

TOWN OF ELIOT, MAINE
AUDITED FINANCIAL STATEMENTS

As of June 30, 2011

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TOWN OF ELIOT, MAINE
JUNE 30, 2011

TABLE OF CONTENTS

Independent Auditor's Report		Pages 1 – 2
Management's Discussion and Analysis (Unaudited)		Pages 3 – 5
<u>Basic Financial Statements</u>		
<u>Government – Wide Financial Statements</u>		
Statement of Net Assets	Exhibit I	Page 6
Statement of Activities	Exhibit II	Page 7
<u>Fund Financial Statements</u>		
<u>Government Funds:</u>		
Balance Sheet	Exhibit III	Page 8
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Assets	Exhibit IV	Page 9
Statement of Revenues, Expenditures and Changes in Fund Balance	Exhibit V	Page 10
Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balance of Governmental Funds and Changes in Net Assets	Exhibit VI	Page 11
<u>Proprietary Funds:</u>		
Statement of Net Assets	Exhibit VII	Page 12
Statement of Revenues, Expenses and Changes in Net Assets	Exhibit VIII	Page 13
Statement of Cash Flows	Exhibit IX	Page 14
<u>Fiduciary Funds:</u>		
Statement of Fiduciary Net Assets	Exhibit X	Page 15
Statement of Changes in Fiduciary Net Assets	Exhibit XI	Page 16
Statement of Cash Flows	Exhibit XII	Page 17
Notes to Basic Financial Statements		Pages 18 – 34
<u>Required Supplementary Information</u>		
Budget to Actual – General Fund	Exhibit XIII	Page 35

RICHARD D. DONHAUSER, CPA

Professional Association
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REPORT OF CERTIFIED PUBLIC ACCOUNTANT **INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectpersons of
the Town of Eliot, Maine:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major funds and the aggregate remaining fund information of the Town of Eliot, Maine 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

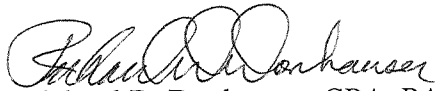
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 opinion.

We were unable to obtain sufficient evidential source documentation to support the cemetery trust funds because the relevant legal indentures could not be located. Prior audit reports did not distinguish between expendable and nonexpendable trust funds or indicate the principal and income portions of the fund balance separately.

In our opinion, except for the effect on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eliot, Maine as of June 30, 2011, and the respective changes

in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Richard D. Donhauser, CPA, PA
Eliot, Maine
May 25, 2012

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following narrative overview and analysis of the financial activities of the Town of Eliot for the year ended June 30, 2011 is provided to assist the reader of the financial statements. Readers are encouraged to consider the information presented here in conjunction with the financial statements presented. All amounts reported in this MD&A are rounded to the nearest \$1,000.

Brief Discussion of the Basic Financial Statements

The two major categories in this discussion are "government-wide" financial statements and "fund" financial statements. The government-wide statements are presented on the full accrual basis of accounting while the governmental fund financial statements are presented on the modified accrual basis of accounting. The governmental fund financial statements as well as the proprietary fund financials present information for these two categories of funds, each of which corresponds with certain modifications, to corresponding data presented in the government-wide financial statements, while the fiduciary fund statements carry information that is not presented in any fashion in the government-wide financial statements.

The assets of the Town of Eliot exceeded its liabilities at the close of the fiscal year ended June 30, 2011 by \$7,363,000 per Exhibit I (net Assets). Of this amount, \$2,249,000 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens, creditors and sewer customers. The Town's total net assets increased by \$752,000 during the year ended June 30, 2011.

Analysis of Overall Financial Position and Results of Operations

Total revenues exceeded total expenses by \$589,000. This resulted in an increase of the overall financial position for the Town of Eliot.

Analysis of Significant Individual Fund Balances, Transactions and Changes in Fund Balance

Total Governmental Fund Balances amounted to \$3,274,000 with the General fund balance amounting to \$1,820,000. The general fund balance increased by \$340,000 or 2.8% of total general fund expenditures.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Continued)

Analysis of Significant General Fund Budget Variances

Revenues exceeded anticipated revenues by \$851,000 or 7.26%. The actual expenditures were \$406,000 more than the proposed budget, a 3.5 % variance. Accordingly, there were no significant overall variations from the original projected budgets.

Significant Capital Asset and Long-Term Debt Activity

Capital assets net of depreciation increased slightly on a percentage basis.

By State law, the Town's debt service may not exceed 15% of the total assessed valuation of the Town, which at June 30, 2011 totaled \$866,462,500. The actual long term debt as of June 30, 2011 was \$285,000 or less than ½ of 1% of the total assessed valuation.

Currently Known Facts

Given the financial status of the State of Maine and consistently increasing property values in Eliot, it is expected that the Town will see minimum state aid (EPS) in support of schools in the future. There are no other known facts expected to affect the future financial position or the operations of the Town.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Continued)

Condensed Data

The table below provides a summary of the Town of Eliot's net assets for the year ended June 30, 2011.

<u>Condensed Statement of Net Assets</u>	<u>Government Activities</u>
<u>Assets</u>	
Current/Long Term and Other Assets	\$7,851,000
<u>Liabilities</u>	
Short/Long Term and Other Liabilities	488,000
<u>Net Assets</u>	
Invested in Capital Assets, Net	3,661,000
Reserved	1,453,000
Unrestricted	2,249,000
Total Net Assets	<u>\$7,363,000</u>

The largest portion of the Town's assets is cash and its capital assets. Correspondingly, the largest portion of its liabilities relates to debt service on those assets. The Town's total net assets increased by 8.74% for the fiscal year ended June 30, 2011.

<u>Condensed Statement of Activities</u>	<u>Government Activities</u>
<u>Revenues</u>	
Taxes	\$11,923,000
Intergovernmental	664,000
Charges for Services	608,000
Investment Income	19,000
Total Revenues	<u>13,214,000</u>
<u>Expenses</u>	
General Government	1,908,000
Protection	1,049,000
Public Works	1,194,000
Culture & Recreation	61,000
General Assistance	89,000
Education	6,998,000
County Government	450,000
Interest on long-term debt	54,000
Depreciation – Unallocated	280,000
Sewer	256,000
Community Service	283,000
Total Expenses	<u>12,622,000</u>
Change in Net Assets	592,000
Net Assets – July 1	<u>6,771,000</u>
Net Assets – June 30	<u>\$7,363,000</u>

Property and other taxes (primarily excise) constituted 90.2% of total revenues of the Town for the fiscal year ended June 30, 2011. Education expenses comprise the largest expense approximately 55.4% of the Town's total expenses.

TOWN OF ELIOT
STATEMENT OF NET ASSETS
June 30, 2011

Exhibit I

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Cash	\$ 3,059,934	\$ 113,257	\$ 3,173,191
Accounts Receivable	-	51,214	51,214
Taxes Receivable	321,900	-	321,900
Tax Liens Receivable	236,664	-	236,664
Intergovernmental	17,720	-	17,720
Due from Other Funds	36,336	-	36,336
Capital Assets, net of accumulated depreciation	1,366,473	2,647,175	4,013,648
TOTAL ASSETS	5,039,027	2,811,646	7,850,673
<u>LIABILITIES</u>			
Accounts payable	25,440	59,709	85,149
Deferred Revenue	-	-	-
Compensated Absences	81,313	-	81,313
Due to Other Funds	-	36,336	36,336
Bonds payable	166,670	118,152	284,822
TOTAL LIABILITIES	273,423	214,197	487,620
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	1,131,799	2,529,023	3,660,822
Reserved for: Special Revenue	832,005	-	832,005
Capital Projects	621,378	-	621,378
Unrestricted	2,180,422	68,426	2,248,848
TOTAL NET ASSETS	\$ 4,765,604	\$ 2,597,449	\$ 7,363,053

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

EXHIBIT II

Functions / Programs	Net (Expense) Revenue & Changes in Net Assets				
	Primary Government				Total
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities
Primary Government					
Government Activities					
General Government	\$ 1,907,858	\$ 215,971	\$ -	\$ (1,691,886)	\$ (1,691,886)
Protection	1,048,595	-	-	(1,048,595)	(1,048,595)
Public Works	1,193,663	-	-	(1,193,663)	(1,193,663)
Culture and recreation	61,214	-	-	(61,214)	(61,214)
General Assistance	89,480	-	-	(89,480)	(89,480)
Education	6,997,935	-	-	(6,997,935)	(6,997,935)
County Government	450,342	-	-	(450,342)	(450,342)
Interest on long-term debt	43,496	-	-	(43,496)	(43,496)
Depreciation - Unallocated	179,931	-	-	(179,931)	(179,931)
Total Government Activities	11,972,513	215,971	-	(11,756,542)	(11,756,542)
Business-type activities					
Sewer	255,736	190,043	35,708	-	(29,985)
Interest on long-term debt	10,119	-	-	-	(10,119)
Depreciation	77,469	-	-	-	(77,469)
Community Service	283,900	201,858	61,215	-	(20,827)
Depreciation	22,377	-	-	-	(22,377)
Total Business-type activities	649,601	391,901	96,923	(160,777)	(160,777)
Total Primary Government	\$ 12,622,114	\$ 607,872	\$ 96,923	(11,756,542)	(11,917,319)
GENERAL REVENUES					
Property Taxes				11,923,145	11,923,145
Grants & Contributions not Restricted to Special Programs				566,724	566,724
Unrestricted Investment Earnings				18,997	19,009
TOTAL GENERAL REVENUES				12,508,866	12,509,244
CHANGES IN NET ASSETS					
				752,324	(160,399)
NET ASSETS - BEGINNING OF YEAR				4,013,280	2,757,848
NET ASSETS - END OF YEAR				\$ 4,765,604	\$ 2,597,449
					\$ 7,363,053

The Notes to the Financial Statements are an Integral Part of this Statement

**TOWN OF ELIOT, MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,546,506	\$ 830,060	\$ 629,980	\$ 3,006,546
Receivable				
Taxes	321,900	-	-	321,900
Liens	236,664	-	-	236,664
Intergovernmental	17,720	-	-	17,720
Due From Other Funds	42,992	3,036	6,654	52,682
TOTAL ASSETS	<u>\$ 2,165,782</u>	<u>\$ 833,096</u>	<u>\$ 636,634</u>	<u>\$ 3,635,512</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 25,440	\$ -	\$ -	\$ 25,440
Deferred Revenue	320,032	-	-	320,032
Due to Other Funds	-	1,091	15,256	16,347
TOTAL LIABILITIES	<u>345,472</u>	<u>1,091</u>	<u>15,256</u>	<u>361,819</u>
FUND BALANCE				
Reserved	-	832,005	621,378	1,453,383
Unreserved	1,820,310	-	-	1,820,310
TOTAL FUND BALANCE	<u>1,820,310</u>	<u>832,005</u>	<u>621,378</u>	<u>3,273,693</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,165,782</u>	<u>\$ 833,096</u>	<u>\$ 636,634</u>	<u>\$ 3,635,512</u>

The Notes to the Financial Statements are an Integral Part of this Statement

**TOWN OF ELIOT MAINE
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO
STATEMENT OF NET ASSETS
June 30, 2011**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 3,273,693
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**Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:**

Capital Assets Used in Government Activities are Not Current Financial Resources and Therefore are Not Reported in the Governmental Funds Balance Sheet	1,366,473
Trust Fund Cash included in the Net Assets of Government Activities is reported separately under Fiduciary Trust Funds (See Exhibit X)	53,390
Property Tax Revenues are Reported in the Governmental Funds Balance Sheet Under NCGA Interpretation - 3 Revenue Recognition- Property Taxes	320,032
Long Term Liabilities are Not Due and Payable in the Current Period and, Therefore, they are not reported in the Governmental Funds Balance Sheet:	
Due in One Year	(33,333)
Due in More than One Year	(133,337)
Accrued Compensated Absence Pay	(81,313)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 4,765,604
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The Notes to the Financial Statements are an Integral part of this Statement

TOWN OF ELIOT, MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 11,788,577	\$ -	\$ -	\$ 11,788,577
Licenses, Permits and Fees	62,588	-	-	62,588
Charges for Services	148,637	-	4,746	153,383
Intergovernmental	566,724	-	-	566,724
Interest Income	8,972	3,365	6,661	18,997
TOTAL REVENUE	<u>12,575,498</u>	<u>3,365</u>	<u>11,407</u>	<u>12,590,269</u>
EXPENDITURES				
General Government	1,907,641	-	217	1,907,858
Protection	1,048,595	-	-	1,048,595
Public Works	1,064,168	129,495	-	1,193,663
Culture & Recreation	61,214	-	-	61,214
Public Health & Welfare	89,480	-	-	89,480
Education	6,997,935	-	-	6,997,935
County Assessment	450,342	-	-	450,342
Debt Service	43,496	-	-	43,496
TOTAL EXPENDITURES	<u>11,662,870</u>	<u>129,495</u>	<u>217</u>	<u>11,792,582</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>912,628</u>	<u>(126,131)</u>	<u>11,190</u>	<u>797,687</u>
OTHER FINANCING SOURCES (USES)				
Capital Outlay	(323,450)	-	-	(323,450)
Transfers from:				
General Fund	-	533,145	108,843	641,988
Capital Reserve Fund	353,986	-	-	353,986
Special Revenue Fund	31,637	-	-	31,637
Trust Fund	7,000	-	-	7,000
Transfers to:				
General Fund	-	(31,637)	(353,986)	(385,623)
Special Revenue Fund	(533,145)	-	-	(533,145)
Reserve Funds	(108,843)	-	-	(108,843)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(572,815)</u>	<u>501,509</u>	<u>(245,143)</u>	<u>(316,450)</u>
NET CHANGE IN FUND BALANCE	339,813	375,378	(233,953)	481,238
Fund Balances , Beginning of Year	1,480,497	456,627	855,331	2,792,455
Fund Balances , End of Year	<u>\$ 1,820,310</u>	<u>\$ 832,005</u>	<u>\$ 621,378</u>	<u>\$ 3,273,693</u>

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 481,238

Amounts Reported for Governmental Activities in the
Statement of Net Assets are different because:

Governmental Funds Report Capital Outlays as Expenditures. However, In the Statement of Activities the Costs of those Assets is allocated over their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount of Capital Assets Recorded in the Current Period. 323,450

Depreciation Expense on Capital Assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets but they do not require the Use of Current Financial Resources. Therefore, Depreciation Expense is not reported as an Expenditure in Governmental Funds. (179,931)

The Issuance of Long-Term Debt (e.g. Bonds, Leases and Accrued Compensated Absence Pay) provides Current Financial Resources to Governmental Funds, while the repayment of Principal on Long Term Debt, consumes the Current Financial Resources of Government Funds. Neither transaction, however has any effect on Net Assets. This Amount is the Net effect of Long-Term Debt and related Items. 127,567

Some Property Tax will not be collected for several months after the Town's fiscal year end; they are not considered "Available" Revenues in the Governmental Funds. This Amount is the Net effect of the differences.

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 752,324

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Community Service Fund</u>	<u>Total</u>
ASSETS			
<u>Current Assets</u>			
Cash	\$ -	\$ 113,257	\$ 113,257
Accounts Receivable net of Allowance for Doubtful Accounts	51,214	-	51,214
Total Current Assets	51,214	113,257	164,471
<u>Non-Current Assets</u>			
Capital Assets net of Accumulated Depreciation	1,946,904	700,271	2,647,175
Total Assets	<u>\$ 1,998,118</u>	<u>\$ 813,528</u>	<u>\$ 2,811,646</u>
LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 59,709	\$ -	\$ 59,709
Due to General Fund	36,336	-	36,336
Bonds Payable - Current Portions	20,925	-	20,925
Total Current Liabilities	116,970	-	116,970
<u>Non-Current Liabilities</u>			
Bonds Payable	118,152	-	118,152
Less Current Portion	(20,925)	-	(20,925)
Total Non-Current Liabilities	97,227	-	97,227
Total Liabilities	214,197	-	214,197
NET ASSETS			
Invested in Net Assets, Net of Related Debt	1,828,752	700,271	2,529,023
Retained Earnings/<Deficit> - Unreserved, undesignated	(44,831)	113,257	68,426
Total Net Assets	1,783,921	813,528	2,597,449
Total Liabilities and Net Assets	<u>\$ 1,998,118</u>	<u>\$ 813,528</u>	<u>\$ 2,811,646</u>

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Community</u>	
	<u>Fund</u>	<u>Service</u>	<u>Total</u>
		<u>Fund</u>	
OPERATING REVENUES			
Charges for Sales and Services	\$ 190,043	\$ 201,858	\$ 391,901
Donations	-	366	366
Interest Income	-	12	12
Total Operating Revenues	<u>190,043</u>	<u>202,236</u>	<u>392,279</u>
OPERATING EXPENSES			
Community Service	-	218,684	218,684
Operating	235,043	-	235,043
Depreciation	77,469	22,377	99,846
Total Operating Expenses	<u>312,512</u>	<u>241,061</u>	<u>553,573</u>
OPERATING INCOME	(122,469)	(38,825)	(161,294)
NONOPERATING REVENUES (EXPENSES)			
Debt Service	(10,119)	-	(10,119)
General Fund Appropriation	-	61,215	61,215
Loss on Disposal of Building	-	(65,216)	(65,216)
Transfer from Capital Reserve Fund	4,072	-	4,072
Transfer from Special Revenue Fund	31,636	-	31,636
Transfer to Capital Reserve Fund	<u>(20,693)</u>	<u>-</u>	<u>(20,693)</u>
CHANGES IN NET ASSETS	(117,573)	(42,826)	(160,399)
NET ASSETS - BEGINNING OF YEAR	1,901,494	856,354	2,757,848
NET ASSETS - END OF PERIOD	<u>\$ 1,783,921</u>	<u>\$ 813,528</u>	<u>\$ 2,597,449</u>

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

Exhibit IX

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Community Service Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 165,605	\$ 202,224	\$ 367,829
Receipts from Customers - Reserve Fees	20,693	-	20,693
Payments to Suppliers and Employees	(205,657)	(218,684)	(424,341)
Investment Income	-	12	12
Net Cash Provided (Used in) Operating Activities	<u>(19,359)</u>	<u>(16,448)</u>	<u>(35,807)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Fixed Assets	-	(1,477.00)	(1,477)
Net Cash Provided (Used in) Investing Activities	<u>-</u>	<u>(1,477.00)</u>	<u>(1,477)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Increase (Decrease) in Due to General Fund	35,979	(31,692)	4,287
Transfer from General Fund	-	61,215	61,215
Transfer from Sewer Capital Reserve Fund	4,072	-	4,072
Transfer from Special Revenue Fund	31,636	-	31,636
Transfer to Sewer Capital Reserve Fund	(20,692)	-	(20,692)
Net Cash Provided (Used in) Non Capital Financing Activities	<u>50,995</u>	<u>29,523</u>	<u>80,518</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
Principal Payments on Bonds Payable	(21,517)	-	(21,517)
Interest Payments on Bonds Payable	(10,119)	-	(10,119)
Net Cash Provided (Used in) Capital & Related Financing Activities	<u>(31,636)</u>	<u>-</u>	<u>(31,636)</u>
NET INCREASE IN CASH & CASH EQUIVALENTS	-	11,598	11,598
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	-	101,659	101,659
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 113,257</u>	<u>\$ 113,257</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	<u>\$ (122,469)</u>	<u>\$ (38,825)</u>	<u>\$ (161,294)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used) by Operating Activities			
Depreciation Expense	-	22,377	22,377
(Increase) Decrease in Accounts Receivable	(3,745)	-	(3,745)
Increase (Decrease) in Accounts Payable	29,386	-	29,386
Total Adjustments	<u>25,641</u>	<u>22,377</u>	<u>48,018</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (96,828)</u>	<u>\$ (16,448)</u>	<u>\$ (113,276)</u>

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
TRUST FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	Non-Expendable			Expendable		Total
	Cemetery	Little League	General Assistance	Recreation	06/30/11	
ASSETS						
Cash	\$ 2,750	\$ 906	\$ 37,848	\$ 11,884	\$ 53,388	
Total Assets	\$ 2,750	\$ 906	\$ 37,848	\$ 11,884	\$ 53,388	
NET ASSETS						
Reserved for nonexpendable trust principal	\$ 2,750	\$ 906	\$ 37,848	\$ -	\$ 41,504	
Reserved for restricted purposes	-	-	-	11,884	11,884	
Total Net Assets	\$ 2,750	\$ 906	\$ 37,848	\$ 11,884	\$ 53,388	

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2011

	Non-Expendable Trusts				Expendable	Total
	Cemetery	Little League	General Assistance	Recreation		06/30/11
ADDITIONS						
Investment Income	\$ 22	\$ 7	\$ 423	\$ 95	\$	547
DEDUCTIONS						
Operating Expense	(1)	-	(11)	(3)		(15)
Transfer to General Fund			(7,000)			(7,000)
CHANGE IN NET ASSETS	21	7	(6,588)	92		(6,468)
NET ASSETS - Beginning of Year	2,729	899	44,436	11,792		59,856
NET ASSETS - End of Period	\$ 2,750	\$ 906	\$ 37,848	\$ 11,884	\$	53,388

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
FIDUCIARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

	Non-Expendable Trusts				Expendable	Totals
	Cemetery	Little League	General Assistance	Recreation		06/30/11
CASH FLOWS FROM OPERATING ACTIVITIES						
Interest and Dividends Received	\$ 22	\$ 7	\$ 423	\$ 95	\$	547
Less Cash Paid for Other Operating Expenses	(1)	-	(11)	(3)		(15)
Less Transfers to General Fund	-	-	(7000)	-		(7,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	21	7	(6,588)	92		(6,468)
NET INCREASE (DECREASE) IN CASH	21	7	(6,588)	92		(6,468)
CASH - Beginning of Year	2,729	899	44,436	11,792		59,856
CASH - End of Year	\$2,750	\$906	\$37,848	\$11,884		\$53,388
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
CHANGE IN NET ASSETS	\$ 21	\$ 7	\$ (6,588)	\$ 92	\$	(6,468)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 21	\$ 7	\$ (6,588)	\$ 92	\$	(6,468)

The Notes to the Financial Statements are an Integral Part of this Statement

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. – General Statement

The Town of Eliot, Maine was incorporated in 1810 under the laws of the State of Maine and currently operates under a Town Meeting - Selectperson Form of Government. Except for the items described in the Report of Certified Public Accountants, the accounting policies of the Town relating to the funds and account groups included in the accompanying basic financial statements conform to generally accepted accounting principles as applicable to state and local governments.

Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), The American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Town has elected not to apply to its proprietary activities, Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are described below.

In June 1999, The Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. – Financial Reporting Entity:

The Town's combined financial statements include the accounts of all Town of Eliot operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name);
- the Town holds the corporate powers of the organizations board;
- the Town appoints a voting majority of the organizations board;
- the Town is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the Town;
- there is fiscal dependency by the organization on the Town.

Based on the aforementioned criteria, there are no other entities which are component units of the Town.

C. – Basic Financial Statements – Government – Wide Statements:

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. – Basic Financial Statements – Government – Wide Statements (Continued):

Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

D. – Basic Financial Statements – Fund Financial Statements:

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

Government Funds:

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

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

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified services.

Capital Project Funds - Capital project funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities and equipment (other than those financed by business-type/proprietary funds).

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. – Basic Financial Statements – Fund Financial Statements (Continued):

Proprietary Funds –

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town of Eliot.

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has a third party requirement that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Eliot Sewer Department and Community Services Department operates in a manner similar to private business enterprises. The intent is that costs for services provided to the general public on a continuing basis be recovered or financed primarily through charges to users.

Fiduciary Funds –

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

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

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. – Basic Financial Statements – Fund Financial Statements (Continued):

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

E. – Measurement Focus/Basis of Accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/of services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. – Budgetary Control:

Formal budgetary accounting is employed as a management control for the general fund of the Town of Eliot. The Town of Eliot's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

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

Prior to April 1st, the Town departments submit to the Administrative Assistant to the Select Persons and Board of Selectpersons a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

Hearings are conducted by the Board of Selectmen and the Town Budget Committee prior to the Town meeting to discuss the proposed budget.

The proposed budget shall provide a complete financial plan of all Town funds and activities for the ensuing fiscal year and, except as required by law or the Town's Charter, shall be in such form as the administrative assistant deems desirable or the Selectpersons shall require. In organizing the proposed budget the administrative assistant shall utilize the most feasible combination of expenditure classifications by fund, organization unit, program, purpose or activity, and object. It shall begin with a clear general summary of its contents; shall show in detail all estimated income, indicating the proposed property tax levy, and all proposed expenditures, including debt service, for the ensuing fiscal year; and shall be so arranged as to show comparative figures for actual and estimated income and expenditures of the preceding year. It shall indicate in separate sections:

1. Proposed expenditures for current operations during the ensuing fiscal year, detailed by offices, departments and agencies in terms of their respective work programs, and the method of financing such expenditures;
2. Proposed capital expenditures during the ensuing fiscal year, detailed by offices, departments and agencies when practicable, and the proposed method of financing each such capital expenditure; and

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. – Budgetary Control (Continued):

3. The total of proposed expenditures shall not exceed the total of estimated income.

The amounts stated in the budget as the amount to be raised by property tax shall constitute a determination of the amount of the levy for the purposes of the Town in the corresponding tax year and shall become effective on the effective date of the budget. A copy of the entire budget as finally adopted shall be certified by the Board of Selectpersons and filed with the Town assessor, whose duty it shall be to levy such taxes for the corresponding tax year.

Adoption of the budget shall constitute adoption of an ordinance appropriating amounts specified therein from the funds indicated.

The tax levy shall be adopted by Board resolution.

The Town does not adopt budgets for the Special Revenue Funds.

The budget is legally enacted at the annual Town meeting by vote of the residents of the Town in July.

Appropriations for certain projects and specific items not fully expended at the fiscal year end are carried forward, with specific authority from the Board of Selectpersons, as continued appropriations to the new fiscal year in which they supplement the appropriations of that year.

The budgets for all departments and operations of the Town are prepared under the direction of the Administrative Assistant to the Board of Select Persons. Original appropriations are acted upon by the Town meeting vote. A copy of the budget is published in the Annual Report of the Town of Eliot, Maine.

G. – Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

H. – Cash and cash equivalents

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Investments are recorded at fair market value.

I. Capital Assets

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

Buildings/Infra Structure	16-100 Years
Equipment	5-16 Years
Vehicles	7-20 Years

Capital assets of the Town were physically inventoried and valued by in accordance with generally accepted accounting principles.

J. Inventory

In the Governmental Funds, the cost of inventory is recorded as expenditure at the time individual inventory items are consumed (consumption method). In the Enterprise Fund, inventory, if material, is recorded on a first-in, first-out (FIFO) basis, lower of cost or market where applicable.

K. Compensated Absence Time

The Town of Eliot recognizes accumulated sick and annual leave compensation when paid. Generally accepted accounting principles require they be reported during the period in which the related liability is incurred. The accrued compensated absences for the Town of Eliot at June 30, 2011 totaled \$81,313. A reserve has been established by the town and is reported in the special revenue fund. The total funded sick leave and annual leave compensation totaled \$55,863 at June 30, 2011, leaving an unfunded shortfall of \$25,450.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

L. – Interfund Activity:

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation of the government-wide financial statements.

M. – Deferred Revenue:

The Town has recorded deferred revenue from the following sources:

Property taxes – Taxes which have not been collected within 60 days following year end are not considered available for current year operations and are shown as deferred revenue.

N. – Equity Classifications:

Government – Wide Statements

Net assets represent the differences between assets and liabilities. Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- Reserved fund balance – Indicates that portion of fund equity which has been legally segregated for specific purposes.
- Designated fund balance – Indicates that portion of fund equity for which the Town has made tentative plans.
- Undesignated fund balance – Indicates that portion of fund equity which is available for appropriation and expenditure in future periods.
- Retained earnings – Retained earnings of Proprietary Funds are classified in two categories, as designated for specific capital projects if applicable and undesignated.

NOTE 2 - CASH AND INVESTMENTS:

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The Town has an investment policy which allows the investment of Town funds in savings accounts, certificates of deposit, money market accounts and repurchase agreements with approved local banks and in obligations of the U.S. Government and its agencies. All Federal and State laws and regulations regarding the investment of funds are followed when applicable.

The cash deposits in the Town's funds as of June 30, 2011 consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 162,949	\$ 366,117
Collateralized	3,010,241	3,010,241
<u>Uncollateralized/uninsured</u>	<u>-</u>	<u>-</u>
	<u>\$3,173,190</u>	<u>\$3,376,358</u>

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - CASH AND INVESTMENTS (Continued):

The insured accounts are insured by Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or an excess FDIC insurance policy. The collateralized amounts are considered fully collateralized by the depository banks under repurchase arrangements which assign federal securities held by the bank for the benefit of the Town.

The composition of the Town's bank deposits can be significantly higher at other times. Bank balances fluctuate depending primarily on the timing of real estate tax receipts, Proceeds from borrowings, collection of State and Federal aid and capital outlays throughout the year.

NOTE 3 - GENERAL LONG-TERM DEBT:

Outstanding general obligation long-term debt for the year ended June 30, 2011 consisted of:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year Period</u>
General obligation bonds:					
Police Station -					
General long term – debt					
Series D 2001 Bond	3.25%-5.125%	\$200,000	\$ -	\$33,333	\$166,667
Total Bonds		200,000	-	33,333	166,667
Compensated Absences		79,741	1,572	-	81,313
		<u>\$279,741</u>	<u>\$ 1,572</u>	<u>\$33,333</u>	<u>\$247,980</u>

The annual requirements to amortize general long-term debt outstanding as of June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Principal & Interest</u>
2012	\$33,334	\$ 8,767	\$ 42,101
2013	33,334	7,342	40,676
2014	33,334	5,875	39,209
2015	33,334	4,271	37,605
2016-2017	33,334	3,416	36,750
Total	<u>\$166,670</u>	<u>\$29,671</u>	<u>\$196,341</u>

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – ENTERPRISE FUND BONDS PAYABLE:

Outstanding bonds payable for the as of June 30, 2011 consisted of:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year Balance</u>
Bonds payable:					
Sewer bond -					
Series 1988 Bond	5%-7.85%	\$139,668	\$ -	\$21,516	\$118,152
Total Bonds outstanding		<u>\$139,668</u>	<u>\$ -</u>	<u>\$21,516</u>	<u>\$118,152</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Principal & Interest</u>
2012	\$20,925	\$ 8,454	\$ 29,379
2013	33,286	6,326	39,612
2014	32,431	3,746	36,177
2015	31,510	1,237	32,747
<u>Total</u>	<u>\$118,152</u>	<u>\$19,763</u>	<u>\$137,915</u>

The amount of debt that can be incurred by a municipality is limited by State statute. Total outstanding term obligations during a year can be no greater than fifteen percent of the assessed value of taxable property as of the beginning of the fiscal year. As June 30, 2011 the amount of outstanding debt was equal to 0.032% of property valuation for the year then ended.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 5 - CAPITAL ASSETS

	Beginning Balance <u>06/30/10</u>	Additions/ <u>Adjust</u>	Retire/ <u>Adjust</u>	Ending Balance <u>06/30/11</u>
<u>Govt Activities</u>				
Cap Assets Not Depreciated				
Land	\$ 68,004	\$ -	\$ -	\$ 68,004
Total Cap Assets Not Depreciated	<u>68,004</u>	<u>-</u>	<u>-</u>	<u>68,004</u>
Cap Assets Depreciated				
Buildings & Improvements	3,243,207	-	-	3,243,207
Equipment	1,117,048	32,857	-	1,149,905
Vehicles	1,178,123	290,593	-	1,468,716
	<u>5,538,378</u>	<u>323,450</u>	<u>-</u>	<u>5,861,828</u>
Less Accum Depreciation For:				
Buildings & Improvements	2,362,319	39,346	-	2,401,665
Equipment	970,447	48,654	-	1,019,101
Vehicles	1,050,662	91,931	-	1,142,593
Total Accum Depreciation	<u>4,383,428</u>	<u>179,931</u>	<u>-</u>	<u>4,563,359</u>
Total Cap Assets, Depreciated, Net	<u>1,154,950</u>	<u>143,519</u>	<u>-</u>	<u>1,298,469</u>
Govt Activities, Cap Assets, Net	<u>\$ 1,222,954</u>	<u>143,519</u>	<u>\$ -</u>	<u>\$ 1,366,473</u>
<u>Business Type Activities</u>				
Cap Assets Not Depreciated				
Land	\$ 97,819	\$ -	\$ -	\$ 97,819
Total Cap Assets Not Depreciated	<u>97,819</u>	<u>-</u>	<u>-</u>	<u>97,819</u>
Cap Assets Depreciated				
Sewer Infra Structure	3,873,456	-	-	3,873,456
Buildings & Improve	869,445	-	(93,165)	776,280
Equipment	108,823	1,477	-	110,300
Vehicles	45,001	-	-	45,001
	<u>4,896,725</u>	<u>1,477</u>	<u>(93,165)</u>	<u>4,805,037</u>
Less Accum Depreciation For:				
Sewer Infra Structure	1,849,083	77,469	-	1,926,552
Buildings & Improve	191,891	15,733	(28,150)	179,474
Equipment	106,036	2,844	-	108,880
Vehicles	37,401	3,800	-	41,201
Total Accum Depreciation	<u>2,184,411</u>	<u>99,846</u>	<u>(28,150)</u>	<u>2,256,107</u>
Total Cap Assets, Depreciated, Net	<u>2,712,314</u>	<u>(98,369)</u>	<u>(65,015)</u>	<u>2,548,930</u>
Business Activities, Cap Assets, Net	<u>\$ 2,810,133</u>	<u>\$ (98,369)</u>	<u>\$ (65,015)</u>	<u>\$ 2,646,749</u>

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - PROPERTY TAXES:

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. Assessed values are periodically established by the Assessor at or near 100% of assumed market value. The Town of Eliot's property tax was levied on the assessed value listed on a certificate of assessment pursuant to Title 36 MRSA §712 for the period July 1, 2010 to June 30, 2011 and was based on a taxable valuation of \$873,059,687. This assessed value was at or near 100% of the 2011 State valuation as determined by the State Tax Assessor.

The Town is permitted by the laws of The State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$50,466 for the year ended June 30, 2011.

All property taxes are recognized in compliance with the National Council on Governmental Accounting (NCGA) Interpretation - 3 Revenue Recognition - Property Taxes which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than sixty days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. The following summarizes the July 1, 2010 to June 30, 2011 levy:

Assessed Value	\$873,059,687
<u>Tax Rate @ .01213 mills</u>	
Taxes Committed to Tax Collector	10,590,214
 Add: Supplemental Taxes	 95,657
Less: Abatements	(92,078)
<u>Collections</u>	<u>(10,299,236)</u>
Taxes Receivable at Year End	<u>\$ 294,557</u>

Collection Rate 97%

Property taxes on real and personal property accounts may be paid in two installments with due dates of November 15, 2010 and May 15, 2011. Interest was charged at 7.0% on delinquent accounts.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – LEASE COMMITMENTS:

The Town has an operating lease with the Kittery Maine Water District for fire hydrants owned and maintained by the Kittery Maine Water District that are located within the town limits of the Town of Eliot. Lease payments paid to the Kittery Maine Water District during the year ended June 30, 2011 totaled \$60,896.

NOTE 8 – TAX INCREMENT FINANCING (TIF):

The Town has designated and approved two TIF districts referred to as the Route 236 Municipal TIF District and the Eliot Commons TIF district. As of June 30, 2011 the balance of each TIF account amounted to \$699,071 and \$57,842 respectively. Taxes assessed and collected on these properties related to the assessment value exceeding the base year assessed values are set aside to be used for specific development projects approved by the State. To date authorization to expend these monies on a proposed sewer extension project has not been approved the Town.

NOTE 9 – DEFINED BENEFIT PENSION PLAN:

Plan Description:

Certain employees of the Town participate in the Maine State Retirement System (MSRS) Multiple-Employer Public Retirement System. Employees participating in the Maine State Retirement System are fully vested and eligible for normal retirement upon attaining the age of sixty and early retirement after completing twenty-five or more years of creditable service. Under the plan, pension costs to the Town are actuarially determined by the State. Under the plan, town employees contribute 6.50% of compensation.

Funding status and Progress:

Information concerning the pension benefit obligation for municipal employees is available from the Maine State Retirement System.

Trend Information:

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. Trend information is not currently available from the Maine State Retirement System.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 - RESERVED FUND BALANCES:

CAPITAL PROJECT FUNDS

Designated fund balance of the capital reserves as of June 30, 2011 consists of the following balances:

Capital Reserve Account	June 30, 2011
Insurance	\$ 8,284
Revaluation	32,233
Buildings	1,439
Police Cruiser	(597)
Fire Truck	14,679
Land Bank	59,375
Road Equipment	19
Legal Fees	52,682
200 th Celebration	24
Street Lights	6,101
General Assistance	6,183
Community Service Center	107,659
Consultants	2,687
Contingency	49,206
Ash Removal	3,033
Sewer Capital	<u>278,371</u>
Total Reserves	<u>\$621,378</u>

SPECIAL REVENUE FUNDS

Designated fund balance of special revenue as of June 30, 2011 consists of the following balances:

Special Revenue Account	June 30, 2011
Compensated Absences	\$ 54,772
Sewer Betterment Fees	20,320
TIF DISTRICT Eliot Commons	57,842
TIF DISTRICT Route 236	<u>699,071</u>
Total Designated Funds	<u>\$832,005</u>

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 - COMPONENT UNIT REPORTING:

An analysis of the criteria presented in Government Accounting Standards Board (GASB) Statement 3, defining the Governmental Reporting Entity, was made to determine if other governmental units within the Town, for which the town has oversight responsibility, should be included in this report.

The criteria evaluated were (1) manifestations of oversight, (2) accountability for fiscal matters, (3) scope of public service, and (4) special financing relationships.

It is the Town's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no other entities within the Town that should be included as part of these general purpose financial statements.

NOTE 12 - CONTINGENT LIABILITIES:

RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage from commercial insurance carriers to offset potential losses. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims but for which none have been reported, are considered.

The Town's attorney estimates that the amount of actual or potential claims against the Town as of June 30, 2011, will not materially affect the financial condition of the Town. Therefore, the General Fund contains no provision for, and The General Long-Term Account Group does not present, estimated claims.

There have been no significant reductions in insurance coverage during the fiscal year and no significant settlements that exceeded insurance coverage.

TOWN OF ELIOT, MAINE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 11,216,787	\$ 11,216,787	\$ 11,788,577	\$ 571,790
Licenses, Permits & Fees	45,000	45,000	62,588	17,588
Intergovernmental	403,120	403,120	566,724	163,604
Charges for Services	52,000	52,000	148,637	96,637
Other	7,550	7,550	8,972	1,422
Total Revenues	11,724,457	11,724,457	12,575,498	851,041
EXPENDITURES:				
General Government	1,872,271	1,872,271	1,907,641	(35,370)
Protection	1,031,176	1,031,176	1,048,595	(17,419)
Public Works	1,047,872	1,047,872	1,064,168	(16,296)
Culture & Recreation	63,900	63,900	61,214	2,686
Health & Social Services	60,000	60,000	89,480	(29,480)
Education	6,997,935	6,997,935	6,997,935	-
County Government	450,342	450,342	450,342	-
Capital Outlay	13,500	13,500	323,450	(309,950)
Debt Service				
Principal & Interest	43,496	43,496	43,496	0
Total Expenditures	11,580,492	11,580,492	11,986,320	(405,828)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	143,965	143,965	589,178	445,213
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	392,623	392,623
Transfers Out	(93,500)	(93,500)	(641,989)	(548,489)
Total Other Financing Sources (Uses)	(93,500)	(93,500)	(249,366)	(155,866)
NET CHANGE IN FUND BALANCE	50,465	50,465	339,812	289,347
FUND BALANCE - BEGINNING OF YEAR	1,480,497	1,480,497	1,480,497	-
FUND BALANCE - END OF PERIOD	\$ 1,530,962	\$ 1,530,962	\$ 1,820,309	\$ 289,347

The Notes to the Financial Statements are an Integral Part of this Statement