

Audited Financial Statements

Town of Eliot, Maine

June 30, 2012



Proven Expertise and Integrity

TOWN OF ELIOT, MAINE

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JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

December 6, 2012

Board of Selectmen
Town of Eliot
Eliot, Maine

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods

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

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

RHR Smith & Company

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

(UNAUDITED)

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

Financial Statement Overview

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

Basic Financial Statements

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

Government - Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The Town of Eliot presents two columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental and business-type activities. The Town's total net assets for governmental activities increased by \$365,395 from \$4.7 million to \$5.1 million. The Town's total net assets for business-type activities decreased by \$36,920 from \$2.60 million to \$2.56 million.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$431,875 for governmental activities to a balance of \$3,910,954 at the end of this year. Unrestricted net assets for business-type activities increased by \$37,416 to a balance of \$106,269.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:				
Current and Other Assets	\$ 4,320,530	\$ 3,672,554	\$ 106,269	\$ 128,562
Capital Assets	<u>1,402,310</u>	<u>1,375,280</u>	<u>2,553,765</u>	<u>2,649,026</u>
Total Assets	<u>\$ 5,722,840</u>	<u>\$ 5,047,834</u>	<u>\$ 2,660,034</u>	<u>\$ 2,777,588</u>
Liabilities:				
Current Liabilities	\$ 201,813	\$ 58,773	\$ 33,287	\$ 80,634
Long-term Debt Outstanding	<u>414,555</u>	<u>247,984</u>	<u>63,940</u>	<u>97,227</u>
Total Liabilities	<u>\$ 616,368</u>	<u>\$ 306,757</u>	<u>\$ 97,227</u>	<u>\$ 177,861</u>
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	\$ 1,144,276	\$ 1,208,610	\$ 2,456,538	\$ 2,530,874
Restricted: Permanent Funds	<u>51,242</u>	<u>53,388</u>	<u>-</u>	<u>-</u>
Unrestricted	<u>3,910,954</u>	<u>3,479,079</u>	<u>106,269</u>	<u>68,853</u>
Total Net Assets	<u>\$ 5,106,472</u>	<u>\$ 4,741,077</u>	<u>\$ 2,562,807</u>	<u>\$ 2,599,727</u>

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

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Revenues				
<i>Program revenues:</i>				
Charges for services	\$ 209,721	\$ 215,971	\$ 442,272	\$ 391,901
Operating grants and contributions	90,107	-	-	96,923
<i>General revenues:</i>				
Taxes	12,075,135	11,923,145	-	-
Grants and contributions not restricted to specific programs	498,751	566,724	-	366
Miscellaneous	122,764	18,998	4,324	12
Transfers from other funds	698,654	1,027,611	180,628	-
Total Revenues	<u>13,695,132</u>	<u>13,752,449</u>	<u>627,224</u>	<u>489,202</u>
Expenses				
General government	1,879,805	1,907,858	-	-
Protection	1,157,918	1,048,595	-	-
Public works	916,744	1,193,663	-	-
Health and sanitation	444,269	89,480	-	-
Recreation and culture	2,305	61,214	-	-
Education	7,321,697	6,997,935	-	-
Debt service	8,767	43,496	-	-
County tax	454,431	450,342	-	-
Capital outlay	80,672	-	-	-
Sewer fund	-	-	324,994	343,324
Community services fund	-	-	339,150	306,277
Unclassified	183,847	179,931	-	-
Transfers to other funds	879,282	1,027,611	-	-
Total Expenses	<u>13,329,737</u>	<u>13,000,125</u>	<u>664,144</u>	<u>649,601</u>
Change in Net Assets	365,395	752,324	(36,920)	(160,399)
Net Assets - July 1	<u>4,741,077</u>	<u>3,988,753</u>	<u>2,599,727</u>	<u>2,760,126</u>
Net Assets - June 30	<u>\$ 5,106,472</u>	<u>\$ 4,741,077</u>	<u>\$ 2,562,807</u>	<u>\$ 2,599,727</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by .42%, while total expenses increased by 2.54%. For the business-type activities revenues decreased by 28.21%, while total expenses increased by 2.24%.

Financial Analysis of the Town's Fund Statements

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

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

	<u>2012</u>	<u>2011</u>
General Fund:		
Unassigned	\$ 2,023,694	\$ 1,820,309
Total General Fund	<u>\$ 2,023,694</u>	<u>\$ 1,820,309</u>
Route 236 TIF Fund:		
Committed	\$ 1,074,665	\$ 699,071
Total Route 236 TIF Fund	<u>\$ 1,074,665</u>	<u>\$ 699,071</u>
Nonmajor Funds:		
Special Revenue Funds:		
Committed	\$ 289,446	\$ 343,185
Capital Project Funds:		
Committed	423,891	411,128
Unassigned	(1,299)	-
Permanent Funds:		
Restricted	51,242	53,388
Total Nonmajor Funds	<u>\$ 763,280</u>	<u>\$ 807,701</u>

The general fund total fund balance increased by \$203,385 over the prior fiscal year. Revenues were over budget and expenditures were under budget for a total positive budget variance of \$304,385. A use of surplus was budgeted for \$101,000. The Route 236 TIF Fund increased by \$375,594 due mostly to a transfer from the general fund. The non-major fund balances increased by \$331,173 from the prior fiscal year, mainly due to transfers in from the general fund.

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

The sewer fund had a net loss of \$69,271 for the year ended June 30, 2012. Last year, the sewer department had a net loss of \$117,573. Revenues and expenses both increased from the prior fiscal year. Depreciation expense accounts for \$77,469 of the current year's expenses. The community services fund had a net income of \$32,351 for the current year versus a net loss of \$42,826 for the prior year. Revenues and expenses both increased from the prior fiscal year. Depreciation expense accounts for \$20,492 of the current year's expenses.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund.

The general fund actual revenues were over budget by \$210,286. This was a result of excess receipts over budget in all categories except property taxes, the Homestead Exemption and interest income.

The general fund actual expenditures were under the budget by \$94,099. All of the expenditure accounts were under budget except for public safety, public works, recreation and culture and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the net book value of capital assets recorded by the Town decreased by \$68,231 from the prior year. The decrease is the result of current year depreciation expenses of \$242,158 less current year additions of \$173,927.

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

	2012	2011
Land	\$ 165,822	\$ 165,822
Buildings & improvements	1,404,150	1,446,028
Furniture & fixtures	7,322	1,192
Machinery & equipment	124,099	130,254
Vehicles	381,517	330,320
Infrastructure	1,873,165	1,950,690
Total	<u>\$ 3,956,075</u>	<u>\$ 4,024,306</u>

Debt

At June 30, 2012, the Town had \$355,261 in bonds and capital leases outstanding versus \$318,155 last year, an increase of 10.44% as shown in Note 5 of the financial statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

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

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Town of Eliot at 1333 State Road, Eliot, Maine 03903.

STATEMENT A

TOWN OF ELIOT, MAINE

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 199,108	\$ 131,139	\$ 330,247
Investments	3,479,818	-	3,479,818
Accounts receivable (net of allowance for uncollectibles):			
Taxes	369,603	-	369,603
Liens	143,394	-	143,394
Other	-	103,737	103,737
Internal balances	128,607	(128,607)	-
Total current assets	4,320,530	106,269	4,426,799
Noncurrent assets:			
Capital assets:			
Land,	68,004	97,818	165,822
Buildings and vehicles net of accumulated depreciation	1,334,306	2,455,947	3,790,253
Total noncurrent assets	1,402,310	2,553,765	3,956,075
TOTAL ASSETS	\$ 5,722,840	\$ 2,660,034	\$ 8,382,874
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 137,726	\$ -	\$ 137,726
Other accrued payables	4,125	-	4,125
Prepaid taxes	9,628	-	9,628
Current portion of long-term obligations	50,334	33,287	83,621
Total current liabilities	201,813	33,287	235,100
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	133,337	63,940	197,277
Capital leases payable	74,363	-	74,363
Accrued compensated absences	206,855	-	206,855
Total noncurrent liabilities	414,555	63,940	478,495
TOTAL LIABILITIES	616,368	97,227	713,595
NET ASSETS			
Invested in capital assets, net of related debt	1,144,276	2,456,538	3,600,814
Restricted for: Permanent funds	51,242	-	51,242
Unrestricted	3,910,954	106,269	4,017,223
TOTAL NET ASSETS	5,106,472	2,562,807	7,669,279
TOTAL LIABILITIES AND NET ASSETS	\$ 5,722,840	\$ 2,660,034	\$ 8,382,874

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

TOWN OF ELIOT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 1,879,805	\$ 65,784	\$ -	\$ -	\$ (1,814,021)	\$ -	\$ (1,814,021)
Protection	1,157,918	14,362	-	-	(1,143,556)	-	(1,143,556)
Public works	916,744	-	48,120	-	(868,624)	-	(868,624)
Health and sanitation	444,269	122,535	41,987	-	(279,747)	-	(279,747)
Recreation and culture	2,305	-	-	-	(2,305)	-	(2,305)
Education	7,321,697	-	-	-	(7,321,697)	-	(7,321,697)
County tax	454,431	-	-	-	(454,431)	-	(454,431)
Capital outlay	80,672	-	-	-	(80,672)	-	(80,672)
Debt service:							
Interest on long-term debt	8,767	-	-	-	(8,767)	-	(8,767)
Unclassified	183,847	7,040	-	-	(176,807)	-	(176,807)
Total governmental activities	12,450,455	209,721	90,107	-	(12,150,627)	-	(12,150,627)
Business-type activities:							
Sewer fund	324,994	222,616	-	-	-	(102,378)	(102,378)
Community service fund	339,150	212,583	-	-	-	(126,567)	(126,567)
Total business-type activities	664,144	435,199	-	-	-	(228,945)	(228,945)
Total government	\$ 13,114,599	\$ 644,920	\$ 90,107	\$ -	(12,150,627)	(228,945)	(12,379,572)

STATEMENT B (CONTINUED)

TOWN OF ELIOT, MAINE

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

	Governmental Activities	Business- type Activities	Total
Changes in net assets:			
Net (expense) revenue	<u>(12,150,627)</u>	<u>(228,945)</u>	<u>(12,379,572)</u>
General revenues and transfers:			
Taxes:			
Property taxes, levied for general purposes	10,917,833	-	10,917,833
Excise taxes, levied for general purposes	1,157,302	-	1,157,302
Grants and contributions not restricted to specific programs	498,751	-	498,751
Miscellaneous	122,764	11,397	134,161
Transfers	<u>(180,628)</u>	<u>180,628</u>	<u>-</u>
Total general revenues and transfers	<u>12,516,022</u>	<u>192,025</u>	<u>12,708,047</u>
Change in net assets	365,395	(36,920)	328,475
NET ASSETS - JULY 1, 2011, RESTATED	<u>4,741,077</u>	<u>2,599,727</u>	<u>7,340,804</u>
NET ASSETS - JUNE 30, 2012	<u><u>\$ 5,106,472</u></u>	<u><u>\$ 2,562,807</u></u>	<u><u>\$ 7,669,279</u></u>

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

TOWN OF ELIOT, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Route 236 TIF	All Nonmajor Funds	Total
ASSETS				
Cash and cash equivalents	\$ 199,108	\$ -	\$ -	\$ 199,108
Investments	1,605,819	1,076,228	797,771	3,479,818
Receivables (net of allowance for uncollectibles):				
Taxes	369,603	-	-	369,603
Liens	143,394	-	-	143,394
Other	-	-	-	-
Due from other funds	147,880	-	3,600	151,480
TOTAL ASSETS	<u>\$ 2,465,804</u>	<u>\$ 1,076,228</u>	<u>\$ 801,371</u>	<u>\$ 4,343,403</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 117,345	\$ -	\$ 20,381	\$ 137,726
Accrued expenses	4,125	-	-	4,125
Due to other funds	3,600	1,563	17,710	22,873
Deferred tax revenues	307,412	-	-	307,412
Prepaid taxes	9,628	-	-	9,628
TOTAL LIABILITIES	<u>442,110</u>	<u>1,563</u>	<u>38,091</u>	<u>481,764</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	51,242	51,242
Committed	-	1,074,665	713,337	1,788,002
Assigned	-	-	-	-
Unassigned	2,023,694	-	(1,299)	2,022,395
TOTAL FUND BALANCES	<u>2,023,694</u>	<u>1,074,665</u>	<u>763,280</u>	<u>3,861,639</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,465,804</u>	<u>\$ 1,076,228</u>	<u>\$ 801,371</u>	<u>\$ 4,343,403</u>

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

TOWN OF ELIOT, MAINE

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

	Total Governmental Funds
Total Fund Balances	\$ 3,861,639
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	1,402,310
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	307,412
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(166,670)
Capital leases payable	(91,364)
Accrued compensated absences	(206,855)
	<u> </u>
Net assets of governmental activities	<u><u>\$ 5,106,472</u></u>

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

STATEMENT E

TOWN OF ELIOT, MAINE

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

	General Fund	Route 236 TIF	All Nonmajor Funds	Totals Governmental Funds
REVENUES				
Taxes	\$ 10,930,453	\$ -	\$ -	\$ 10,930,453
Excise taxes	1,157,302	-	-	1,157,302
Intergovernmental	588,858	-	-	588,858
Charges for services	209,721	-	-	209,721
Miscellaneous revenues	111,485	990	10,289	122,764
TOTAL REVENUES	<u>12,997,819</u>	<u>990</u>	<u>10,289</u>	<u>13,009,098</u>
EXPENDITURES				
Current:				
General government	1,740,320	-	-	1,740,320
Protection	1,069,641	-	-	1,069,641
Public works	874,767	-	-	874,767
Health and sanitation	444,269	-	-	444,269
Recreation and culture	2,305	-	-	2,305
Education	7,321,697	-	-	7,321,697
County tax	454,431	-	-	454,431
Unclassified	-	113,251	72,060	185,311
Debt service:				
Principal	33,333	-	-	33,333
Interest	8,767	-	-	8,767
Capital outlay	-	-	159,071	159,071
TOTAL EXPENDITURES	<u>11,949,530</u>	<u>113,251</u>	<u>231,131</u>	<u>12,293,912</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,048,289</u>	<u>(112,261)</u>	<u>(220,842)</u>	<u>715,186</u>
OTHER FINANCING SOURCES				
Transfers in	2,500	487,855	208,299	698,654
Transfers (out)	(847,404)	-	(31,878)	(879,282)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(844,904)</u>	<u>487,855</u>	<u>176,421</u>	<u>(180,628)</u>
NET CHANGE IN FUND BALANCES	203,385	375,594	(44,421)	534,558
FUND BALANCES - JULY 1	<u>1,820,309</u>	<u>699,071</u>	<u>807,701</u>	<u>3,327,081</u>
FUND BALANCES - JUNE 30	<u>\$ 2,023,694</u>	<u>\$ 1,074,665</u>	<u>\$ 763,280</u>	<u>\$ 3,861,639</u>

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

TOWN OF ELIOT, MAINE

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 534,558</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases	171,227
Depreciation expense	<u>(144,197)</u>
	<u>27,030</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>(12,620)</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets	<u>(92,828)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>34,797</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(125,542)</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 365,395</u></u>

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

TOWN OF ELIOT, MAINE

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds		Total
	Sewer Fund	Community Services Fund	Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 131,139	\$ 131,139
Accounts receivable (net of allowance for uncollectibles)	71,049	32,688	103,737
Due from other funds	-	-	-
Total current assets	<u>71,049</u>	<u>163,827</u>	<u>234,876</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	-	97,818	97,818
Buildings and equipment, net of accumulated depreciation	<u>1,869,435</u>	<u>586,512</u>	<u>2,455,947</u>
Total noncurrent assets	<u>1,869,435</u>	<u>684,330</u>	<u>2,553,765</u>
TOTAL ASSETS	<u><u>\$ 1,940,484</u></u>	<u><u>\$ 848,157</u></u>	<u><u>\$ 2,788,641</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	128,607	-	128,607
Current portion of long-term obligations	<u>33,287</u>	<u>-</u>	<u>33,287</u>
Total current liabilities	<u>161,894</u>	<u>-</u>	<u>161,894</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	<u>63,940</u>	<u>-</u>	<u>63,940</u>
Total noncurrent liabilities	<u>63,940</u>	<u>-</u>	<u>63,940</u>
TOTAL LIABILITIES	<u>225,834</u>	<u>-</u>	<u>225,834</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,772,208	684,330	2,456,538
Unrestricted	<u>(57,558)</u>	<u>163,827</u>	<u>106,269</u>
TOTAL NET ASSETS	<u>1,714,650</u>	<u>848,157</u>	<u>2,562,807</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,940,484</u></u>	<u><u>\$ 848,157</u></u>	<u><u>\$ 2,788,641</u></u>

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

TOWN OF ELIOT, MAINE

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

	Enterprise Funds		Total
	Sewer	Community	Enterprise
	Fund	Services Fund	Funds
OPERATING REVENUES			
Charges for services	\$ 222,616	\$ 212,583	\$ 435,199
Donations	-	7,073	7,073
Miscellaneous Income	2,834	595	3,429
TOTAL OPERATING REVENUES	225,450	220,251	445,701
OPERATING EXPENSES			
Community service	-	318,658	318,658
Operating	239,071	-	239,071
Depreciation	77,469	20,492	97,961
TOTAL OPERATING EXPENSES	316,540	339,150	655,690
OPERATING INCOME (LOSS)	(91,090)	(118,899)	(209,989)
OTHER FINANCING SOURCES (USES)			
Interest income	895	-	895
Transfers in	29,378	151,250	180,628
Interest expense	(8,454)	-	(8,454)
TOTAL OTHER FINANCING SOURCES (USES)	21,819	151,250	173,069
NET INCOME (LOSS)	(69,271)	32,351	(36,920)
NET ASSETS - JULY 1, 2011, RESTATED	1,783,921	815,806	2,599,727
NET ASSETS - JUNE 30, 2012	\$ 1,714,650	\$ 848,157	\$ 2,562,807

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

TOWN OF ELIOT, MAINE

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

	Enterprise Funds		Total Enterprise Funds
	Sewer Fund	Community Services Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 202,781	\$ 187,395	\$ 390,176
Other receipts	2,834	595	3,429
Interfund activity	92,271	-	92,271
Payments to suppliers	(298,780)	(318,658)	(617,438)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(894)	(130,668)	(131,562)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	895	-	895
NET CASH PROVIDED BY INVESTING ACTIVITIES	895	-	895
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of fixed assets	-	(2,700)	(2,700)
Transfers in from general fund	29,378	151,250	180,628
Principal paid on capital debt	(20,925)	-	(20,925)
Interest paid on capital debt	(8,454)	-	(8,454)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1)	148,550	148,549
INCREASE (DECREASE) IN CASH	-	17,882	17,882
CASH AND CASH EQUIVALENTS - JULY 1, 2011	-	113,257	113,257
CASH AND CASH EQUIVALENTS - JUNE 30, 2012	\$ -	\$ 131,139	\$ 131,139
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (91,090)	\$ (118,899)	\$ (209,989)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	77,469	20,492	97,961
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	(19,835)	(32,261)	(52,096)
(Increase) decrease in due from other funds	-	-	-
Increase (decrease) in accounts payable	(59,709)	-	(59,709)
Increase (decrease) in due to other funds	92,271	-	92,271
	\$ (894)	\$ (130,668)	\$ (131,562)

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Government –Wide and Fund Financial Statements

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

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

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Town:

1. Governmental Funds:

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

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

2. Proprietary Funds

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

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

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

Basis of Accounting

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

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

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2012.

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences

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

Net Assets

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

Fund Balances

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

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

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied July 29, 2011 on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due on in one installment on May 15, 2012. Interest on unpaid taxes commenced on May 17, 2012, at 7% per annum.

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$33,358 for the year ended June 30, 2012.

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

Program Revenues

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

Operating/Non-operating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2012, the Town's cash balances amounting to \$330,247 were comprised of deposits of \$508,953. Of these bank deposits, \$336,300 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$172,653 was insured or collateralized with securities held by the financial institution in the Town's name and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 86,300
Repurchase agreements	318,214
Savings accounts	104,439
	<u>\$ 508,953</u>

Investments:

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

At June 30, 2012, the Town's investments were comprised of mutual funds of \$3,479,818. All of this amount was insured or collateralized with securities held by the financial institution in the Town's name and consequently was not exposed to custodial credit risk.

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Value</u>	<u>Maturity</u>		
		<u><1 Year</u>	<u>1 - 5 Years</u>	<u>N/A</u>
Mutual funds:				
Cash equivalents	\$ 1,910,477	\$ -	\$ -	\$ 1,910,477
Equities				
Fixed income	1,569,341	-	-	1,569,341
	<u>\$ 3,479,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,479,818</u>

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

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ 147,880	\$ 3,600
Route 236 TIF	-	1,563
Special Revenue Funds	3,600	2,455
Capital Project Funds	-	15,255
Enterprise Funds	-	128,607
	<u>\$ 151,480</u>	<u>\$ 151,480</u>

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2012:

	Balance, 7/1/11	Additions	Disposals	Balance, 6/30/12
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 68,004	\$ -	\$ -	\$ 68,004
	<u>68,004</u>	<u>-</u>	<u>-</u>	<u>68,004</u>
Depreciated assets:				
Buildings & improvements	3,238,919	14,141	-	3,253,060
Furniture & fixtures	44,174	6,369	-	50,543
Machinery & equipment	1,105,732	27,544	-	1,133,276
Vehicles	1,468,716	123,173	-	1,591,889
Infrastructure	4,288	-	-	4,288
	<u>5,861,829</u>	<u>171,227</u>	<u>-</u>	<u>6,033,056</u>
Less: accumulated depreciation	<u>(4,554,553)</u>	<u>(144,197)</u>	<u>-</u>	<u>(4,698,750)</u>
	<u>1,307,276</u>	<u>27,030</u>	<u>-</u>	<u>1,334,306</u>
Net governmental capital assets	<u>\$ 1,375,280</u>	<u>\$ 27,030</u>	<u>\$ -</u>	<u>\$ 1,402,310</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 97,818	\$ -	\$ -	\$ 97,818
	<u>97,818</u>	<u>-</u>	<u>-</u>	<u>97,818</u>
Depreciated assets:				
Buildings & improvements	776,280	-	-	776,280
Machinery & equipment	110,299	2,700	-	112,999
Vehicles	45,001	-	-	45,001
Infrastructure	3,873,456	-	-	3,873,456
	<u>4,805,036</u>	<u>2,700</u>	<u>-</u>	<u>4,807,736</u>
Less: accumulated depreciation	<u>(2,253,828)</u>	<u>(97,961)</u>	<u>-</u>	<u>(2,351,789)</u>
	<u>2,551,208</u>	<u>(95,261)</u>	<u>-</u>	<u>2,455,947</u>
Net business-type capital assets	<u>\$ 2,649,026</u>	<u>\$ (95,261)</u>	<u>\$ -</u>	<u>\$ 2,553,765</u>

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

General government	\$ 13,943
Public safety	88,277
Public works	41,977
Total governmental activities	<u>144,197</u>
Sewer Fund	77,469
Community Services Fund	20,492
Total business-type activities	<u>97,961</u>
Total depreciation expense	<u>\$ 242,158</u>

NOTE 5 - LONG TERM DEBT

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

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12	Current Portion
<i>Governmental activities:</i>					
Bonds payable	\$ 200,003	\$ -	\$ (33,333)	\$ 166,670	\$ 33,333
Capital leases payable	-	92,828	(1,464)	91,364	17,001
Accrued compensated absences	81,313	125,542	-	206,855	-
Totals	<u>\$ 281,316</u>	<u>\$ 218,370</u>	<u>\$ (34,797)</u>	<u>\$ 464,889</u>	<u>\$ 50,334</u>
<i>Business-type activities:</i>					
Bonds payable	\$ 118,152	\$ -	\$ (20,925)	\$ 97,227	\$ 33,287
Totals	<u>\$ 118,152</u>	<u>\$ -</u>	<u>\$ (20,925)</u>	<u>\$ 97,227</u>	<u>\$ 33,287</u>

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding notes and bonds payable:

Bonds payable

Governmental activities:

\$500,000, 2001 bond payable due in annual principal payments of \$33,333, through November of 2016. Interest is charged at a rate varying from 3.250% to 5.125% per annum. \$ 166,670

Business-type activities:

\$400,000, 1988 bond payable due in varying annual principal payments of \$20,925 to \$33,286, through November of 2014. Interest is charged at a rate varying from 5.30% to 7.85% per annum. 97,227

Total bonds payable \$ 263,897

The following is a summary of outstanding bond and note principal and interest requirements for the next five fiscal years ending June 30 and in five year increments thereafter:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 66,620	\$ 12,118	\$ 78,738
2014	65,765	7,866	73,631
2015	64,844	3,916	68,760
2016	33,334	2,563	35,897
2017	33,334	854	34,188
	<u><u>\$ 263,897</u></u>	<u><u>\$ 27,317</u></u>	<u><u>\$ 291,214</u></u>

A summary of the outstanding capital leases payable is as follows:

The Town leases photocopiers under a non-cancelable lease agreement. The lease agreement calls for monthly payments of \$244 with maturity in November of 2016.

The Town leases a backhoe loader under a non-cancelable lease agreement. The lease agreement calls for annual payments of \$18,182 with maturity in August of 2016.

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

Future minimum payments, for the next five years ending June 30, are as follows:

2013	\$ 21,110
2014	21,110
2015	21,110
2016	21,110
2017	<u>19,403</u>
Total payments	\$ 103,843
Less: interest portion of total payments	<u>(12,479)</u>
Present value of future minimum lease payments	<u><u>\$ 91,364</u></u>

All notes and bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

NOTE 6 - RESTRICTED FUND BALANCES

The following fund balances have been restricted at June 30, 2012 for the following purposes:

Permanent funds (Schedule H)	<u><u>\$ 51,242</u></u>
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NOTE 7 - COMMITTED FUND BALANCES

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

Route 236 TIF	\$ 1,074,665
Special revenue funds (Schedule D)	289,446
Capital project funds (Schedule F)	<u>423,891</u>
	<u><u>\$ 1,788,002</u></u>

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 - EXPENDITURES OVER APPROPRIATIONS

The Town had the following appropriations that were overspent at June 30, 2012:

	<u>Excess</u>
Article 5 - General assistance	\$ 27,282
Article 6 - Police department	12,795
Article 13 - Public works department	19,979
Article 18 - Community services	<u>2,297</u>
	<u>\$ 35,071</u>

Several of the overspent appropriations were due to the accrual of accounts payable at year end.

NOTE 9 - DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2012:

Police Cruisers Reserve	<u>\$ 1,299</u>
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NOTE 10 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2012, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 9,900,000	2.85%	\$ 282,150
Maine School Administrative District No. 35			<u>-</u>
			<u>\$ 282,150</u>

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - RISK MANAGEMENT

The Town faces a full realm of risks typical of a thriving entity. Liabilities associated with torts and protections against damage of loss of assets are the general categories of risk for which the Town carries commercial insurance. Specific insurance related to these categories includes general, police and public officials' liability coverage, workers compensation, and automobile insurance. The Town is liable for deductibles ranging up to \$1,000 for settlements exceeding the limits of coverage, which range from \$50,000 to \$3,000,000. The amount of settlements has not exceeded insurance coverage for each of the past three years.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Maine State Legislature. Employees are part of the regular plan 110 AC and are required to contribute 6.5% of their annual salary. The Town is required to contribute 2.8% of members' covered payroll annually to the system. The Town's contributions to the plan for the fiscal year ended June 30, 2012 was \$96,136.

Unfunded Actuarial Accrued Liability

The Town has no actuarial accrued liability.

TOWN OF ELIOT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - TAX INCREMENT FINANCING DISTRICT

The Town has established two tax increment financing districts in accordance with Maine statutes to finance development programs located in the Town of Eliot. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured asset value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness to fund the expenditures of the development program and to finance future expansion.

Route 236 Municipal Tax Increment Financing District

The Town has established a municipal development tax increment financing district and development program on Route 236. The Town will capture and retain 100% of the increased assessed value from both taxable real and personal property improvements in the district and apply the revenues towards an engineering study, debt service on water and sewer improvements and extensions, water and sewer treatment and administrative and professional costs.

Eliot Commons Tax Increment Financing District

The Town has entered into a credit enhancement agreement with Sea Dog Realty, LLC where the Town will establish a development program fund which shall consist of a project cost account that is pledged to and charged with the payment of project costs.

NOTE 14 - CONTINGENCIES

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

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

TOWN OF ELIOT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 15 - RESTATEMENTS

As of July 1, 2011, the Town has restated its beginning net assets balances of fiduciary funds to permanent funds. The amount of this restatement was \$53,388. The beginning balance of the Community Services Fund and the net assets of the governmental activities have been adjusted for minor corrections to the calculations of accumulated depreciation of both of these activities.

Required Supplementary Information

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

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

TOWN OF ELIOT, MAINE

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

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 1,820,309	\$ 1,820,309	\$ 1,820,309	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	11,053,360	11,053,360	10,930,453	(122,907)
Excise taxes	1,010,000	1,010,000	1,157,302	147,302
Intergovernmental revenues:				
State revenue sharing	340,000	340,000	353,062	13,062
Homestead exemption	93,686	93,686	90,415	(3,271)
BETE reimbursement	4,867	4,867	18,484	13,617
Block grant funds	48,120	48,120	48,120	-
General assistance	30,000	30,000	41,987	11,987
Other revenues	-	-	36,790	36,790
Charges for services	162,000	162,000	209,721	47,721
Interest income	30,000	30,000	29,831	(169)
Miscellaneous revenues	15,500	15,500	81,654	66,154
Transfers from other funds	2,500	2,500	2,500	-
Amounts Available for Appropriation	<u>14,610,342</u>	<u>14,610,342</u>	<u>14,820,628</u>	<u>210,286</u>
Charges to Appropriations (Outflows):				
General government	1,833,180	1,833,180	1,740,320	92,860
Public safety	1,067,552	1,067,552	1,069,641	(2,089)
Public works	854,833	854,833	874,767	(19,934)
Health and sanitation	453,022	453,022	444,269	8,753
Recreation and culture	8	8	2,305	(2,297)
Education	7,321,697	7,321,697	7,321,697	-
County tax	454,431	454,431	454,431	-
Unclassified	33,358	33,358	-	33,358
Debt service:				
Principal	33,333	33,333	33,333	-
Interest	8,767	8,767	8,767	-
Transfers to other funds	830,852	830,852	847,404	(16,552)
Total Charges to Appropriations	<u>12,891,033</u>	<u>12,891,033</u>	<u>12,796,934</u>	<u>94,099</u>
Budgetary Fund Balance, June 30	<u>\$ 1,719,309</u>	<u>\$ 1,719,309</u>	<u>\$ 2,023,694</u>	<u>\$ 304,385</u>
Utilization of Assigned Fund Balance	\$ -	\$ -	\$ -	\$ -
Utilization of Unassigned Fund Balance	101,000	101,000	-	(101,000)
	<u>\$ 101,000</u>	<u>\$ 101,000</u>	<u>\$ -</u>	<u>\$ (101,000)</u>

See accompanying independent auditors' report.

Other Supplementary Information

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

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

TOWN OF ELIOT, MAINE

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

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Taxes:				
Property taxes	\$ 11,053,360	\$ 11,053,360	\$ 10,930,453	\$ (122,907)
Motor vehicle excise	1,000,000	1,000,000	1,141,624	141,624
Boat excise	10,000	10,000	15,678	5,678
Intergovernmental revenues:				
State revenue sharing	340,000	340,000	353,062	13,062
Homestead exemption	93,686	93,686	90,415	(3,271)
BETE reimbursement	4,867	4,867	18,484	13,617
Block grant funds	48,120	48,120	48,120	-
General assistance	30,000	30,000	41,987	11,987
Other revenues	-	-	36,790	36,790
Charges for services:				
Town clerk fees	20,000	20,000	32,820	12,820
Building & plumbing permits	20,000	20,000	32,964	12,964
Police	15,000	15,000	14,362	(638)
Recycling/clear bags	100,000	100,000	122,535	22,535
Mooring fees	7,000	7,000	7,040	40
Interest income	30,000	30,000	29,831	(169)
Other revenues:				
Tax liens	-	-	6,608	6,608
Insurance reimbursement	-	-	25,205	25,205
Sale of town owned property	-	-	24,025	24,025
Misc. other	15,500	15,500	25,816	10,316
Transfers in from other funds	2,500	2,500	2,500	-
Amounts Available for Appropriation	<u>\$ 12,790,033</u>	<u>\$ 12,790,033</u>	<u>\$ 13,000,319</u>	<u>\$ 210,286</u>

See accompanying independent auditors' report.

TOWN OF ELIOT, MAINE

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

	Budget	Budget Adjustments	Total Available	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Administration	\$ 1,648,008	\$ -	\$ 1,648,008	\$ 1,566,771	\$ 81,237
Town committees	180,172	-	180,172	166,836	13,336
Hearings & elections	5,000	-	5,000	6,713	(1,713)
	<u>1,833,180</u>	<u>-</u>	<u>1,833,180</u>	<u>1,740,320</u>	<u>92,860</u>
Public safety:					
Police department	711,527	-	711,527	728,480	(16,953)
Fire department	140,720	-	140,720	135,239	5,481
Animal control	3,000	-	3,000	3,166	(166)
Harbor master	6,655	-	6,655	2,331	4,324
Hydrant rental	61,650	-	61,650	61,648	2
Ambulance service	53,000	-	53,000	50,250	2,750
24 hour answering service	70,000	-	70,000	71,908	(1,908)
Street lights	21,000	-	21,000	16,619	4,381
	<u>1,067,552</u>	<u>-</u>	<u>1,067,552</u>	<u>1,069,641</u>	<u>(2,089)</u>
Public works:					
Highway department	420,033	-	420,033	382,199	37,834
Snow & winter maintenance	174,800	-	174,800	174,755	45
Summer maintenance	20,800	-	20,800	21,043	(243)
Roads & bridges	200,700	-	200,700	264,936	(64,236)
Town parks maintenance	38,500	-	38,500	31,834	6,666
	<u>854,833</u>	<u>-</u>	<u>854,833</u>	<u>874,767</u>	<u>(19,934)</u>
Health & sanitation:					
Transfer station	362,498	-	362,498	329,013	33,485
Social services	25,524	-	25,524	22,974	2,550
General assistance	65,000	-	65,000	92,282	(27,282)
	<u>453,022</u>	<u>-</u>	<u>453,022</u>	<u>444,269</u>	<u>8,753</u>

TOWN OF ELIOT, MAINE

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

	<u>Budget</u>	<u>Budget Adjustments</u>	<u>Total Available</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Recreation & culture:					
Community services	<u>8</u>	<u>-</u>	<u>8</u>	<u>2,305</u>	<u>(2,297)</u>
	<u>8</u>	<u>-</u>	<u>8</u>	<u>2,305</u>	<u>(2,297)</u>
Debt service:					
Principal	<u>33,333</u>	<u>-</u>	<u>33,333</u>	<u>33,333</u>	<u>-</u>
Interest	<u>8,767</u>	<u>-</u>	<u>8,767</u>	<u>8,767</u>	<u>-</u>
	<u>42,100</u>	<u>-</u>	<u>42,100</u>	<u>42,100</u>	<u>-</u>
Education	<u>7,321,697</u>	<u>-</u>	<u>7,321,697</u>	<u>7,321,697</u>	<u>-</u>
County tax	<u>454,431</u>	<u>-</u>	<u>454,431</u>	<u>454,431</u>	<u>-</u>
Unclassified:					
Overlay	<u>33,358</u>	<u>-</u>	<u>33,358</u>	<u>-</u>	<u>33,358</u>
	<u>33,358</u>	<u>-</u>	<u>33,358</u>	<u>-</u>	<u>33,358</u>
Transfers out	<u>830,852</u>	<u>-</u>	<u>830,852</u>	<u>847,404</u>	<u>(16,552)</u>
Total Expenditures	<u>\$ 12,891,033</u>	<u>\$ -</u>	<u>\$ 12,891,033</u>	<u>\$ 12,796,934</u>	<u>\$ 94,099</u>

See accompanying independent auditors' report.

TOWN OF ELIOT, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	288,301	458,228	51,242	797,771
Accounts receivable	-	-	-	-
Due from other funds	3,600	-	-	3,600
Total assets	<u>\$ 291,901</u>	<u>\$ 458,228</u>	<u>\$ 51,242</u>	<u>\$ 801,371</u>
LIABILITIES				
Accounts payable	\$ -	\$ 20,381	\$ -	\$ 20,381
Due to other funds	2,455	15,255	-	17,710
Total liabilities	<u>2,455</u>	<u>35,636</u>	<u>-</u>	<u>38,091</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	51,242	51,242
Committed	289,446	423,891	-	713,337
Assigned	-	-	-	-
Unassigned	-	(1,299)	-	(1,299)
Total fund balances	<u>289,446</u>	<u>422,592</u>	<u>51,242</u>	<u>763,280</u>
Total liabilities and fund balances	<u>\$ 291,901</u>	<u>\$ 458,228</u>	<u>\$ 51,242</u>	<u>\$ 801,371</u>

See accompanying independent auditors' report.

TOWN OF ELIOT, MAINE

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

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Interest	\$ 3,155	\$ 3,529	\$ 762	\$ 7,446
Other	-	2,843	-	2,843
TOTAL REVENUES	<u>3,155</u>	<u>6,372</u>	<u>762</u>	<u>10,289</u>
EXPENDITURES				
Capital outlay	25,303	133,768	-	159,071
Other	33,474	38,178	408	72,060
TOTAL EXPENDITURES	<u>58,777</u>	<u>171,946</u>	<u>408</u>	<u>231,131</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(55,622)</u>	<u>(165,574)</u>	<u>354</u>	<u>10,289</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	31,261	177,038	-	208,299
Transfers (Out)	(29,378)	-	(2,500)	(31,878)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,883</u>	<u>177,038</u>	<u>(2,500)</u>	<u>176,421</u>
NET CHANGE IN FUND BALANCES	(53,739)	11,464	(2,146)	186,710
FUND BALANCES - JULY 1, RESTATED	<u>343,185</u>	<u>411,128</u>	<u>53,388</u>	<u>807,701</u>
FUND BALANCES - JUNE 30	<u>\$ 289,446</u>	<u>\$ 422,592</u>	<u>\$ 51,242</u>	<u>\$ 763,280</u>

See accompanying independent auditors' report.

Special Revenue Funds

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

TOWN OF ELIOT, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUES FUNDS
JUNE 30, 2012

	Sewer Betterment Reserve	Sick Leave Reserve	Town Insurance Reserve	Revaluation Reserve	Legal Fees Reserve	200th Celebration Reserve	Street Lights Reserve
ASSETS							
Investments	\$ 19,931	\$ 56,209	\$ 8,336	\$ 26,631	\$ 53,013	\$ 24	\$ 6,137
Accounts receivable	-	-	-	-	-	-	-
Due from other funds	1,946	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 21,877</u>	<u>\$ 56,209</u>	<u>\$ 8,336</u>	<u>\$ 26,631</u>	<u>\$ 53,013</u>	<u>\$ 24</u>	<u>\$ 6,137</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	21,877	56,209	8,336	26,631	53,013	24	6,137
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>21,877</u>	<u>56,209</u>	<u>8,336</u>	<u>26,631</u>	<u>53,013</u>	<u>24</u>	<u>6,137</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,877</u>	<u>\$ 56,209</u>	<u>\$ 8,336</u>	<u>\$ 26,631</u>	<u>\$ 53,013</u>	<u>\$ 24</u>	<u>\$ 6,137</u>

TOWN OF ELIOT, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUES FUNDS
JUNE 30, 2012

	General Assistance Reserve	Community Center Reserve	Consultant Reserve	Contingency Reserve	Ash Reserve	Totals
ASSETS						
Investments	\$ 1,190	\$ 83,235	\$ 1,039	\$ 29,504	\$ 3,052	\$ 288,301
Accounts receivable	-	-	-	-	-	-
Due from other funds	-	-	1,654	-	-	3,600
TOTAL ASSETS	<u>\$ 1,190</u>	<u>\$ 83,235</u>	<u>\$ 2,693</u>	<u>\$ 29,504</u>	<u>\$ 3,052</u>	<u>\$ 291,901</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	2,455	-	2,455
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,455</u>	<u>-</u>	<u>2,455</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	1,190	83,235	2,693	27,049	3,052	289,446
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,190</u>	<u>83,235</u>	<u>2,693</u>	<u>27,049</u>	<u>3,052</u>	<u>289,446</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,190</u>	<u>\$ 83,235</u>	<u>\$ 2,693</u>	<u>\$ 29,504</u>	<u>\$ 3,052</u>	<u>\$ 291,901</u>

See accompanying independent auditors' report.

TOWN OF ELIOT, MAINE

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

	Sewer Betterment Reserve	Sick Leave Reserve	Town Insurance Reserve	Revaluation Reserve	Legal Fees Reserve	200th Celebration Reserve	Street Lights Reserve
REVENUES							
Interest	\$ 935	\$ 176	\$ 52	\$ 246	\$ 332	\$ -	\$ 36
Other	-	-	-	-	-	-	-
TOTAL REVENUES	<u>935</u>	<u>176</u>	<u>52</u>	<u>246</u>	<u>332</u>	<u>-</u>	<u>36</u>
EXPENDITURES							
Capital outlay	-	-	-	-	-	-	-
Other	-	-	-	5,849	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,849</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>935</u>	<u>176</u>	<u>52</u>	<u>(5,603)</u>	<u>332</u>	<u>-</u>	<u>36</u>
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	30,000	1,261	-	-	-	-	-
Operating Transfers (Out)	(29,378)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>622</u>	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,557	1,437	52	(5,603)	332	-	36
FUND BALANCES - JULY 1, RESTATED	<u>20,320</u>	<u>54,772</u>	<u>8,284</u>	<u>32,234</u>	<u>52,681</u>	<u>24</u>	<u>6,101</u>
FUND BALANCES - JUNE 30	<u>\$ 21,877</u>	<u>\$ 56,209</u>	<u>\$ 8,336</u>	<u>\$ 26,631</u>	<u>\$ 53,013</u>	<u>\$ 24</u>	<u>\$ 6,137</u>

TOWN OF ELIOT, MAINE

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

	General Assistance Reserve	Community Center Reserve	Consultant Reserve	Contingency Reserve	Ash Reserve	Totals
REVENUES						
Interest	\$ 7	\$ 878	\$ 6	\$ 468	\$ 19	\$ 3,155
Other	-	-	-	-	-	-
TOTAL REVENUES	<u>7</u>	<u>878</u>	<u>6</u>	<u>468</u>	<u>19</u>	<u>3,155</u>
EXPENDITURES						
Capital outlay	-	25,303	-	-	-	25,303
Other	5,000	-	-	22,625	-	33,474
TOTAL EXPENDITURES	<u>5,000</u>	<u>25,303</u>	<u>-</u>	<u>22,625</u>	<u>-</u>	<u>58,777</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,993)</u>	<u>(24,425)</u>	<u>6</u>	<u>(22,157)</u>	<u>19</u>	<u>(55,622)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	31,261
Operating Transfers (Out)	-	-	-	-	-	(29,378)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,883</u>
NET CHANGE IN FUND BALANCES	(4,993)	(24,425)	6	(22,157)	19	(53,739)
FUND BALANCES - JULY 1, RESTATED	<u>6,183</u>	<u>107,660</u>	<u>2,687</u>	<u>49,206</u>	<u>3,033</u>	<u>343,185</u>
FUND BALANCES - JUNE 30	<u>\$ 1,190</u>	<u>\$ 83,235</u>	<u>\$ 2,693</u>	<u>\$ 27,049</u>	<u>\$ 3,052</u>	<u>\$ 289,446</u>

See accompanying independent auditors' report.

Capital Project Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF ELIOT, MAINE

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

	Eliot Commons TIF	Town Facilities Reserve	Fire Truck Reserve	Police Cruisers Reserve
ASSETS				
Investments	\$ 71,712	\$ 26,410	\$ 35,425	\$ 10,920
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 71,712</u>	<u>\$ 26,410</u>	<u>\$ 35,425</u>	<u>\$ 10,920</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 20,381	\$ -	\$ -
Due to other funds	-	-	-	12,219
TOTAL LIABILITIES	<u>-</u>	<u>20,381</u>	<u>-</u>	<u>12,219</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	71,712	6,029	35,425	-
Assigned	-	-	-	-
Unassigned	-	-	-	(1,299)
TOTAL FUND BALANCES	<u>71,712</u>	<u>6,029</u>	<u>35,425</u>	<u>(1,299)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 71,712</u>	<u>\$ 26,410</u>	<u>\$ 35,425</u>	<u>\$ 10,920</u>

TOWN OF ELIOT, MAINE

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

	Land Bank Reserve	Road Equipment Reserve	Sewer Capital	Totals
ASSETS				
Investments	\$ 59,836	\$ 22,998	\$ 230,927	\$ 458,228
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 59,836</u>	<u>\$ 22,998</u>	<u>\$ 230,927</u>	<u>\$ 458,228</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 20,381
Due to other funds	-	-	3,036	15,255
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>3,036</u>	<u>35,636</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	59,836	22,998	227,891	423,891
Assigned	-	-	-	-
Unassigned	-	-	-	(1,299)
TOTAL FUND BALANCES	<u>59,836</u>	<u>22,998</u>	<u>227,891</u>	<u>422,592</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,836</u>	<u>\$ 22,998</u>	<u>\$ 230,927</u>	<u>\$ 458,228</u>

See accompanying independent auditors' report.

TOWN OF ELIOT, MAINE

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

	Eliot Commons TIF	Town Facilities Reserve	Fire Truck Reserve	Police Cruisers Reserve
REVENUES				
Interest	\$ 247	\$ 253	\$ 96	\$ 286
Other	-	2,843	-	-
TOTAL REVENUES	<u>247</u>	<u>3,096</u>	<u>96</u>	<u>286</u>
EXPENDITURES				
Capital outlay	-	57,506	-	23,596
Other	-	-	4,350	2,392
TOTAL EXPENDITURES	<u>-</u>	<u>57,506</u>	<u>4,350</u>	<u>25,988</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>247</u>	<u>(54,410)</u>	<u>(4,254)</u>	<u>(25,702)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	13,623	59,000	25,000	25,000
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>13,623</u>	<u>59,000</u>	<u>25,000</u>	<u>25,000</u>
NET CHANGE IN FUND BALANCES	13,870	4,590	20,746	(702)
FUND BALANCES - JULY 1 , RESTATED	<u>57,842</u>	<u>1,439</u>	<u>14,679</u>	<u>(597)</u>
FUND BALANCES - JUNE 30	<u><u>\$ 71,712</u></u>	<u><u>\$ 6,029</u></u>	<u><u>\$ 35,425</u></u>	<u><u>\$ (1,299)</u></u>

TOWN OF ELIOT, MAINE

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

	Land Bank Reserve	Road Equipment Reserve	Sewer Capital	Totals
REVENUES				
Interest	\$ 461	\$ -	\$ 2,186	\$ 3,529
Other	-	-	-	2,843
TOTAL REVENUES	<u>461</u>	<u>-</u>	<u>2,186</u>	<u>6,372</u>
EXPENDITURES				
Capital outlay	-	-	52,666	133,768
Other	11,000	21	20,415	38,178
TOTAL EXPENDITURES	<u>11,000</u>	<u>21</u>	<u>73,081</u>	<u>171,946</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,539)</u>	<u>(21)</u>	<u>(70,895)</u>	<u>(165,574)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	11,000	23,000	20,415	177,038
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,000</u>	<u>23,000</u>	<u>20,415</u>	<u>177,038</u>
NET CHANGE IN FUND BALANCES	461	22,979	(50,480)	11,464
FUND BALANCES - JULY 1, RESTATED	<u>59,375</u>	<u>19</u>	<u>278,371</u>	<u>411,128</u>
FUND BALANCES - JUNE 30	<u>\$ 59,836</u>	<u>\$ 22,998</u>	<u>\$ 227,891</u>	<u>\$ 422,592</u>

See accompanying independent auditors' report.

Permanent Funds

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

TOWN OF ELIOT, MAINE

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
JUNE 30, 2012

	Cemetery	Little League	General Assistance	Recreation	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	2,768	11,959	35,603	912	51,242
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 2,768</u>	<u>\$ 11,959</u>	<u>\$ 35,603</u>	<u>\$ 912</u>	<u>\$ 51,242</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	2,768	11,959	35,603	912	51,242
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>2,768</u>	<u>11,959</u>	<u>35,603</u>	<u>912</u>	<u>51,242</u>
Total liabilities and fund balances	<u>\$ 2,768</u>	<u>\$ 11,959</u>	<u>\$ 35,603</u>	<u>\$ 912</u>	<u>\$ 51,242</u>

See accompanying independent auditors' report.

TOWN OF ELIOT, MAINE

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

	<u>Cemetery</u>	<u>Little League</u>	<u>General Assistance</u>	<u>Recreation</u>	<u>Totals</u>
REVENUES					
Interest	\$ 40	\$ 170	\$ 539	\$ 13	\$ 762
Other	-	-	-	-	-
TOTAL REVENUES	<u>40</u>	<u>170</u>	<u>539</u>	<u>13</u>	<u>762</u>
EXPENDITURES					
Capital outlay	-	-	-	-	-
Other	22	95	284	7	408
TOTAL EXPENDITURES	<u>22</u>	<u>95</u>	<u>284</u>	<u>7</u>	<u>408</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>18</u>	<u>75</u>	<u>255</u>	<u>6</u>	<u>354</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers (Out)	-	-	(2,500)	-	(2,500)
TOTAL OTHER FINANCING (USES)	<u>-</u>	<u>-</u>	<u>(2,500)</u>	<u>-</u>	<u>(2,500)</u>
NET CHANGE IN FUND BALANCES	18	75	(2,245)	6	(2,146)
FUND BALANCES - JULY 1, RESTATED	<u>2,750</u>	<u>11,884</u>	<u>37,848</u>	<u>906</u>	<u>53,388</u>
FUND BALANCES - JUNE 30	<u>\$ 2,768</u>	<u>\$ 11,959</u>	<u>\$ 35,603</u>	<u>\$ 912</u>	<u>\$ 51,242</u>

See accompanying independent auditors' report.

General Capital Assets

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

TOWN OF ELIOT, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2012

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Town hall	\$ 68,001	\$ 421,271	\$ 154,529	\$ 4,288	\$ 648,089
Police	1	816,345	508,066	-	1,324,412
Fire	1	1,658,500	1,225,988	-	2,884,489
Public works	1	356,944	887,125	-	1,244,070
Sewer fund	-	-	-	3,873,456	3,873,456
Community services fund	97,818	776,280	158,000	-	1,032,098
Total General Capital Assets	165,822	4,029,340	2,933,708	3,877,744	11,006,614
Less: Accumulated Depreciation	-	(2,625,191)	(2,420,770)	(2,004,578)	(7,050,539)
Net General Capital Assets	\$ 165,822	\$ 1,404,149	\$ 512,938	\$ 1,873,166	\$ 3,956,075

See accompanying independent auditors' report.

TOWN OF ELIOT, MAINE

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

	General Capital Assets 7/1/11	Additions	Deletions	General Capital Assets 6/30/12
Town hall	\$ 630,051	\$ 18,038	\$ -	\$ 648,089
Police	1,301,629	22,783	-	1,324,412
Fire	2,884,489	-	-	2,884,489
Public works	1,113,664	130,406	-	1,244,070
Sewer fund	3,873,456	-	-	3,873,456
Community services fund	1,029,398	2,700	-	1,032,098
Total General Capital Assets	10,832,687	173,927	-	11,006,614
Less: Accumulated Depreciation	(6,808,381)	(242,158)	-	(7,050,539)
Net General Capital Assets	<u>\$ 4,024,306</u>	<u>\$ (68,231)</u>	<u>\$ -</u>	<u>\$ 3,956,075</u>

See accompanying independent auditors' report.