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Audited Financial Statements Town of Damariscotta, Maine

RHR Smith & Company

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Audited Financial Statements

Town of Damariscotta, Maine

June 30, 2012



Proven Expertise and Integrity

TOWN OF DAMARISCOTTA, MAINE

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JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

September 28, 2012

Board of Selectmen
Town of Damariscotta
Damariscotta, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Damariscotta, 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 Damariscotta'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, each major fund, and the aggregate remaining fund information of the Town of Damariscotta, 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 9 and 34 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

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

RHR Smith & Company

Certified Public Accountants

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

(UNAUDITED)

The following management's discussion and analysis of the Town of Damariscotta, 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 Damariscotta'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 one column for the Town's one type of activity. The type of activity presented for the Town of Damariscotta is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, health and sanitation, public works, education, social services and other unclassified.

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 Damariscotta, 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 Damariscotta are categorized as one fund type: governmental funds.

Governmental funds: All 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 Damariscotta presents only 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 "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.

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 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets increased by \$3,893 from \$4,781,667 to \$4,785,560.

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 to a balance of \$1,644,108 at the end of this year.

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

	2012	2011
Assets		
Current and Other Assets	\$ 2,497,168	\$ 2,371,435
Capital Assets	2,882,295	3,121,528
Total Assets	\$ 5,379,463	\$ 5,492,963
Liabilities		
Current Liabilities	\$ 136,283	\$ 141,602
Long-term Debt Outstanding	457,620	569,694
Total Liabilities	\$ 593,903	\$ 711,296
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 2,341,883	\$ 2,475,528
Restricted:		
General Fund	168,623	260,508
Special Revenue Fund	73,365	28,030
Permanent Fund	557,581	594,307
Unrestricted	1,644,108	1,423,294
Total Net Assets	\$ 4,785,560	\$ 4,781,667

Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.60%, while total expenses increased by 1.98%. The increase in revenues is largely due to other revenues and operating grants and contributions. The largest increase in expenses was in capital outlay, education and public safety partially offset by a marked decline in general government.

Table 2
Town of Damariscotta, Maine
Change in Net Assets
For The Years Ended June 30,

	2012	2011 (Restated)
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 76,383	\$ 57,653
Operating grants and contributions	124,442	97,198
<i>General Revenues:</i>		
Taxes	5,016,925	5,027,373
Grants and contributions not restricted for specific programs	413,204	395,106
Other revenues	142,438	105,274
Total Revenues	5,773,392	5,682,604
 Expenses		
General government	472,032	642,384
Public safety	909,583	849,305
Health and sanitation	114,470	120,150
Public works	331,777	293,442
Social services	52,321	44,833
County tax	402,668	399,115
Education	3,054,871	2,980,866
Unclassified	259,871	279,209
Capital outlay	155,383	12,000
Unallocated depreciation (Note 4)	1,191	1,191
Interest on long-term debt	15,332	35,174
Total Expenses	5,769,499	5,657,669
 Change in Net Assets	3,893	24,935
 Net Assets - July 1	4,781,667	4,756,732
 Net Assets - June 30	\$ 4,785,560	\$ 4,781,667

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 Damariscotta, Maine
Fund Balances - Governmental Funds
June 30,

	<u>2012</u>	<u>2011</u>
General Fund:		
Restricted	\$ 168,623	\$ 260,508
Committed	37,498	48,598
Unassigned	930,774	804,493
Total General Fund	<u>\$ 1,136,895</u>	<u>\$ 1,113,599</u>
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 73,365	\$ 28,030
Assigned	11,343	13,082
Unassigned	(15,735)	-
Capital projects funds:		
Committed	441,081	343,394
Permanent funds:		
Restricted	557,581	594,307
Total Nonmajor Funds	<u>\$ 1,067,635</u>	<u>\$ 978,813</u>

The general fund total fund balance increased by \$23,296 from the prior fiscal year. The non-major fund balances increased by \$88,822 from the prior fiscal year.

Budgetary Highlights

The significant differences between the original and final budget for the general fund was the use of restricted and committed fund balances as well as the use of applied revenues.

The general fund actual revenues exceeded the budget by \$24,208. This was mostly a result of an increase in intergovernmental revenues.

The general fund actual expenditures were under the budget by \$390,458. All expenditures were under budget.

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 \$239,233 from the prior year. This is a result of current year depreciation expense plus capital disposals less capital additions. Refer to Note 4 of Notes to Financial Statements for more detailed information.

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

	2012	2011
Land and improvements	\$ 276,079	\$ 276,079
Art works & historical treasures	20,000	20,000
Buildings and improvements	1,200,487	1,249,382
Machinery and equipment	36,191	47,148
Vehicles	656,189	813,305
Infrastructure	693,349	715,614
 Total	 \$ 2,882,295	 \$ 3,121,528

Debt

At June 30, 2012, the Town had \$540,412 in bonds outstanding versus \$646,000 last year, a decrease of 16.34%. Other obligations include accrued sick and vacation time. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has fallen below a sufficient level of unassigned fund balance to sustain government operations for a period of approximately two months, yet have maintained significant reserve accounts for future capital and program needs. The Town is working to rebuild this balance to a sufficient level.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 21 School Street, Damariscotta, Maine 04543.

STATEMENT A

TOWN OF DAMARISCOTTA, MAINE

STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,217,523
Investments	914,575
Accounts receivable (net of allowance for uncollectibles):	
Taxes and liens	293,449
Other	31,671
Due from other governments	39,950
Total current assets	<u>2,497,168</u>
Noncurrent assets:	
Capital assets:	
Land, infrastructure, and other assets not being depreciated	296,079
Buildings, vehicles, etc net of accumulated depreciation	<u>2,586,216</u>
Total noncurrent assets	<u>2,882,295</u>
TOTAL ASSETS	<u><u>\$ 5,379,463</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 35,993
Current portion of long-term obligations	<u>100,290</u>
Total current liabilities	<u>136,283</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds Payable	440,122
Accrued compensated absences	<u>17,498</u>
Total noncurrent liabilities	<u>457,620</u>
TOTAL LIABILITIES	<u>593,903</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,341,883
Restricted:	
General fund	168,623
Special Revenue fund	73,365
Permanent fund	557,581
Unrestricted	<u>1,644,108</u>
TOTAL NET ASSETS	<u>4,785,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,379,463</u></u>

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

STATEMENT B

TOWN OF DAMARISCOTTA, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services/ Other	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental activities:				
General government	\$ 472,032	\$ -	\$ -	\$ (402,055)
Public safety	909,583	-	-	(903,177)
Health and sanitation	114,470	-	-	(114,470)
Public works	331,777	22,584	-	(309,193)
Social services	52,321	-	-	(52,321)
County tax	402,668	-	-	(402,668)
Education	3,054,871	101,858	-	(2,953,013)
Unclassified	259,871	-	-	(259,871)
Capital outlay	155,383	-	-	(155,383)
Unallocated depreciation (Note 4)	1,191	-	-	(1,191)
Interest on long-term debt	15,332	-	-	(15,332)
Total government	\$ 5,769,499	\$ 124,442	\$ -	(5,568,674)

STATEMENT B (CONTINUED)
TOWN OF DAMARISCOTTA, MAINE

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

	<u>Governmental Activities</u>
Changes in net assets:	
Net (expense) revenue	<u>(5,568,674)</u>
General revenues:	
Taxes:	
Property taxes	4,668,421
Excise taxes	348,504
Grants and contributions not restricted to specific programs	413,204
Other revenues	<u>142,438</u>
Total general revenues	<u>5,572,567</u>
Change in net assets	3,893
NET ASSETS - JULY 1, 2011, RESTATED	<u>4,781,667</u>
NET ASSETS - JUNE 30, 2012	<u><u>\$ 4,785,560</u></u>

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

TOWN OF DAMARISCOTTA, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,204,409	\$ 13,114	\$ 1,217,523
Investments	250,188	664,387	914,575
Accounts receivable (net of allowance for uncollectibles):			
Taxes and liens	293,449	-	293,449
Other receivables	31,671	-	31,671
Due from other governments	-	39,950	39,950
Due from other funds	166,771	516,955	683,726
TOTAL ASSETS	<u>\$ 1,946,488</u>	<u>\$ 1,234,406</u>	<u>\$ 3,180,894</u>
LIABILITIES			
Accounts payable	\$ 35,993	\$ -	\$ 35,993
Prepaid taxes	-	-	-
Deferred tax revenue	256,645	-	256,645
Due to other funds	516,955	166,771	683,726
TOTAL LIABILITIES	<u>809,593</u>	<u>166,771</u>	<u>976,364</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	168,623	630,946	799,569
Committed	37,498	441,081	478,579
Assigned	-	11,343	11,343
Unassigned	930,774	(15,735)	915,039
TOTAL FUND BALANCES	<u>1,136,895</u>	<u>1,067,635</u>	<u>2,204,530</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,946,488</u>	<u>\$ 1,234,406</u>	<u>\$ 3,180,894</u>

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

TOWN OF DAMARISCOTTA, MAINE

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

	Total Governmental Funds
Total Fund Balances	\$ 2,204,530
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	2,882,295
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	256,645
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Notes payable	(540,412)
Accrued compensated absences	(17,498)
Net assets of governmental activities	\$ 4,785,560

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

TOWN OF DAMARISCOTTA, MAINE

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

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 4,654,101	\$ -	\$ 4,654,101
Excise taxes	348,504	-	348,504
Intergovernmental revenues:			
Education revenue	67,711	22,630	90,341
State revenue sharing	116,285	-	116,285
Medicaid reimbursement	34,147	-	34,147
Homestead exemption	38,997	-	38,997
Local road assistance	22,584	-	22,584
Other intergovernmental	17,044	218,248	235,292
Charges for services	76,383	-	76,383
Interest/fees on taxes	27,742	-	27,742
Investment income	4,135	9,888	14,023
Other revenue	22,329	78,344	100,673
TOTAL REVENUES	<u>5,429,962</u>	<u>329,110</u>	<u>5,759,072</u>
EXPENDITURES			
Current:			
General government	471,495	-	471,495
Public safety	720,721	-	720,721
Health and sanitation	114,470	-	114,470
Public works	294,967	-	294,967
Social services	52,321	-	52,321
County tax	402,668	-	402,668
Education	3,016,107	27,138	3,043,245
Unclassified	70,897	193,347	264,244
Debt service:			
Principal	105,588	-	105,588
Interest	15,332	-	15,332
Capital outlay	-	161,903	161,903
TOTAL EXPENDITURES	<u>5,264,566</u>	<u>382,388</u>	<u>5,646,954</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>165,396</u>	<u>(53,278)</u>	<u>112,118</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	142,100	142,100
Operating transfers (out)	(142,100)	-	(142,100)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(142,100)</u>	<u>142,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	23,296	88,822	112,118
FUND BALANCES - JULY 1, RESTATED	<u>1,113,599</u>	<u>978,813</u>	<u>2,092,412</u>
FUND BALANCES- JUNE 30	<u>\$ 1,136,895</u>	<u>\$ 1,067,635</u>	<u>\$ 2,204,530</u>

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

TOWN OF DAMARISCOTTA, 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>\$ 112,118</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 allocated to those expenditures over the life of the assets.	
Capital asset purchases capitalized	25,356
Capital asset disposed	(6,836)
Depreciation expense	<u>(257,753)</u>
	<u>(239,233)</u>
Revenues in the Statement of Activities that do not provide current financial resources as revenues in governmental funds:	
Taxes and liens receivable	<u>14,320</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>11,100</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, reduces long-term liabilities in the Statement of Net Assets	<u>105,588</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 3,893</u></u>

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

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Damariscotta was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government, public safety, health and sanitation, public works, education, social services and other unclassified.

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 governmental. The Town categorizes all activities as governmental.

In the government-wide Statement of Net Assets, the governmental 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 DAMARISCOTTA, 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 (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. 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 DAMARISCOTTA, 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 Projects Funds are used to account for the financial resources to be used for the acquisition or construction of capital assets, other than those financed by proprietary or trust funds.
- d. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Town of Damariscotta has no formal investment policy but instead follows the State of Maine Statutes. They are in the process of adopting a more detailed investment policy.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 notes or bonds payable and compensated absences.

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

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and comp time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2012, the Town's liability for compensated absences is \$17,498.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied July 20, 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 October 1, 2011 and April 1, 2012. Interest on unpaid taxes commenced on October 2, 2011 and April 2, 2012, at 7.0% per annum.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$94,267 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).

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.

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

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

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

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

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

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

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

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

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

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 2 - CASH AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering 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 deposits amounting to \$1,217,523 were comprised of deposits of \$1,279,536. Of these bank deposits, \$64,390 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$1,214,846 was collateralized with securities held by the financial institution in the Town's name and consequently not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 51,575
Repurchase agreements	1,214,846
Savings accounts	13,115
	<u>\$ 1,279,536</u>

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments:

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

At June 30, 2012, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Certificates of deposit	\$ 250,188	\$ -	\$ -	\$ 250,188
Money market funds	320,311	-	320,311	-
Equities - U. S.	34,522	34,522	-	-
Fixed income	309,554	309,554	-	-
	\$ 914,575	\$ 344,076	\$ 320,311	\$ 250,188

The Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the Town's investments in certificates of deposit of \$250,188 were insured and collateralized up to \$250,000 and not exposed to custodial credit risk. The balance of the Town's investments in money market funds, equity and fixed income securities totaling \$664,387 was either covered by the Securities Investor Protection Corporation (SIPC) or fully insured and consequently was not exposed to custodial credit risk.

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. Generally, the Town invests excess funds in savings accounts and various insured certificates of deposit.

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

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due from)	Payables (Due to)
General fund	\$ 166,771	\$ 516,955
Special revenue fund	73,365	56,206
Capital projects fund	441,081	-
Permanent fund	2,509	110,565
Total	<u>\$ 683,726</u>	<u>\$ 683,726</u>

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	\$ 276,079	\$ -	\$ -	\$ 276,079
Art works & historical treasures	20,000	-	-	20,000
	<u>296,079</u>	<u>-</u>	<u>-</u>	<u>296,079</u>
Depreciated assets:				
Buildings	1,913,480	-	-	1,913,480
Building improvements	45,542	-	-	45,542
Furniture & fixtures	41,699	-	-	41,699
Machinery & equipment	249,801	-	-	249,801
Vehicles	1,897,928	25,356	(45,549)	1,877,735
Infrastructure	1,455,697	-	-	1,455,697
	5,604,147	25,356	(45,549)	5,583,954
Less: accumulated depreciation	<u>(2,778,698)</u>	<u>(257,753)</u>	<u>38,713</u>	<u>(2,997,738)</u>
	2,825,449	(232,397)	(6,836)	2,586,216
Net capital assets	<u>\$ 3,121,528</u>	<u>\$ (232,397)</u>	<u>\$ (6,836)</u>	<u>\$ 2,882,295</u>

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

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

Administration	\$ 11,637
Public safety	188,862
Recreation	7,627
Public works	36,810
Education	11,626
Town-wide	1,191
Total depreciation expenses	\$ 257,753

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
Bonds payable	\$ 646,000	\$ -	\$ (105,588)	\$ 540,412	\$ 100,290
Accrued compensated absences	28,598	-	(11,100)	17,498	-
	\$ 674,598	\$ -	\$ (116,688)	\$ 557,910	\$ 100,290

The following is a summary of the outstanding bond payable:

\$646,000, bond payable with Camden National Bank, due in varying annual payments, through October, 2016. Interest is charged at a rate of 3.75% per annum.

	\$ 540,412
Total Long-Term Debt	\$ 540,412

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 100,290	\$ 20,630	\$ 120,920
2014	104,160	16,760	120,920
2015	108,120	12,800	120,920
2016	112,231	8,689	120,920
2017	115,611	4,434	120,045
	<u>\$ 540,412</u>	<u>\$ 63,313</u>	<u>\$ 603,725</u>

NOTE 6 – RESTRICTED FUND BALANCES

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

Secondary education	\$ 168,623
Nonmajor special revenue funds (Schedule D)	73,365
Nonmajor permanent funds (Schedule H)	557,581
	<u>\$ 799,569</u>

NOTE 7 – COMMITTED FUND BALANCES

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

Assessing	\$ 8,000
Planning / development	3,000
Municipal building	3,000
Highway department	3,000
Highway maintenance	3,000
Accrued compensated absences	17,498
Nonmajor capital project funds (Schedule F)	441,081
	<u>\$ 478,579</u>

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – ASSIGNED FUND BALANCES

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

Nonmajor special revenue funds (Schedule D)	<u>\$ 11,343</u>
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NOTE 9 – DEFERRED COMPENSATION PLAN

Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the Maine Public Employees Retirement System. The plan, available to all full-time employees with six months of service, permits them to defer a portion of their salary, in addition to Town contributions, until future years. Benefits begin vesting at the beginning of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. The plan has provisions for employees to borrow or take plan assets. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

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

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

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Selectmen. Under the plan, the Town is required to contribute on behalf of each participant a pre-determined percentage (100% match up to 7.0% beginning with the first pay period following the submission of proper paperwork) of the participants earnings for the plan year.

TOWN OF DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – OVERLAPPING DEBT

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

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of Lincoln	\$ 9,010,000	4.64%	<u>\$ 417,632</u>

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 \$10,000 for settlements exceeding the limits of coverage, which range from \$400,000 to \$3,000,000. The amount of settlements has not exceeded insurance coverage for each of the past three years.

NOTE 12 – 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 DAMARISCOTTA, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 – DEFICIT FUND BALANCES

At June 30, 2012, the Town's following funds had a deficit fund balance:

Shore Harbor	\$	4,500
Orton		44
Misc		527
Energy efficiency		10,565
School grants		99
		<u>99</u>
	\$	<u>15,735</u>

NOTE 14 – RESTATEMENT

As of July 1, 2011, the Town has restated the fund balance for the School Grants fund in the amount of \$1,273. Both fund balance and net assets have been increased to reflect this adjustment.

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 DAMARISCOTTA, MAINE

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

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary Fund Balance, July 1	\$ 1,113,599	\$ 1,113,599	\$ 1,113,599	\$ -
Resources (Inflows):				
Property taxes	4,668,420	4,668,420	4,654,101	(14,319)
Excise taxes	354,500	354,500	348,504	(5,996)
Intergovernmental:				
Education revenue	-	67,711	67,711	-
State revenue sharing	95,100	95,100	116,285	21,185
BETE	39,002	39,002	34,147	(4,855)
Homestead exemption	38,021	38,021	38,997	976
Local road assistance	21,000	21,000	22,584	1,584
Tree growth/Veteran's	5,700	5,700	15,102	9,402
Other	2,000	2,000	1,942	(58)
Charges for services	52,650	52,650	76,383	23,733
Interest/fees on taxes	17,000	17,000	27,742	10,742
Investment income	20,000	20,000	4,135	(15,865)
Other revenues	14,250	14,250	16,929	2,679
Payment in lieu of taxes	10,400	10,400	5,400	(5,000)
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	<u>6,451,642</u>	<u>6,519,353</u>	<u>6,543,561</u>	<u>24,208</u>
Charges to Appropriations (Outflows):				
General government	496,847	496,847	471,495	25,352
Public safety	802,565	802,565	720,721	81,844
Health and sanitation	120,156	120,156	114,470	5,686
Public works	295,543	295,543	294,967	576
Social services	52,321	52,321	52,321	-
County tax	402,668	402,668	402,668	-
Education	2,869,247	3,184,730	3,016,107	168,623
Unclassified	150,676	179,274	70,897	108,377
Debt service:				
Principal	105,588	105,588	105,588	-
Interest	15,332	15,332	15,332	-
Transfers to other funds	142,100	142,100	142,100	-
Total Charges to Appropriation	<u>5,453,043</u>	<u>5,797,124</u>	<u>5,406,666</u>	<u>390,458</u>
Budgetary Fund Balance, June 30	<u>\$ 998,599</u>	<u>\$ 722,229</u>	<u>\$ 1,136,895</u>	<u>\$ 414,666</u>
Utilization of unassigned fund balance	\$ 115,000	\$ 115,000	\$ -	\$ 115,000
Utilization of restricted fund balance	-	247,772	-	247,772
Utilization of committed fund balance	-	28,598	-	28,598
	<u>\$ 115,000</u>	<u>\$ 391,370</u>	<u>\$ -</u>	<u>\$ 391,370</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.

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

SCHEDULE A

TOWN OF DAMARISCOTTA, MAINE

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

	Original Budget	Budget Adjustments	Final Budget	Expenditures	Balances Positive (Negative)
GENERAL GOVERNMENT					
Adm inistration	\$ 234,763	\$ -	\$ 234,763	\$ 234,763	\$ -
Insurance	92,537	-	92,537	83,490	9,047
Assessing	49,096	-	49,096	48,863	233
Planning / development	54,161	-	54,161	42,159	12,002
Municipal building	42,205	-	42,205	39,279	2,926
Retirement	10,085	-	10,085	8,941	1,144
Legal fees	14,000	-	14,000	14,000	-
Total	496,847	-	496,847	471,495	25,352
PUBLIC SAFETY					
Police department	528,742	-	528,742	477,561	51,181
Fire department	81,663	-	81,663	60,361	21,302
Hydrant rental	143,868	-	143,868	143,868	-
Street lights	16,821	-	16,821	15,475	1,346
Fire station building	20,007	-	20,007	15,278	4,729
Animal control	6,765	-	6,765	5,669	1,096
EMA	1,550	-	1,550	1,277	273
Traffic lights	3,149	-	3,149	1,232	1,917
Total	802,565	-	802,565	720,721	81,844
HEALTH AND SANITATION					
Solid waste management	120,156	-	120,156	114,470	5,686
Total	120,156	-	120,156	114,470	5,686

SCHEDULE A (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Original Budget	Budget Adjustments	Final Budget	Expenditures	Balances Positive (Negative)
PUBLIC WORKS					
Highway department	295,543	-	295,543	294,967	576
Total	295,543	-	295,543	294,967	576
SOCIAL SERVICES					
Provider agencies	52,321	-	52,321	52,321	-
Total	52,321	-	52,321	52,321	-
COUNTY TAX	402,668	-	402,668	402,668	-
EDUCATION					
Secondary education	1,025,782	315,483	1,341,265	1,172,642	168,623
Elementary education	1,836,321	-	1,836,321	1,836,321	-
Adult education	7,144	-	7,144	7,144	-
Total	2,869,247	315,483	3,184,730	3,016,107	168,623
DEBT SERVICE					
Principal	105,588	-	105,588	105,588	-
Interest	15,332	-	15,332	15,332	-
Total	120,920	-	120,920	120,920	-

SCHEDULE A (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Original Budget	Budget Adjustments	Final Budget	Expenditures	Balances Positive (Negative)
TRANSFERS TO OTHER FUNDS					
Fire truck reserve	25,000	-	25,000	25,000	-
Police dept vehicle reserve	6,000	-	6,000	6,000	-
Highway equipment reserve	1,500	-	1,500	1,500	-
Sidewalk reserve	4,000	-	4,000	4,000	-
Highway department reserve	2,300	-	2,300	2,300	-
Sand / salt shed reserve	3,000	-	3,000	3,000	-
Fire station building reserve	14,000	-	14,000	14,000	-
Paving & maintenance reserve	67,800	-	67,800	67,800	-
Municipal parking lot reserve	4,000	-	4,000	4,000	-
Municipal building study reserve	4,000	-	4,000	4,000	-
Cemetery	2,000	-	2,000	2,000	-
Landfill maintenance	1,000	-	1,000	1,000	-
Comprehensive plan reserve	2,500	-	2,500	2,500	-
Technology reserve	4,000	-	4,000	4,000	-
Town clock reserve	1,000	-	1,000	1,000	-
Total	142,100	-	142,100	142,100	-
UNCLASSIFIED					
Cemeteries	27,209	-	27,209	26,558	651
Contingency	10,000	-	10,000	9,918	82
Community services	3,200	-	3,200	3,015	185
Town clock maintenance	1,000	-	1,000	600	400
Accrued compensated absences	-	28,598	28,598	11,100	17,498
Unforseen circumstances	15,000	-	15,000	9,886	5,114
Overlay	94,267	-	94,267	9,820	84,447
Total	150,676	28,598	179,274	70,897	108,377
TOTAL EXPENDITURES	\$ 5,453,043	\$ 344,081	\$ 5,797,124	\$ 5,406,666	\$ 390,458

See accompanying independent auditors' report.

TOWN OF DAMARISCOTTA, 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	\$ 13,114	\$ -	\$ -	\$ 13,114
Investments	-	-	664,387	664,387
Due from other governments	38,700	-	1,250	39,950
Due from other funds	73,365	441,081	2,509	516,955
TOTAL ASSETS	<u>\$ 125,179</u>	<u>\$ 441,081</u>	<u>\$ 668,146</u>	<u>\$ 1,234,406</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	56,206	-	110,565	166,771
TOTAL LIABILITIES	<u>56,206</u>	<u>-</u>	<u>110,565</u>	<u>166,771</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	73,365	-	557,581	630,946
Committed	-	441,081	-	441,081
Assigned	11,343	-	-	11,343
Unassigned	(15,735)	-	-	(15,735)
TOTAL FUND BALANCES	<u>68,973</u>	<u>441,081</u>	<u>557,581</u>	<u>1,067,635</u>
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 125,179</u>	<u>\$ 441,081</u>	<u>\$ 668,146</u>	<u>\$ 1,234,406</u>

See accompanying independent auditors' report.

TOWN OF DAMARISCOTTA, 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				
Intergovernmental	\$ 240,878	\$ -	\$ -	\$ 240,878
Investment income	-	-	9,888	9,888
Other	4,838	476	73,030	78,344
TOTAL REVENUES	<u>245,716</u>	<u>476</u>	<u>82,918</u>	<u>329,110</u>
EXPENDITURES				
Education	27,138	-	-	27,138
Capital outlay	-	44,599	117,304	161,903
Unclassified	190,717	290	2,340	193,347
TOTAL EXPENDITURES	<u>217,855</u>	<u>44,889</u>	<u>119,644</u>	<u>382,388</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>27,861</u>	<u>(44,413)</u>	<u>(36,726)</u>	<u>(53,278)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	142,100	-	142,100
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>142,100</u>	<u>-</u>	<u>142,100</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	27,861	97,687	(36,726)	88,822
FUND BALANCE, JULY 1, RESTATED	<u>41,112</u>	<u>343,394</u>	<u>594,307</u>	<u>978,813</u>
FUND BALANCE, JUNE 30	<u>\$ 68,973</u>	<u>\$ 441,081</u>	<u>\$ 557,581</u>	<u>\$ 1,067,635</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.

SCHEDULE D

TOWN OF DAMARISCOTTA, MAINE

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

	Shellfish Account	Shore Harbor	Orton	MDOT Route 1B	PEG Access Grant
ASSETS					
Cash and cash equivalents	\$ 13,114	-	\$ -	-	\$ -
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	13,073	39,918
TOTAL ASSETS	<u>\$ 13,114</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 13,073</u>	<u>\$ 39,918</u>
LIABILITIES					
Due to other funds	\$ 1,771	4,500	\$ 44	-	\$ -
TOTAL LIABILITIES	<u>1,771</u>	<u>4,500</u>	<u>44</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	13,073	39,918
Committed	-	-	-	-	-
Assigned	11,343	-	-	-	-
Unassigned	-	(4,500)	(44)	-	-
TOTAL FUND BALANCES	<u>11,343</u>	<u>(4,500)</u>	<u>(44)</u>	<u>13,073</u>	<u>39,918</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,114</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 13,073</u>	<u>\$ 39,918</u>

SCHEDULE D (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Misc	Energy Efficiency	US DOJ	Row Disc Grant	School Grants	Totals
ASSETS						
Cash and cash equivalents	\$ -	\$ -	-	\$ -	-	\$ 13,114
Due from other governments	-	38,700	-	-	-	38,700
Due from other funds	-	-	20,374	-	-	73,365
TOTAL ASSETS	\$ -	\$ 38,700	\$ 20,374	\$ -	\$ -	\$ 125,179
LIABILITIES						
Due to other funds	\$ 527	\$ 49,265	-	\$ -	99	\$ 56,206
TOTAL LIABILITIES	527	49,265	-	-	99	56,206
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	20,374	-	-	73,365
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	11,343
Unassigned	(527)	(10,565)	-	-	(99)	(15,735)
TOTAL FUND BALANCES	(527)	(10,565)	20,374	-	(99)	68,973
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 38,700	\$ 20,374	\$ -	\$ -	\$ 125,179

See accompanying independent auditors' report.

SCHEDULE E

TOWN OF DAMARISCOTTA, MAINE

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

	Shellfish Account	Shore Harbor	Orton	MDOT Route 1B	PEG Access Grant
REVENUES					
Intergovernmental	\$ -	\$ 20,000	-	\$ 13,073	\$ 40,000
Other	4,172	-	-	-	-
TOTAL REVENUES	4,172	20,000	-	13,073	40,000
EXPENDITURES					
Capital outlay	-	-	-	-	-
Education	-	-	-	-	-
Unclassified	5,911	24,500	44	-	82
TOTAL EXPENDITURES	5,911	24,500	44	-	82
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,739)	(4,500)	(44)	13,073	39,918
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(1,739)	(4,500)	(44)	13,073	39,918
FUND BALANCES - JULY 1, RESTATED	13,082	-	-	-	-
FUND BALANCES - JUNE 30	\$ 11,343	\$ (4,500)	\$ (44)	\$ 13,073	\$ 39,918

SCHEDULE E (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Misc	Energy Efficiency	US DOJ	Row Disc Grant	School Grants	Totals
REVENUES						
Intergovernmental	\$ -	\$ 38,700	\$ 103,975	\$ 2,500	\$ 22,630	\$ 240,878
Other	666	-	-	-	-	4,838
TOTAL REVENUES	<u>666</u>	<u>38,700</u>	<u>103,975</u>	<u>2,500</u>	<u>22,630</u>	<u>245,716</u>
EXPENDITURES						
Capital outlay	-	-	-	-	-	-
Education	-	-	-	-	27,138	27,138
Unclassified	1,193	72,886	83,601	2,500	-	190,717
TOTAL EXPENDITURES	<u>1,193</u>	<u>72,886</u>	<u>83,601</u>	<u>2,500</u>	<u>27,138</u>	<u>217,855</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(527)</u>	<u>(34,186)</u>	<u>20,374</u>	<u>-</u>	<u>(4,508)</u>	<u>27,861</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(527)</u>	<u>(34,186)</u>	<u>20,374</u>	<u>-</u>	<u>(4,508)</u>	<u>27,861</u>
FUND BALANCES - JULY 1, RESTATED	-	23,621	-	-	4,409	41,112
FUND BALANCES - JUNE 30	<u>(527)</u>	<u>(10,565)</u>	<u>20,374</u>	<u>-</u>	<u>(99)</u>	<u>\$ 68,973</u>

See accompanying independent auditors' report.

Capital Projects Funds

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

TOWN OF DAMARISCOTTA, MAINE

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

	Fire Truck Fund	Highway Department Fund	Highway Equipment Fund	Police Vehicle Fund	Sidewalk Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	136,917	17,492	4,939	4,632	5,601
TOTAL ASSETS	<u>\$ 136,917</u>	<u>\$ 17,492</u>	<u>\$ 4,939</u>	<u>\$ 4,632</u>	<u>\$ 5,601</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	136,917	17,492	4,939	4,632	5,601
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>136,917</u>	<u>17,492</u>	<u>4,939</u>	<u>4,632</u>	<u>5,601</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 136,917</u>	<u>\$ 17,492</u>	<u>\$ 4,939</u>	<u>\$ 4,632</u>	<u>\$ 5,601</u>

SCHEDULE F (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Parking Lot Fund	Landfill Maintenance Fund	Municipal Building Study Fund	Cemetery Reserve	Clock Reserve Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	26,005	4,264	14,452	8,000	2,082
TOTAL ASSETS	<u>\$ 26,005</u>	<u>\$ 4,264</u>	<u>\$ 14,452</u>	<u>\$ 8,000</u>	<u>\$ 2,082</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	26,005	4,264	14,452	8,000	2,082
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>26,005</u>	<u>4,264</u>	<u>14,452</u>	<u>8,000</u>	<u>2,082</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,005</u>	<u>\$ 4,264</u>	<u>\$ 14,452</u>	<u>\$ 8,000</u>	<u>\$ 2,082</u>

SCHEDULE F (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Sand / Salt Shed Fund	Fire Department Building Fund	Paving Fund	Comprehensive Plan	Technology Reserve	Totals
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	17,563	34,658	149,668	7,500	7,308	441,081
TOTAL ASSETS	<u>\$ 17,563</u>	<u>\$ 34,658</u>	<u>\$ 149,668</u>	<u>\$ 7,500</u>	<u>\$ 7,308</u>	<u>\$ 441,081</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	17,563	34,658	149,668	7,500	7,308	441,081
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>17,563</u>	<u>34,658</u>	<u>149,668</u>	<u>7,500</u>	<u>7,308</u>	<u>441,081</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,563</u>	<u>\$ 34,658</u>	<u>\$ 149,668</u>	<u>\$ 7,500</u>	<u>\$ 7,308</u>	<u>\$ 441,081</u>

See accompanying independent auditors' report.

TOWN OF DAMARISCOTTA, MAINE

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

	Fire Truck Fund	Highway Department Fund	Highway Equipment Fund	Police Vehicle Fund	Sidewalk Fund
REVENUES					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Other	476	-	-	-	-
TOTAL REVENUES	476	-	-	-	-
EXPENSES					
Capital outlay	-	-	-	21,865	7,285
Other	-	-	-	-	-
TOTAL EXPENSES	-	-	-	21,865	7,285
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	476	-	-	(21,865)	(7,285)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	25,000	2,300	1,500	6,000	4,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	2,300	1,500	6,000	4,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	25,476	2,300	1,500	(15,865)	(3,285)
FUND BALANCES - JULY 1	111,441	15,192	3,439	20,497	8,886
FUND BALANCES - JUNE 30	\$ 136,917	\$ 17,492	\$ 4,939	\$ 4,632	\$ 5,601

SCHEDULE G (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Parking Lot Fund	Landfill Maintenance Fund	Municipal Building Study Fund	Cemetery Reserve	Clock Reserve Fund
REVENUES					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENSES					
Capital outlay	-	-	6,900	-	-
Other	-	290	-	-	-
TOTAL EXPENSES	-	290	6,900	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(290)	(6,900)	-	-
OTHER FINANCING SOURCES (USES)					
Operating transfers in	4,000	1,000	4,000	2,000	1,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,000	1,000	4,000	2,000	1,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	4,000	710	(2,900)	2,000	1,000
FUND BALANCES - JULY 1	22,005	3,554	17,352	6,000	1,082
FUND BALANCES - JUNE 30	\$ 26,005	\$ 4,264	\$ 14,452	\$ 8,000	\$ 2,082

SCHEDULE G (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Sand / Salt Shed Fund	Fire Department Building Fund	Paving Fund	Comprehensive Plan	Technology Reserve	Totals
REVENUES						
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	476
TOTAL REVENUES	-	-	-	-	-	476
EXPENSES						
Capital outlay	-	-	-	-	8,549	44,599
Other	-	-	-	-	-	290
TOTAL EXPENSES	-	-	-	-	8,549	44,889
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	(8,549)	(44,413)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	3,000	14,000	67,800	2,500	4,000	142,100
Operating transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	3,000	14,000	67,800	2,500	4,000	142,100
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	3,000	14,000	67,800	2,500	(4,549)	97,687
FUND BALANCES - JULY 1	14,563	20,658	81,868	5,000	11,857	343,394
FUND BALANCES - JUNE 30	\$ 17,563	\$ 34,658	\$ 149,668	\$ 7,500	\$ 7,308	\$ 441,081

See accompanying independent auditors' report.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Damariscotta, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of the Town's worthy poor, sidewalks and cemeteries.

SCHEDULE H

TOWN OF DAMARISCOTTA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2012

	Philbrook Fund	Cemetery Fund	Nash Fund	Hatch Fund	Walpole Cemetery Fund	Clifford Chapman Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	291,215	128,953	38,909	6,948	6,763	6,260
Due from other governments	-	-	-	-	-	-
Due from other funds	1,925	-	-	-	-	-
TOTAL ASSETS	<u>\$ 293,140</u>	<u>\$ 128,953</u>	<u>\$ 38,909</u>	<u>\$ 6,948</u>	<u>\$ 6,763</u>	<u>\$ 6,260</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	12,896	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>12,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	293,140	116,057	38,909	6,948	6,763	6,260
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>293,140</u>	<u>116,057</u>	<u>38,909</u>	<u>6,948</u>	<u>6,763</u>	<u>6,260</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 293,140</u>	<u>\$ 128,953</u>	<u>\$ 38,909</u>	<u>\$ 6,948</u>	<u>\$ 6,763</u>	<u>\$ 6,260</u>

SCHEDULE H (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2012

	Huston Fund	Library	General Assist	Sidewalk Request	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	1,243	-	-	184,096	664,387
Due from other governments	-	-	1,250	-	1,250
Due from other funds	-	584	-	-	2,509
TOTAL ASSETS	\$ 1,243	\$ 584	\$ 1,250	\$ 184,096	\$ 668,146
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	1,250	96,419	110,565
TOTAL LIABILITIES	-	-	1,250	96,419	110,565
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	1,243	584	-	87,677	557,581
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	1,243	584	-	87,677	557,581
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,243	\$ 584	\$ 1,250	\$ 184,096	\$ 668,146

See accompanying independent auditors' report.

SCHEDULE I

TOWN OF DAMARISCOTTA, MAINE

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

	Philbrook Fund	Cemetery Fund	Nash Fund	Hatch Fund	Walpole Cemetery Fund	Clifford Chapman Fund
REVENUES						
Investment income (net of unrealized gain/(losses))	\$ 4,119	\$ 1,824	\$ 551	\$ 99	\$ 96	\$ 89
Other	-	2,000	-	-	-	-
TOTAL REVENUES	<u>4,119</u>	<u>3,824</u>	<u>551</u>	<u>99</u>	<u>96</u>	<u>89</u>
EXPENSES						
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,119</u>	<u>3,824</u>	<u>551</u>	<u>99</u>	<u>96</u>	<u>89</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>4,119</u>	<u>3,824</u>	<u>551</u>	<u>99</u>	<u>96</u>	<u>89</u>
FUND BALANCES - JULY 1	<u>289,021</u>	<u>112,233</u>	<u>38,358</u>	<u>6,849</u>	<u>6,667</u>	<u>6,171</u>
FUND BALANCES - JUNE 30	<u>\$ 293,140</u>	<u>\$ 116,057</u>	<u>\$ 38,909</u>	<u>\$ 6,948</u>	<u>\$ 6,763</u>	<u>\$ 6,260</u>

SCHEDULE I (CONTINUED)

TOWN OF DAMARISCOTTA, MAINE

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

	Huston Fund	Library	General Assist	Sidewalk Request	Totals
REVENUES					
Investment income (net of unrealized gain/(losses))	\$ 17	\$ -	\$ -	\$ 3,093	\$ 9,888
Other	-	-	2,340	68,690	73,030
TOTAL REVENUES	17	-	2,340	71,783	82,918
EXPENSES					
Capital outlay	-	-	-	117,304	117,304
Other	-	-	2,340	-	2,340
TOTAL EXPENSES	-	-	2,340	117,304	119,644
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	17	-	-	(45,521)	(36,726)
OTHER FINANCING SOURCES (USES)					
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	17	-	-	(45,521)	(36,726)
FUND BALANCES - JULY 1	1,226	584	-	133,198	594,307
FUND BALANCES - JUNE 30	\$ 1,243	\$ 584	\$ -	\$ 87,677	\$ 557,581

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 DAMARISCOTTA, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2012

	Land, Non- Depreciable Infrastructure and Construction in Progress	Buildings, Land Improvements, Building Improvements	Machinery, Equipment, Furniture/Fixtures Vehicles	Infrastructure	Totals
Administration	\$ 100	\$ 514,278	\$ 23,275	\$ -	\$ 537,653
Public safety	93,705	524,626	2,031,429	-	2,649,760
Recreation	2,000	305,070	-	-	307,070
Public works	-	150,013	96,671	1,455,697	1,702,381
Education	40,611	465,035	-	-	505,646
Town-wide	159,663	-	17,860	-	177,523
Total General Capital Assets	296,079	1,959,022	2,169,235	1,455,697	5,880,033
Less: Accumulated Depreciation	-	(758,535)	(1,476,855)	(762,348)	(2,997,738)
Net General Capital Assets	\$ 296,079	\$ 1,200,487	\$ 692,380	\$ 693,349	\$ 2,882,295

See accompanying independent auditors' report.

SCHEDULE K

TOWN OF DAMARISCOTTA, MAINE

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

	General Capital Assets 7/1/11	Additions	Disposals	General Capital Assets 6/30/12
Administration	\$ 537,653	\$ -	\$ -	\$ 537,653
Public safety	2,669,953	25,356	(45,549)	2,649,760
Recreation	307,070	-	-	307,070
Public works	1,702,381	-	-	1,702,381
Education	505,646	-	-	505,646
Town wide	177,523	-	-	177,523
Total General Capital Assets	5,900,226	25,356	(45,549)	5,880,033
Less: Accumulated Depreciation	(2,778,698)	(257,753)	38,713	(2,997,738)
Net General Capital Assets	\$ 3,121,528	\$ (232,397)	\$ (6,836)	\$ 2,882,295

See accompanying independent auditors' report.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

September 28, 2012

Board of Selectmen
Town of Damariscotta
Damariscotta, Maine

We have audited the financial statements of Town of Damariscotta for the year ended June 30, 2012 and have issued our report thereon dated September 28, 2012. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Department for accuracy. In addition we have reviewed quarterly EF-U-415 reports for the year ended June 30, 2012 and the Town's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Town of Damariscotta complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Damariscotta was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Town and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the MEDMS financial system maintained at the Department.

This report is intended solely for the information of the Board of Selectmen, School Board, management and the Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

RHR Smith & Company

Certified Public Accountants

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
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DAMARISCOTTA SCHOOL DEPARTMENT

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (3000)	Totals
June 30 balance per MEDMS financial system	\$ 168,511	\$ 4,409	\$ -	\$ 172,920
Revenue Adjustments		22,447		22,447
Expenditure Adjustments	112	(26,955)		(26,843)
Other adjustments:				
Beginning balances not reported on MEDMS				
Operating income (loss) variance				
Audited GAAP Basis Fund balance June 30	\$ 168,623	\$ (99)	\$ -	\$ 168,524