds which had not yet been utilized and advanced to the Town. A summary of these general obligation bonds, which are payable by the proprietary fund, are as follows:

General Obligation Bonds Summary:

Total Approved Project Costs	\$849,710
Principal Loan Forgiveness	<u>(254,913)</u>
Amount of General Obligation Bonds	<u>\$594,797</u>

General Obligation Bonds Detail:

2009 General Obligation Bond	\$434,627
2009 General Obligation Bond	<u>160,170</u>
	<u>\$594,797</u>

Deferred Advanced Refunding Costs:

In prior years the Enterprise Fund refunded outstanding debt in advance through the issuance of the 1998 General Obligation Refunding Bonds. At the time of refunding the difference between the book value of the debt and the reacquisition price was \$182,814. This is being amortized to interest expense on a straight-line basis over 15 years. The amount charged to expense for the year ended June 30, 2011 was \$12,188. The following summarizes the outstanding net debt at June 30, 2011:

Original deferred advanced refunding costs	\$(182,814)
Accumulated amortization	<u>153,361</u>
Unamortized deferred advanced refunding	(29,453)
Outstanding balance on 1998 refunding bond	<u>475,000</u>
Net outstanding debt on 1998 refunding bond	<u>\$ 445,547</u>

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 5 – LONG-TERM DEBT (Continued)

Unamortized Bond Issuance Costs:

Bond issuance costs are amortized on a straight-line basis over the term of the bond (15 years). Amortization expense for the year ended June 30, 2011 was \$3,760. The original bond costs and accumulated amortization are as follows:

Bond Issuance Costs	\$56,396
Accumulated Amortization	<u>(47,310)</u>
Total Unamortized Bond Cost	<u>\$ 9,086</u>

Unamortized Bond Premium:

Bond premium is amortized over the life of the bond (15 years) on a straight-line basis. This premium is amortized to interest expense at \$1,352 per year. The original bond premium and associated amortization are summarized as follows:

Bond Premium	\$20,279
Accumulated Amortization	<u>(17,012)</u>
Total Unamortized Bond Premium	<u>\$ 3,267</u>

NOTE 6 – COMPENSATED ABSENCES

The Town has various policies in regards to accruing sick time and vacation pay. Most town employees earn these benefits in accordance with negotiated contracts.

Retirement sick pay is based upon amounts earned by employees and paid immediately upon retirement or resignation at a stipulated percentage of their base pay. Since the amount of any current liability is not considered material, the total liability is considered part of long-term debt. The following summarizes the changes in long-term compensated absences for the year ended June 30, 2011:

	Governmental <u>Funds</u>	Proprietary <u>Fund</u>	<u>Total</u>
Beginning of Year	\$176,716	\$22,188	\$198,904
Change in Compensated Absences	18,114	<u>(10,353)</u>	7,761
End of Year	<u>\$194,830</u>	<u>\$11,835</u>	<u>\$206,665</u>
Amount Due within one year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

Accrued vacation, compensatory time off and annual leave is owed to employees in accordance with contractual agreements. These amounts are part of accrued salaries and compensated absences in the general fund and the proprietary fund at June 30, 2011. (\$108,975 and \$4,512 respectively)

**TOWN OF BERWICK, MAINE**

Notes to Financial Statements  
June 30, 2011

**NOTE 7 – COMMITMENTS**

The Town has a variety of agreements for providing services (waste disposal, recycling, assessing, ambulance services, dispatch) expiring at different times. Some agreements are for fixed rate fees while others vary depending upon the supplier's costs or the quantity of service to be provided. Total costs for these contracts for the year ended June 30, 2011 was \$635,135.

The Town's minimum commitments under these agreements (with no quantity of service provided) are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
<u>Ending</u>	
2012	\$273,620
2013	93,608
2014	59,916
2015	59,916
2016	-0-
	<u>\$487,060</u>

The Town has a service agreement with the Town of South Berwick in which they share the payroll and associated costs of the Town's engineer. The Town of Berwick pays all costs and then bills the Town of South Berwick on a monthly basis for their prorated share of the engineer's time. All associated billings are credited against the respective salary and benefits accounts within the highway department in the financial statements. Total reimbursements for fiscal 2011 were \$43,520. The agreement may be terminated by either town in writing within a sixty day period.

**NOTE 8 – 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 9 – PENSION PLAN**

Eligible Town employees can contribute to the Maine Public Employees Retirement System's (MSRS) Participating Local District's Consolidated Plan, a cost sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. (The MSRS provides a consolidated stand-alone financial report of all participating government entities and can be obtained via mail at 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800). The Retirement System acts as a common investment and administrative agent for public school teachers, certain state employees and political subdivisions.

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 9 – PENSION PLAN (Continued)

An employee meets service eligibility upon completing 25 years of creditable service. The monthly pension benefit is reduced by 2.25% for each year a member retires before age 60. The Retirement System provides retirement and disability benefits as well as death benefits to plan members and beneficiaries. The MSRS funding policy provides for actuarially determined periodic contributions for normal costs and for amortization of any unfunded actuarial accrued liability so that sufficient assets will be available to pay benefits when they become due. The contribution requirements of Town employees and the Town are established by the MSRS-PLD Board of Trustees. The Town's payroll for employees covered by the plan was \$1,532,763 with employee contributions of \$99,630 or 6.5% of annual covered salary. The Town's contribution is based upon actuarially determined rates and was \$62,872 for fiscal 2011. The Town's required contribution for the years ended June 30, 2010 and 2009 was \$45,884 and \$37,631, respectively. Town employees are also covered under the Social Security Program. The Town's contribution to Social Security was \$121,792 for the year ended June 30, 2011.

The amount shown below is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, to assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the system. According to GASB #25 all participating local districts (PLDs) that enter the Consolidated Plan cease to be individual sponsors of a "Single Employer Defined Benefit Pension Plan" and instead become participants in a "Cost-Sharing Multiple-Employer Defined Benefit Pension Plan."

As such, the disclosures made by individual PLDs reflect the assets and liabilities of the Regular and/or Special Plan(s) under the Consolidated Plan in which a PLD participates and not those of the PLD itself. Therefore, the pension obligation pertaining to the Town cannot be presented.

The Maine Public Employees Retirement System utilizes the "entry age normal actuarial cost method." The amortization period as of the most recent valuation by MSRS (June 30, 2009) was 15 years. Actuarial liabilities are not separately amortized for each individual plan.

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>
Present Value of Actuarial Liability	\$1,838,974,922	\$1,953,629,021	\$2,032,737,408
Actuarial Value of Assets	\$2,001,713,785	\$2,201,652,592	\$2,083,711,056
Pooled Unfunded Actuarial Liability	\$ (162,738,863)	\$ (248,023,571)	\$ (50,973,648)

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 10 – CONTINGENT LIABILITIES

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

NOTE 11 – ARBITRAGE REBATE

Pursuant to the Internal Revenue Code government entities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. The Town does not believe at this time it will have any liability under this requirement resulting from its recent bond issuances.

NOTE 12 – RISK OF LOSS

The Town is exposed to various risks of loss related to torts, theft, impairment of assets, errors and omissions, and natural disasters. The Town has purchased coverage provided by third party vendors which is consistent with previous years. Based upon the amount of this coverage the Town is not aware of any material or potential claim liabilities which should be recorded at June 30, 2011.

NOTE 13 – OUTSIDE COMPENSATION FUNDS

The Town maintains workers compensation, unemployment compensation, and health insurance trust funds as part of various pools with the Maine Municipal Association (MMA). Contributions are made by the Town during the year and are invested by MMA to administer benefits for the Town and its employees. The Town has a positive experience, that is contributions and income exceed the payment of benefits. These plans do not allow for retroactive premium adjustment by the pool and the pool retains the risk of loss. Therefore, the amounts within these funds are not part of the Town's financial statements.

NOTE 14 – ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The following summary provides the significant components of accounts receivable and accounts payable as of June 30, 2011:

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>
<u>Accounts Receivable:</u>		
Trade Receivables	\$ 5,416	\$123,456
Grants Receivable	34,571	-0-
Allowance for Uncollectible Accounts	<u>-0-</u>	<u>(3,500)</u>
Net Accounts Receivable	<u>\$39,987</u>	<u>\$119,956</u>
<u>Accounts Payable:</u>		
Trade Payables	<u>\$184,175</u>	<u>\$15,158</u>

TOWN OF BERWICK, MAINE

Notes to Financial Statements  
June 30, 2011

NOTE 14 – ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE (Continued)

Total intergovernmental proprietary fund revenues from Town of Berwick hydrant rentals was \$182,356 for fiscal 2011.

The proprietary fund records uncollectible billings based upon the nature of the receivables, their aging and prior collection history. For the year ended June 30, 2011 bad debt expense was \$-0-.

Town of Berwick, Maine

Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
Property Taxes	\$ 7,944,935	\$ 7,944,935	\$ 7,871,482	\$ (73,453)
Excise Taxes	950,000	950,000	1,031,245	81,245
Licenses, Permits and Fees	89,500	89,500	137,047	47,547
Intergovernmental Revenues	467,965	467,965	489,981	22,016
Grant Revenues	48,872	48,872	50,314	1,442
Investment and Interest Income	18,000	18,000	48,932	30,932
Charges for Administrative Services	30,000	30,000	30,000	-
Miscellaneous Revenues	5,000	5,000	28,159	23,159
Total Revenues	<u>9,554,272</u>	<u>9,554,272</u>	<u>9,687,160</u>	<u>132,888</u>
<b>EXPENDITURES:</b>				
General Government	994,179	994,179	976,730	17,449
Public Safety	1,845,845	1,845,845	1,837,349	8,496
Health & Sanitation	495,815	495,815	484,414	11,401
Recreation	81,767	81,767	66,124	15,643
Education	4,967,887	4,967,887	4,967,887	-
Highways	665,708	665,708	646,144	19,564
Unclassified	728,849	748,849	536,096	212,753
Total Expenditures	<u>9,780,050</u>	<u>9,800,050</u>	<u>9,514,744</u>	<u>285,306</u>
Excess of Revenues Over (Under) Expenditures	(225,778)	(245,778)	172,416	418,194
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers	<u>(401,634)</u>	<u>(401,634)</u>	<u>(401,634)</u>	<u>-</u>
Net Change in Fund Balances	(627,412)	(647,412)	(229,218)	418,194
Fund Balances, Beginning of Year	<u>2,659,590</u>	<u>2,659,590</u>	<u>2,659,590</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,032,178</u>	<u>\$ 2,012,178</u>	<u>\$ 2,430,372</u>	<u>\$ 418,194</u>

See accompanying notes to required supplementary information.

TOWN OF BERWICK, MAINE

Notes to Required Supplementary Information  
June 30, 2011

NOTE 1 – BUDGETARY ACCOUNTING

At the town meeting, held on May 11, 2010 and any authorized special town meetings, the townspeople voted on various articles, of which amounts for appropriations were recommended by the Board of Selectman and/or the Budget Committee.

The Town prepares its budget on the modified accrual basis of accounting as is used in preparing the fund financial statements. An exception is that the Town does not budget for accrued salaries and vacation pay. The Town also nets revenue from recreation trips against the expenditure for budget purposes (\$21,200 for the year ended June 30, 2011). In addition, the Town nets various grant revenue and general assistance reimbursements against expenditures for budget purposes (\$239,258 and \$49,527, respectively, for the year ended June 30, 2011). An operating budget is only legally required for the general fund and therefore no other budgetary comparison reporting is presented.

In order to provide a meaningful comparison of actual results with budget, the following analysis recognizes the major differences between the budget basis and the modified accrual basis:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Services (Uses)</u>
Modified Accrual Basis (Fund Financial Statements)	\$9,997,145	\$9,798,738	\$(401,634)
Increase in Accrued Salaries	-0-	25,991	-0-
Netting of Revenue	<u>(309,985)</u>	<u>(309,985)</u>	<u>-0-</u>
Budget Basis	<u>\$9,687,160</u>	<u>\$9,514,744</u>	<u>\$(401,634)</u>

Town of Berwick, Maine

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Property Taxes	\$ 7,944,935	\$ 7,944,935	\$ 7,871,482	\$ (73,453)
Excise Taxes	950,000	950,000	1,031,245	81,245
Licenses, Permits and Fees	89,500	89,500	137,047	47,547
Intergovernmental Revenues	467,965	467,965	489,981	22,016
Grant Revenues	48,872	48,872	50,314	1,442
Investment and Interest Income	18,000	18,000	48,932	30,932
Charges for Administrative Services	30,000	30,000	30,000	-
Miscellaneous Revenues	5,000	5,000	28,159	23,159
<b>TOTAL REVENUES</b>	<b>9,554,272</b>	<b>9,554,272</b>	<b>9,687,160</b>	<b>132,888</b>
<b><u>EXPENDITURES</u></b>				
<b><u>General Government:</u></b>				
General Expense Account	187,367	187,367	180,030	7,337
Assessing Department	99,418	99,418	96,350	3,068
Town Administration	484,690	484,690	482,975	1,715
Town Hall	108,318	108,318	105,878	2,440
Planning Department	114,386	114,386	111,497	2,889
<b>Total General Government</b>	<b>994,179</b>	<b>994,179</b>	<b>976,730</b>	<b>17,449</b>
<b><u>Public Safety:</u></b>				
Police Department	1,197,894	1,197,894	1,189,653	8,241
Fire Department	465,595	465,595	465,340	255
Fire Protection- Hydrant Rental	182,356	182,356	182,356	-
<b>Total Public Safety</b>	<b>1,845,845</b>	<b>1,845,845</b>	<b>1,837,349</b>	<b>8,496</b>
<b><u>Health and Sanitation:</u></b>				
Refuse Disposal	495,815	495,815	484,414	11,401
<b><u>Recreation:</u></b>				
Recreation Account	81,767	81,767	66,124	15,643
<b><u>Education:</u></b>				
MSAD #60 Assessment	4,967,887	4,967,887	4,967,887	-
<b><u>Highways:</u></b>				
Public Works Department	665,708	665,708	646,144	19,564
<b><u>Unclassified:</u></b>				
Outside Appropriations	60,979	60,979	59,812	1,167
Contingency Account	15,000	15,000	14,583	417
General Assistance	32,395	32,395	44,139	(11,744)
Berwick Library Association	63,000	63,000	63,000	-
Triumph Restoration	4,138	4,138	-	4,138

Town of Berwick, Maine

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Unclassified: (continued)</u>				
County Tax	308,934	308,934	308,934	-
Plumbing Permits	-	-	2,508	(2,508)
Property Tax Assistance Ordinance	9,269	9,269	1,589	7,680
Over/Short	-	-	(196)	196
Recreation Donation	858	858	-	858
Purchase of Prime Land	130,000	130,000	-	130,000
Emergency Management	1,218	1,218	218	1,000
Update of Properties	5,000	5,000	-	5,000
Boundary Surveys	31,163	31,163	-	31,163
Unfunded Liability	27,660	27,660	14,371	13,289
ADA Repairs & Modifications	13,780	13,780	2,776	11,004
EPA Stormwater Program	15,455	15,455	14,415	1,040
Community Television Station	10,000	10,000	9,947	53
High School Generator	-	20,000	-	20,000
Total Unclassified	<u>728,849</u>	<u>748,849</u>	<u>536,096</u>	<u>212,753</u>
TOTAL EXPENDITURES	<u>9,780,050</u>	<u>9,800,050</u>	<u>9,514,744</u>	<u>285,306</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(225,778)</u>	<u>(245,778)</u>	<u>172,416</u>	<u>418,194</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
<u>Transfers:</u>				
Proprietary Fund	(21,634)	(21,634)	(21,634)	-
Special Revenue - Highways	(200,000)	(200,000)	(200,000)	-
Capital Projects	(180,000)	(180,000)	(180,000)	-
Total Transfers	<u>(401,634)</u>	<u>(401,634)</u>	<u>(401,634)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(627,412)	(647,412)	(229,218)	418,194
FUND BALANCE - JUNE 30, 2010	<u>2,659,590</u>	<u>2,659,590</u>	<u>2,659,590</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2011	<u>\$ 2,032,178</u>	<u>\$ 2,012,178</u>	<u>\$ 2,430,372</u>	<u>\$ 418,194</u>