

Audited Financial Statements and  
Other Financial Information

Town of Poland, Maine

June 30, 2012



*Proven Expertise and Integrity*

TOWN OF POLAND, MAINE

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JUNE 30, 2012

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## INDEPENDENT AUDITORS' REPORT

September 7, 2012

Board of Selectmen  
Town of Poland  
Poland, 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 Poland, 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 Poland'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 Poland, 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 39 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

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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 Poland, 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.

*R.H.R. 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 Poland, 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 Poland'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 a separate column for the type of town's activity. The type of activity presented for the Town of Poland is:

- *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, education, buildings, health and sanitation and recreation and culture.

### **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 Poland, 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 Poland can be categorized as 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 Poland 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 Governmental Funds" column on these statements.



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

### **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 Balance 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 and business-type activities. The Town's total net assets for governmental activities decreased by \$2,248,993 from \$7,987,651 to \$5,738,658.

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 - decreased for governmental activities to a deficit balance of \$233,043 at the end of this year.

**Table 1**  
**Town of Poland, Maine**  
**Net Assets**  
**June 30,**  
**(Restated)**

	2012	2011
<b>Assets:</b>		
Current and Other Assets	\$ 7,215,322	\$ 10,642,773
Capital Assets	15,549,807	16,318,974
Total Assets	\$ 22,765,129	\$ 26,961,747
<b>Liabilities:</b>		
Current Liabilities	\$ 2,236,243	\$ 2,372,298
Long-term Debt Outstanding	14,790,228	16,601,798
Total Liabilities	\$ 17,026,471	\$ 18,974,096
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	\$ 3,327,373	\$ 2,386,597
Restricted for: Special revenue funds	917,583	281,378
Permanent funds	1,716,745	1,738,239
Unrestricted (deficit)	(223,043)	3,581,437
Total Net Assets	\$ 5,738,658	\$ 7,987,651

**Table 2**  
**Town of Poland, Maine**  
**Change in Net Assets**  
**For the Years Ended June 30,**  
**(Restated)**

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
<i>Program revenues:</i>		
Charges for services	\$ 442,246	\$ 279,619
Operating grants and contributions	371,780	333,629
<i>General revenues:</i>		
Taxes	10,605,072	10,540,648
Grants and contributions not restricted to specific programs	641,775	1,518,104
Investment income	95,116	370,632
Miscellaneous	220,064	379,818
Total Revenues	<u>12,376,053</u>	<u>13,422,450</u>
<b>Expenses</b>		
General government	996,259	1,080,631
Public safety	1,011,740	994,436
Public works	611,351	601,249
Recreation and culture	447,426	463,459
Health and sanitation	196,513	175,883
TIF	682,382	536,494
Education	5,865,028	5,780,286
County tax	644,577	662,086
Overlay	37,113	12,937
Capital outlay	3,733,409	1,312,362
Unallocated depreciation	20,191	9,390
Interest	379,057	394,441
Total Expenses	<u>14,625,046</u>	<u>12,023,654</u>
Change in Net Assets	(2,248,993)	1,398,796
Net Assets - July 1	<u>7,987,651</u>	<u>6,588,855</u>
Net Assets - June 30	<u>\$ 5,738,658</u>	<u>\$ 7,987,651</u>

## Revenues and Expenses

Revenues decreased 7.8% from the prior year, a decline of \$1,046,397, primarily due to reductions in grants and contributions not restricted to specific programs and investment income partially offset by an increase in charges for services and taxes. Expenses increased 21.6% or \$2,601,392 over the prior year, primarily due to capital outlay and TIF expenditures associated with the Sewer / Water District project. Most other expenses were consistent with the previous year.

### 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 Poland, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

	2012	2011
Major Funds:		
General Fund:		
Nonspendable	\$ 33,586	\$ 21,165
Committed	59,647	189,522
Assigned	372,627	406,712
Unassigned	2,463,386	2,364,594
Total Major Funds	\$ 2,929,246	\$ 2,981,993
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 917,583	\$ 4,779,578
Assigned	65,392	53,124
Capital Project Funds:		
Assigned	840,021	465,963
Permanent Funds:		
Restricted	1,716,745	1,738,239
Total Nonmajor Funds	\$ 3,539,741	\$ 7,036,904

The general fund total fund balance incurred a small decrease of \$52,747 when compared to the prior fiscal year. The non-major fund balances declined \$3,497,163 from the prior fiscal year. Most of the decrease in the general fund came as a result of lower than anticipated revenues and utilization of assigned fund balance. The decrease in the non-major fund balances came as a result of capital outlay from the Sewer and Water projects.

### Budgetary Highlights

There was one significant difference between the original and final budget for the general fund in education expense, an increase of \$332,415, representing the carry-forward of fund balance from the previous year.

General fund actual revenues fell short of budget by \$314,781. Nearly all revenue categories were below budget, primarily general tax revenue, which was partially offset by greater than budgeted intergovernmental revenues.

The general fund actual expenditures were under budget by \$724,092. The following expenditures accounted for most of the balance:

Education	\$299,094
TIF	\$271,328

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2012, the net book value of capital assets recorded by the Town increased by \$238,477 over the prior year. This increase is the result of capital additions of \$603,312 less current year depreciation expense of \$364,835. For additional information on capital assets, refer to Note 4 of Notes to Financial Statements.

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

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 372,628	\$ 372,628
Buildings and improvements	2,288,525	2,361,070
Machinery and equipment	271,860	288,199
Furniture and fixtures	6,600	-
Vehicles	1,517,349	1,576,483
Infrastructure	<u>3,739,054</u>	<u>3,359,159</u>
Total	<u>\$ 8,196,016</u>	<u>\$ 7,957,539</u>

## **Debt**

At June 30, 2012, the Town had \$16.5 million in bonds outstanding versus \$18.4 million last year, a net decrease of \$1,903,405, as shown in Note 5 of Notes to Financial Statements.

## **Economic Factors and Next Year's Budgets and Rates**

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

## **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Dept. at, 1231 Main Street, Poland, Maine 04274.

TOWN OF POLAND, MAINE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,299,667
Investments	1,205,479
Accounts receivable (net of allowance for uncollectibles):	
Taxes	541,109
Other	135,481
Prepaid expenses	2,400
Inventory	31,186
Total current assets	7,215,322
Noncurrent assets:	
Receivable for long-term debt obligations from RSU No. 16	7,353,791
Capital assets:	
Land, infrastructure, and other assets not being depreciated	372,628
Buildings and vehicles net of accumulated depreciation	7,823,388
Total noncurrent assets	15,549,807
<b>TOTAL ASSETS</b>	\$ 22,765,129
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 307,716
Accrued Expenses	28,092
Due to other governments	30,077
Prepaid taxes	235
Escrow accounts	59,647
Current portion of long-term obligations	1,810,476
Total current liabilities	2,236,243
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	14,716,696
Accrued compensated absences	73,532
Total noncurrent liabilities	14,790,228
<b>TOTAL LIABILITIES</b>	17,026,471
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,327,373
Restricted for: Special Revenues	917,583
Permanent funds	1,716,745
Unrestricted (deficit)	(223,043)
<b>TOTAL NET ASSETS</b>	5,738,658
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 22,765,129

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

## TOWN OF POLAND, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues & Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
General government	\$ 996,259	\$ 40,224	\$ -	\$ -	\$ (956,035)
Public safety	1,011,740	214,502	-	-	(797,238)
Public works	611,351	-	77,988	-	(533,363)
Recreation and culture	447,426	148,270	-	-	(299,156)
Health and sanitation	196,513	39,250	-	-	(157,263)
TIF	682,382	-	293,792	-	(388,590)
Education	5,865,028	-	-	-	(5,865,028)
County tax	644,577	-	-	-	(644,577)
Overlay	37,113	-	-	-	(37,113)
Capital outlay	3,733,409	-	-	-	(3,733,409)
Unallocated depreciation (Note 4)	20,191	-	-	-	(20,191)
Interest on long-term debt	379,057	-	-	-	(379,057)
Total government	<u>\$ 14,625,046</u>	<u>\$ 442,246</u>	<u>\$ 371,780</u>	<u>\$ -</u>	<u>(13,811,020)</u>



STATEMENT B (CONTINUED)  
TOWN OF POLAND, MAINE

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

	Governmental Activities
Changes in net assets:	
Net (expense) revenue	(13,811,020)
General revenues:	
Taxes	
Property taxes, levied for general purposes	9,706,333
Excise taxes	898,739
Grants and contributions not restricted to specific programs	641,775
Investment income, net of unrealized gains/(losses)	95,116
Miscellaneous	220,064
Total revenues	11,562,027
Change in net assets	(2,248,993)
NET ASSETS - JULY 1, 2011, RESTATED	7,987,651
NET ASSETS - JUNE 30, 2012	\$ 5,738,658

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

## TOWN OF POLAND, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,345,017	\$ 1,954,650	\$ 5,299,667
Investments	-	1,205,479	1,205,479
Receivables (net of allowance for uncollectibles):			
Taxes/liens	541,109	-	541,109
Other	135,481	-	135,481
Inventory	31,186	-	31,186
Prepaid expenses	2,400	-	2,400
Due from other funds	221,944	859,304	1,081,248
<b>TOTAL ASSETS</b>	<b><u>\$ 4,277,137</u></b>	<b><u>\$ 4,019,433</u></b>	<b><u>\$ 8,296,570</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 49,968	\$ 257,748	\$ 307,716
Accrued expenses	28,092	-	28,092
Due to other governments	30,077	-	30,077
Due to other funds	859,304	221,944	1,081,248
Prepaid taxes	235	-	235
Escrow accounts	59,647	-	59,647
Deferred tax revenues	320,568	-	320,568
<b>TOTAL LIABILITIES</b>	<b><u>1,347,891</u></b>	<b><u>479,692</u></b>	<b><u>1,827,583</u></b>
<b>FUND BALANCES:</b>			
Nonspendable	33,586	-	33,586
Restricted	-	2,634,328	2,634,328
Committed	59,647	-	59,647
Assigned	372,627	905,413	1,278,040
Unassigned	2,463,386	-	2,463,386
<b>TOTAL FUND BALANCES</b>	<b><u>2,929,246</u></b>	<b><u>3,539,741</u></b>	<b><u>6,468,987</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,277,137</u></b>	<b><u>\$ 4,019,433</u></b>	<b><u>\$ 8,296,570</u></b>

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

## TOWN OF POLAND, MAINE

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

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 6,468,987
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	8,196,016
Long-term assets are not available in the current period and therefore are not reported as assets in the funds: Receivable for long-term debt obligations from RSU No. 16	7,353,791
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	320,568
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Bonds payable Accrued compensated absences	(16,527,172) <u>(73,532)</u>
Net assets of governmental activities	<u>\$ 5,738,658</u>

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

## TOWN OF POLAND, 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			
General tax revenue	\$ 10,439,159	\$ -	\$ 10,439,159
Intergovernmental revenue	916,590	96,965	1,013,555
Charges for services	293,976	148,270	442,246
Investment income, net of unrealized gains/(losses)	10,890	84,226	95,116
Other revenue	126,521	93,543	220,064
TOTAL REVENUES	<u>11,787,136</u>	<u>423,004</u>	<u>12,210,140</u>
EXPENDITURES			
Current:			
General government	997,025	-	997,025
Public safety	880,595	-	880,595
Public works	467,244	-	467,244
Recreation and culture	166,199	279,860	446,059
Health and sanitation	186,121	-	186,121
TIF	96,965	1,423,545	1,520,510
Education	5,860,830	4,198	5,865,028
County tax	644,577	-	644,577
Overlay	37,113	-	37,113
Debt service:			
Interest	379,057	-	379,057
Capital outlay	-	4,336,721	4,336,721
TOTAL EXPENDITURES	<u>9,715,726</u>	<u>6,044,324</u>	<u>15,760,050</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>2,071,410</u>	<u>(5,621,320)</u>	<u>(3,549,910)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	2,124,157	2,124,157
Operating transfers (out)	<u>(2,124,157)</u>	<u>-</u>	<u>(2,124,157)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,124,157)</u>	<u>2,124,157</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(52,747)	(3,497,163)	(3,549,910)
FUND BALANCES - JULY 1, RESTATED	<u>2,981,993</u>	<u>7,036,904</u>	<u>10,018,897</u>
FUND BALANCES - JUNE 30	<u>\$ 2,929,246</u>	<u>\$ 3,539,741</u>	<u>\$ 6,468,987</u>

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

## TOWN OF POLAND, 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>\$ (3,549,910)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	603,312
Capital asset dispositions	-
Depreciation expense	<u>(364,835)</u>
	<u>238,477</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>165,913</u>
Proceeds of long - term debt shown on governmental funds as revenue shown as liabilities on the Statement of Net Assets	
	<u>-</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>895,761</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>766</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ (2,248,993)</u></u>

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

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

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

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. All 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 POLAND, 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, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

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 POLAND, 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.

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

**Basis of Accounting**

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

1. Accrual

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

2. Modified Accrual

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



TOWN OF POLAND, 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 Poland 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 POLAND, 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. The general fund inventory consists of gas and diesel fuel. The inventory is valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

**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 \$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 is 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.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

The Town has long-term debt in its name that was incurred for school purposes. Although the assets were transferred to the new RSU, the Town still maintains this debt in its name. According to the new RSU agreement, the RSU will take over the payments of this debt. Hence, an offsetting receivable has been recorded in the amount of debt outstanding.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences**

The Town's policies regarding vacation and sick time do not 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 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.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 September 14, 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 two installments on October 1, 2011 and April 1, 2012. Interest on unpaid taxes commenced on November 1, 2011 and May 1, 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.

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 \$132,942 for the year ended June 30, 2012.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Town maintains a cash pool which is available for use by all funds. In addition cash and investments may be held by other funds within the government.

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.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

**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 balance of \$5,299,667 was comprised of deposits amounting to \$5,240,597. All of this amount was insured by federal depository insurance, fully insured or collateralized with securities held in the entity's name and thus not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 122,000
Savings accounts	397,764
Repurchase agreement accounts	4,306,049
Money market accounts	414,784
	<u>\$ 5,240,597</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 had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>&lt; 1 Year</u>	<u>1 - 5 Years</u>	<u>Over 5 Years</u>	<u>N/A</u>
Mutual funds - fixed income	\$ 28,795	\$ -	\$ -	\$ -	\$ 28,795
Certificates of deposit	268,334	93,324	175,010	-	-
Equities - U. S.	943,108	-	-	-	943,108
Equities - International	31,944	-	-	-	31,944
	<u>\$ 1,272,181</u>	<u>\$ 93,324</u>	<u>\$ 175,010</u>	<u>\$ -</u>	<u>\$ 1,003,847</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

In accordance with state statutes, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the Town's investments of \$1,272,181 were insured by federal depository insurance or fully covered by the Securities Investor Protection Corporation (SIPC) and consequently were 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.

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	\$ 221,944	\$ 859,304
Special revenue fund	3,582	221,944
Capital project fund	840,021	-
Permanent fund	15,701	-
	<u>\$ 1,081,248</u>	<u>\$ 1,081,248</u>



TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2012:

	Balance, 7/1/11	Additions	Disposals	Balance, 6/30/12
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 372,628	\$ -	\$ -	\$ 372,628
	<u>372,628</u>	<u>-</u>	<u>-</u>	<u>372,628</u>
Depreciated assets:				
Buildings and improvements	3,164,677	9,248	-	3,173,925
Machinery and equipment	541,926	17,844	-	559,770
Furniture and fixtures	-	6,600	-	6,600
Vehicles	2,374,487	102,770	-	2,477,257
Infrastructure	3,497,245	466,850	-	3,964,095
	<u>9,578,335</u>	<u>603,312</u>	<u>-</u>	<u>10,181,647</u>
Less: accumulated depreciation	<u>(1,993,424)</u>	<u>(364,835)</u>	<u>-</u>	<u>(2,358,259)</u>
	<u>7,584,911</u>	<u>238,477</u>	<u>-</u>	<u>7,823,388</u>
Net capital assets	<u>\$ 7,957,539</u>	<u>\$ 238,477</u>	<u>\$ -</u>	<u>\$ 8,196,016</u>

Current year depreciation:

Fire	\$ 118,028
Public Safety	13,117
Public Works	144,107
Library	1,367
Transfer Station	10,392
TIF	57,633
Town-wide	20,191
Total depreciation expense	<u>\$ 364,835</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 - LONG-TERM DEBT

The General Fund of the Town is used to pay for all long-term debt. A summary of long-term debt is as follows:

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12	Due Within One Year
Governmental Activities					
Bonds payable	\$ 18,430,577	\$ -	\$ (1,903,405)	\$ 16,527,172	\$ 1,810,476
Accrued compensated absences	74,298	-	(766)	73,532	-
Total Governmental Activities	<u>\$ 18,504,875</u>	<u>\$ -</u>	<u>\$ (1,904,171)</u>	<u>\$ 16,600,704</u>	<u>\$ 1,810,476</u>

The following is a summary of bonds outstanding as of June 30, 2012:

Bonds Payable:

\$310,000, 1994 General Obligation Bond due in annual installments and semiannual interest installments through November 2013. Interest is charged at a rate from 4.70% to 5.30% per annum.	\$ 31,000
\$3,249,483, 1994 General Obligation Bond due in annual installments and semiannual interest installments through November 2014. Interest is charged at a rate from 4.013% to 6.313% per annum.	487,422
\$1,600,000, 2006C General Obligation Bond due in annual installments and semiannual interest installments through November 2021. Interest is charged at a rate from 1.8% to 6.25% per annum.	1,066,670
\$2,600,000, 2003 General Obligation Bond due in annual installments and semiannual interest installments through November 2022. Interest is charged at a rate of 1.80% per annum.	1,568,051
\$17,263,578, 1998 General Obligation Bond due in annual installments and semiannual interest installments through November 2018. Interest is charged at a rate from 4.528% to 5.378% per annum.	6,041,924
\$736,422, 2000 General Obligation Bond due in annual installments and semiannual interest installments through November 2020. Interest is charged at a rate from 5.028% to 5.903% per annum.	331,391
\$669,259, 2003 General Obligation Bond due in annual installments and semiannual interest installments through November 2020. Interest is charged at a rate from 2.078% to 5.078% per annum.	120,991

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 - LONG-TERM DEBT (CONTINUED)

\$894,741, 2003 General Obligation Bond due in annual installments and semiannual interest installments through November 2022. Interest is charged at a rate from 2.078% to 5.078% per annum.	784,485
\$2,090,000, 2003 General Obligation Bond due in annual installments and semiannual interest installments through November 2023. Interest is charged at a rate from 2.085% to 5.085% per annum.	1,254,000
\$250,000, 2004 General Obligation Bond due in annual installments and semiannual interest installments through November 2014. Interest is charged at a rate from 3.019% to 3.644% per annum.	75,000
\$923,000, 2006B General Obligation Bond due in annual installments and semiannual interest installments through November 2016. Interest is charged at a rate from 2.00% to 5.35% per annum.	461,500
\$4,498,200, 2011 General Obligation Water and Sewer Bond due in annual installments and semiannual interest installments through November 2030. Interest is charged at a rate from .831% to 5.094% per annum.	4,304,738
Total Bonds Payable	<u><u>\$ 16,527,172</u></u>

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	\$ 1,810,476	\$ 560,849	\$ 2,371,325
2014	1,814,918	479,149	2,294,067
2015	1,804,005	401,832	2,205,837
2016	1,621,508	341,388	1,962,896
2017	1,626,955	244,988	1,871,943
2018-2022	5,149,009	653,689	5,802,698
2023-2027	1,634,668	239,324	1,873,992
2028-2032	1,065,633	61,933	1,127,566
	<u><u>\$ 16,527,172</u></u>	<u><u>\$ 2,983,152</u></u>	<u><u>\$ 19,510,324</u></u>

All bonds payable and capital leases 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.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 6 – OVERLAPPING DEBT

The Town is liable for its proportional share of any defaulted debt issued by entities in which it is a member. The overlapping bonded debt applicable to the Town as of June 30, 2012 is as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of Androscoggin	\$ -	0.00%	<u>\$ -</u>
			<u><u>\$ -</u></u>

NOTE 7 - NONSPENDABLE FUND BALANCES

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

General fund:	
Inventory	\$ 31,186
Prepaid expenses	2,400
	<u>\$ 33,586</u>

NOTE 8 - RESTRICTED FUND BALANCES

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

Special revenue funds (Schedule D)	\$ 917,583
Permanent funds (Schedule H)	1,716,745
	<u>\$ 2,634,328</u>

NOTE 9 – COMMITTED FUND BALANCES

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

General fund:	
Escrows	\$ 59,647
	<u>\$ 59,647</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 10 – ASSIGNED FUND BALANCES

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

General fund:	
Accrued compensated absences	\$ 73,532
Education	299,095
	<hr/>
	372,627
Capital project funds (Schedule F)	840,021
Special revenue funds (Schedule D)	65,392
Total	<hr/> <hr/>
	\$ 1,278,040

NOTE 11 – RISK MANAGEMENT

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker’s compensation coverage. The Town’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial company’s reinsurance contracts, individual stop loss coverage for member Town’s for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The Town is also a member of the Maine Municipal Association – Property and Casualty Pool (“Pool”). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

On July 1 2010, Town employees were eligible to contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits and death benefits to plan

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

members and beneficiaries. Fire department employees are eligible for normal retirement after completing twenty years of service. All other employees are eligible for normal retirement upon reaching the age of sixty, and early retirement after completing twenty-five or more years of credited service. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333 or by calling (800) 451-9800.

**B. Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended by the PLD's Consolidated Board of Trustees. The Town's public safety employees are part of the PLD's special plan "1N" and are required to contribute 6.5% of their annual salary, while all other employees are part of the PLD's plan "AN" and are also required to contribute 6.5% of their annual salary. The Town is required to contribute a combined 3.7% of the plan members' covered payroll annually to the system. The Town's required contributions to the PLDs Consolidated Plan for the years ended June 30, 2012 and 2011 were \$41,440 and \$40,165, respectively.

**Unfunded Actuarial Accrued Liability**

The Town has no actuarial accrued liability.

NOTE 13 – DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGERS ASSOCIATION RETIREMENT CORPORATION

**A. Plan Description**

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all full time Town employees not subject to a collective bargaining agreement (should one arise), permits them to defer a portion of their salary, in addition to Town contributions, until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 13 – DEFERRED COMPENSATION PLAN (CONTINUED)

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town's Board of Selectmen. The Town will contribute a maximum of 4% of annualized income on behalf of employees that participate in the Town's deferred compensation plan. A minimum employee contribution of 4.00% is required to receive the maximum employer match. The maximum employee contribution to the ICMA-RC plan is 10.00%. Employee overtime is exempt from employer matching funds. The Town's contributions to the plan for 2012, 2011, and 2010 were \$3,845, \$3,040, and \$32,672, respectively.

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.

NOTE 14 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town of Poland's landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 15 - OVERSPENT APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

	<u>Excess</u>
Recreation and culture	\$ 24,142
Transfers to other funds	35,432
	<u>\$ 59,574</u>

TOWN OF POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 16 – INTERLOCAL AGREEMENT

As of June 15, 2004 the Town entered into an agreement with the Town of Mechanic Falls and Minot for ownership and operations of a new building to house office space for School Union No. 29 functions. Ownership of the land will remain with the Town. Ownership of spaces within the building designated to be shared by the bus dispatch function of the Town and the School Union 29 offices will be shared 50% to the Town and 50% to the three School Administrative Units of School Union 29 according to the cost-sharing formula in place for the 2004-2005 school year. The agreement provides for the sharing of operation cost, compensation upon withdrawal, potential changes in School Union 29 structure and dissolution of School Union 29.

NOTE 17 – COMMITMENTS

On August 30, 2011, the Town of Poland and Nestle Waters North America, Inc. entered into agreements with the Auburn Sewer District and the Auburn Water District for the construction of certain infrastructure. The nature of the agreements allows the construction of sewer and water mains within the Town at the Town's cost. The infrastructure will not be owned by the Town, but will be owned by the respective Districts. As of June 30, 2011, the Town was obligated for \$4,498,200 worth of general obligation bonds for this project. The project was completed in December 2011. The debt service on these bonds will ultimately be paid from the Tax Increment Financing District with the Nestle Waters North America, Inc.

NOTE 18 – 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 POLAND, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 19 – DEFICIT NET ASSETS BALANCES

At June 30, 2012, the Town had the following net assets showing a deficit balance:

Unrestricted	\$ (233,043)
	<u>\$ (233,043)</u>

NOTE 20 – RESTATEMENT

As of July 1, 2011, a restatement was made to the net assets and fund balance in the amount of \$189,199. This amount represents an adjustment to investment income that should have been posted in prior years.

## 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 POLAND, MAINE

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

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,981,993	\$ 2,981,993	\$ 2,981,993	\$ -
Resources (Inflows):				
General tax revenue	10,653,732	10,653,732	10,439,159	(214,573)
Intergovernmental revenue	893,887	909,789	916,590	6,801
Charges for services	348,900	348,900	293,976	(54,924)
Investment income	32,000	32,000	10,890	(21,110)
Other revenue	152,900	157,496	126,521	(30,975)
Amounts Available for Appropriation	<u>15,063,412</u>	<u>15,083,910</u>	<u>14,769,129</u>	<u>(314,781)</u>
Charges to Appropriations (Outflows):				
General government	1,028,217	1,028,217	997,025	31,192
Public safety	885,985	890,581	880,595	9,986
Public works	524,868	524,868	467,244	57,624
Recreation and culture	126,155	142,057	166,199	(24,142)
Health and sanitation	204,733	204,733	186,121	18,612
TIF	368,293	368,293	96,965	271,328
Education	5,827,509	6,159,924	5,860,830	299,094
County tax	644,577	644,577	644,577	-
Overlay	132,942	132,942	37,113	95,829
Debt service:				
Interest	379,058	379,058	379,057	1
Transfers to other funds	<u>2,088,725</u>	<u>2,088,725</u>	<u>2,124,157</u>	<u>(35,432)</u>
Total Charges to Appropriations	<u>12,211,062</u>	<u>12,563,975</u>	<u>11,839,883</u>	<u>724,092</u>
Budgetary Fund Balance, June 30	<u>\$ 2,852,350</u>	<u>\$ 2,519,935</u>	<u>\$ 2,929,246</u>	<u>\$ 409,311</u>
Utilization of unassigned fund balance	\$ -	\$ -	\$ -	\$ -
Utilization of assigned fund balance	<u>129,643</u>	<u>462,058</u>	<u>-</u>	<u>(462,058)</u>
	<u>\$ 129,643</u>	<u>\$ 462,058</u>	<u>\$ -</u>	<u>\$ (462,058)</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
- Schedule of Revenues Budget and Actual – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF POLAND, MAINE

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

	Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>General government</b>					
Administration	\$ 422,237	\$ -	\$ 422,237	\$ 413,712	\$ 8,525
Benefits	488,340	-	488,340	452,192	36,148
Contracted services	83,450	-	83,450	98,290	(14,840)
Buildings and grounds	29,390	-	29,390	28,859	531
Cable TV	4,800	-	4,800	3,972	828
	<u>1,028,217</u>	<u>-</u>	<u>1,028,217</u>	<u>997,025</u>	<u>31,192</u>
<b>Public safety</b>					
Fire rescue	507,225	3,100	510,325	505,355	4,970
Police	212,520	-	212,520	213,627	(1,107)
Code enforcement	71,445	1,496	72,941	69,279	3,662
Insurance	37,500	-	37,500	34,879	2,621
Dispatch contract	20,600	-	20,600	17,377	3,223
Street lights	14,000	-	14,000	12,870	1,130
Emergency management	5,720	-	5,720	5,603	117
Animal control	5,300	-	5,300	9,930	(4,630)
Hydrants	11,675	-	11,675	11,675	-
	<u>885,985</u>	<u>4,596</u>	<u>890,581</u>	<u>880,595</u>	<u>9,986</u>
<b>Public works:</b>					
Highways	524,868	-	524,868	467,244	57,624
	<u>524,868</u>	<u>-</u>	<u>524,868</u>	<u>467,244</u>	<u>57,624</u>
<b>Health and sanitation:</b>					
Solid waste	204,733	-	204,733	186,121	18,612
	<u>204,733</u>	<u>-</u>	<u>204,733</u>	<u>186,121</u>	<u>18,612</u>
<b>TIF</b>					
Paid to TIF District	368,293	-	368,293	96,965	271,328
	<u>368,293</u>	<u>-</u>	<u>368,293</u>	<u>96,965</u>	<u>271,328</u>

TOWN OF POLAND, MAINE

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

	Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
<b>Community services</b>					
Recreation	57,980	-	57,980	57,490	490
General assistance	55,000	15,902	70,902	98,849	(27,947)
Other	13,175	-	13,175	9,860	3,315
	<u>126,155</u>	<u>15,902</u>	<u>142,057</u>	<u>166,199</u>	<u>(24,142)</u>
<b>Education</b>	<u>5,827,509</u>	<u>332,415</u>	<u>6,159,924</u>	<u>5,860,830</u>	<u>299,094</u>
<b>County tax</b>	<u>644,577</u>	<u>-</u>	<u>644,577</u>	<u>644,577</u>	<u>-</u>
<b>Debt service</b>					
Interest	379,058	-	379,058	379,057	1
	<u>379,058</u>	<u>-</u>	<u>379,058</u>	<u>379,057</u>	<u>1</u>
<b>Overlay</b>	<u>132,942</u>	<u>-</u>	<u>132,942</u>	<u>37,113</u>	<u>95,829</u>
<b>Transfers</b>					
Special revenue funds	1,079,782	-	1,079,782	1,115,214	(35,432)
Capital projects funds	948,143	-	948,143	948,143	-
Permanent funds	60,800	-	60,800	60,800	-
	<u>2,088,725</u>	<u>-</u>	<u>2,088,725</u>	<u>2,124,157</u>	<u>(35,432)</u>
<b>Total Expenditures</b>	<u>\$ 12,211,062</u>	<u>\$ 352,913</u>	<u>\$ 12,563,975</u>	<u>\$ 11,839,883</u>	<u>\$ 724,092</u>

See accompanying independent auditors' report.

TOWN OF POLAND, MAINE

SCHEDULE OF REVENUES BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
General tax revenues:				
Property taxes	\$ 9,703,732	\$ 9,703,732	\$ 9,540,420	\$ (163,312)
Vehicle excise taxes	938,000	938,000	885,607	(52,393)
Boat excise taxes	12,000	12,000	13,132	1,132
Intergovernmental revenues:				
State revenue sharing	367,000	367,000	354,060	(12,940)
BETE Reimbursement	293,774	293,774	293,792	18
Homestead exemption	112,813	112,813	112,813	-
Local road assistance	75,000	75,000	77,988	2,988
Tree growth	7,000	7,000	17,735	10,735
General assistance	27,500	43,402	43,402	-
Veteran's exemption	6,000	6,000	3,519	(2,481)
Other intergovernmental	4,800	4,800	13,281	8,481
Charges for services:				
Ambulance fees	146,000	146,000	149,828	3,828
Code enforcement fees	76,000	76,000	46,091	(29,909)
Motor vehicle fees	21,000	21,000	20,731	(269)
Solid waste revenues / fees	66,300	66,300	39,250	(27,050)
Plumbing permits	11,000	11,000	9,290	(1,710)
Inland fisheries agent fees	3,000	3,000	2,454	(546)
Animal control fees	3,000	3,000	2,987	(13)
Electrical permit fees	2,100	2,100	5,130	3,030
Customer service fees	1,300	1,300	1,176	(124)
Other	19,200	19,200	17,039	(2,161)
Investment income	32,000	32,000	10,890	(21,110)
Other revenue:				
Garage bay rental	9,600	9,600	9,605	5
Tax acquired property	30,000	30,000	-	(30,000)
Interest / fees on liens	42,000	42,000	33,646	(8,354)
Payment in lieu of taxes	1,200	1,200	750	(450)
Cable franchise fees	43,000	43,000	47,353	4,353
Town hall rental	2,500	2,500	-	(2,500)
Other miscellaneous income	24,600	29,196	35,167	5,971
Use of fund balance	129,643	462,058	-	(462,058)
<b>Total revenues</b>	<b>\$ 12,211,062</b>	<b>\$ 12,563,975</b>	<b>\$ 11,787,136</b>	<b>\$ (776,839)</b>

See accompanying independent auditors' report.

## TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,458,802	\$ -	\$ 495,848	\$ 1,954,650
Investments	-	-	1,205,479	1,205,479
Due from other funds	3,582	840,021	15,701	859,304
Total assets	<u>\$ 1,462,384</u>	<u>\$ 840,021</u>	<u>\$ 1,717,028</u>	<u>\$ 4,019,433</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 257,465	\$ -	\$ 283	\$ 257,748
Accrued expenses	-	-	-	-
Due to other funds	221,944	-	-	221,944
Total liabilities	<u>479,409</u>	<u>-</u>	<u>283</u>	<u>479,692</u>
<b>FUND BALANCES</b>				
Restricted	917,583	-	1,716,745	2,634,328
Committed	-	-	-	-
Assigned	65,392	840,021	-	905,413
Unassigned	-	-	-	-
Total fund balances	<u>982,975</u>	<u>840,021</u>	<u>1,716,745</u>	<u>3,539,741</u>
Total liabilities and fund balances	<u>\$ 1,462,384</u>	<u>\$ 840,021</u>	<u>\$ 1,717,028</u>	<u>\$ 4,019,433</u>

See accompanying independent auditors' report.



SCHEDULE D

TOWN OF POLAND, 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 Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental revenue	\$ 96,965	\$ -	\$ -	\$ 96,965
Charges for services	148,270	-	-	148,270
Investment income, net of unrealized gains/(losses)	-	-	84,226	84,226
Other income	11,584	57,400	24,559	93,543
<b>Total revenues</b>	<b>256,819</b>	<b>57,400</b>	<b>108,785</b>	<b>423,004</b>
<b>EXPENDITURES</b>				
Current:				
Cemetery	-	-	1,389	1,389
Library	-	-	142,422	142,422
Education	-	-	4,198	4,198
General government	-	-	-	-
Public Safety	-	-	-	-
Debt service / TIF	1,423,545	-	-	1,423,545
Recreation	136,049	-	-	136,049
Capital outlay	3,662,166	631,485	43,070	4,336,721
<b>Total expenditures</b>	<b>5,221,760</b>	<b>631,485</b>	<b>191,079</b>	<b>6,044,324</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,964,941)</b>	<b>(574,085)</b>	<b>(82,294)</b>	<b>(5,621,320)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	1,115,214	948,143	60,800	2,124,157
Operating Transfers (Out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,115,214</b>	<b>948,143</b>	<b>60,800</b>	<b>2,124,157</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<b>(3,849,727)</b>	<b>374,058</b>	<b>(21,494)</b>	<b>(3,497,163)</b>
<b>FUND BALANCES, JULY 1, RESTATED</b>	<b>4,832,702</b>	<b>465,963</b>	<b>1,738,239</b>	<b>7,036,904</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 982,975</b>	<b>\$ 840,021</b>	<b>\$ 1,716,745</b>	<b>\$ 3,539,741</b>

See accompanying independent auditors' report.

## Special Revenue Funds

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

TOWN OF POLAND, MAINE

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

	AVSWCD Grant	Recreation Fees Reserve	TIF	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 65,141	\$ 1,393,661	\$ 1,458,802
Due from other governments	-	-	-	-
Due from other funds	3,294	288	-	3,582
Total assets	<u>\$ 3,294</u>	<u>\$ 65,429</u>	<u>\$ 1,393,661</u>	<u>\$ 1,462,384</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 37	\$ 257,428	\$ 257,465
Accrued expenses	-	-	-	-
Due to other funds	-	-	221,944	221,944
Total liabilities	<u>-</u>	<u>37</u>	<u>479,372</u>	<u>479,409</u>
<b>FUND BALANCES</b>				
Restricted	3,294	-	914,289	917,583
Committed	-	-	-	-
Assigned	-	65,392	-	65,392
Unassigned	-	-	-	-
Total fund balances	<u>3,294</u>	<u>65,392</u>	<u>914,289</u>	<u>982,975</u>
Total liabilities and fund balances	<u>\$ 3,294</u>	<u>\$ 65,429</u>	<u>\$ 1,393,661</u>	<u>\$ 1,462,384</u>

See accompanying independent auditors' report.

TOWN OF POLAND, MAINE

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

	AVSWCD Grant	Recreation Fees Reserve	TIF	Totals
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ -	\$ 96,965	\$ 96,965
Charges for services	-	148,270	-	148,270
Investment income, net of unrealized gains/(losses)	-	47	11,537	11,584
<b>Total revenues</b>	<b>-</b>	<b>148,317</b>	<b>108,502</b>	<b>256,819</b>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Recreation	-	136,049	-	136,049
Public safety	-	-	-	-
Other	-	-	-	-
Debt service / TIF	-	-	1,423,545	1,423,545
Capital outlay	-	-	3,662,166	3,662,166
<b>Total expenditures</b>	<b>-</b>	<b>136,049</b>	<b>5,085,711</b>	<b>5,221,760</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>12,268</b>	<b>(4,977,209)</b>	<b>(4,964,941)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds From Debt	-	-	-	-
Operating Transfers In	-	-	1,115,214	1,115,214
Operating Transfers (Out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>1,115,214</b>	<b>1,115,214</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<b>-</b>	<b>12,268</b>	<b>(3,861,995)</b>	<b>(3,849,727)</b>
<b>FUND BALANCES, JULY 1</b>	<b>3,294</b>	<b>53,124</b>	<b>4,776,284</b>	<b>4,832,702</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 3,294</b>	<b>\$ 65,392</b>	<b>\$ 914,289</b>	<b>\$ 982,975</b>

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 fund.

TOWN OF POLAND, MAINE

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

	Public Works Vehicle	Fire / Rescue Vehicle	Town Roads	Solid Waste	Recreation Facility Reserve
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	218,782	326,733	149,504	6,818	9,040
Total assets	<u>\$ 218,782</u>	<u>\$ 326,733</u>	<u>\$ 149,504</u>	<u>\$ 6,818</u>	<u>\$ 9,040</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Committed	-	-	-	-	-
Assigned	218,782	326,733	149,504	6,818	9,040
Unassigned	-	-	-	-	-
Total fund balances	<u>218,782</u>	<u>326,733</u>	<u>149,504</u>	<u>6,818</u>	<u>9,040</u>
Total liabilities and fund balances	<u>\$ 218,782</u>	<u>\$ 326,733</u>	<u>\$ 149,504</u>	<u>\$ 6,818</u>	<u>\$ 9,040</u>

TOWN OF POLAND, MAINE

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

	<u>Building Improvements</u>	<u>Contingency Reserve</u>	<u>Police Vehicle</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	91,602	20,117	17,425	840,021
Total assets	<u>\$ 91,602</u>	<u>\$ 20,117</u>	<u>\$ 17,425</u>	<u>\$ 840,021</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Committed	-	-	-	-
Assigned	91,602	20,117	17,425	840,021
Unassigned	-	-	-	-
Total fund balances	<u>91,602</u>	<u>20,117</u>	<u>17,425</u>	<u>840,021</u>
Total liabilities and fund balances	<u>\$ 91,602</u>	<u>\$ 20,117</u>	<u>\$ 17,425</u>	<u>\$ 840,021</u>

See accompanying independent auditors' report.

TOWN OF POLAND, MAINE

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

	Public Works Vehicle	Fire / Rescue Vehicle	Town Roads	Solid Waste	Recreation Facility Reserve
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income, net of unrealized gains/(losses)	-	-	-	-	-
Other income	55,500	-	-	-	-
Total revenues	<u>55,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	10,902	77,171	472,150	-	1,015
Total expenditures	<u>10,902</u>	<u>77,171</u>	<u>472,150</u>	<u>-</u>	<u>1,015</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>44,598</u>	<u>(77,171)</u>	<u>(472,150)</u>	<u>-</u>	<u>(1,015)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	90,000	305,200	427,893	4,500	4,500
Operating Transfers (Out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>90,000</u>	<u>305,200</u>	<u>427,893</u>	<u>4,500</u>	<u>4,500</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	134,598	228,029	(44,257)	4,500	3,485
FUND BALANCES, JULY 1	<u>84,184</u>	<u>98,704</u>	<u>193,761</u>	<u>2,318</u>	<u>5,555</u>
FUND BALANCES, JUNE 30	<u>\$ 218,782</u>	<u>\$ 326,733</u>	<u>\$ 149,504</u>	<u>\$ 6,818</u>	<u>\$ 9,040</u>



TOWN OF POLAND, MAINE

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

	Building Improvements	Contingency Reserve	Police Vehicle	Totals
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Investment income, net of unrealized gains/(losses)	-	-	-	-
Other income	1,900	-	-	57,400
Total revenues	<u>1,900</u>	<u>-</u>	<u>-</u>	<u>57,400</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Education	-	-	-	-
Capital outlay	37,864	5,000	27,383	631,485
Total expenditures	<u>37,864</u>	<u>5,000</u>	<u>27,383</u>	<u>631,485</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(35,964)</u>	<u>(5,000)</u>	<u>(27,383)</u>	<u>(574,085)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	98,050	10,000	8,000	948,143
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>98,050</u>	<u>10,000</u>	<u>8,000</u>	<u>948,143</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	62,086	5,000	(19,383)	374,058
FUND BALANCES, JULY 1	<u>29,516</u>	<u>15,117</u>	<u>36,808</u>	<u>465,963</u>
FUND BALANCES, JUNE 30	<u>\$ 91,602</u>	<u>\$ 20,117</u>	<u>\$ 17,425</u>	<u>\$ 840,021</u>

See accompanying independent auditors' report.

## Permanent Funds

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

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2012

	Highland AT&T Stock	Hackett Trust	Hackett Relief Fund	Empire Cemetery	White Oak Hill Cemetery	Highland Cemetery	Highland IBM Stock	AB Ricker
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 10,927	\$ -	\$ 6,476	\$ 8,424	\$ 3,105	\$ -	\$ 11,488
Investments	-	-	-	-	-	39,425	-	-
Due from other funds	-	-	8,157	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 10,927</u>	<u>\$ 8,157</u>	<u>\$ 6,476</u>	<u>\$ 8,424</u>	<u>\$ 42,530</u>	<u>\$ -</u>	<u>\$ 11,488</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Restricted	-	10,927	8,157	6,476	8,424	42,530	-	11,488
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>10,927</u>	<u>8,157</u>	<u>6,476</u>	<u>8,424</u>	<u>42,530</u>	<u>-</u>	<u>11,488</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 10,927</u>	<u>\$ 8,157</u>	<u>\$ 6,476</u>	<u>\$ 8,424</u>	<u>\$ 42,530</u>	<u>\$ -</u>	<u>\$ 11,488</u>

TOWN OF POLAND, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2012

	<u>Lane Cemetery</u>	<u>Ricker Cemetery</u>	<u>Scholarship Funds</u>	<u>Operations Ricker Library</u>	<u>Endowment Ricker Library</u>	<u>Ministerial</u>	<u>Totals</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,285	\$ 2,057	\$ -	\$ 100,392	\$ 323,221	\$ 28,473	\$ 495,848
Investments	-	-	201,632	250,512	713,910	-	1,205,479
Due from other funds	-	-	-	7,544	-	-	15,701
<b>TOTAL ASSETS</b>	<u>\$ 1,285</u>	<u>\$ 2,057</u>	<u>\$ 201,632</u>	<u>\$ 358,448</u>	<u>\$ 1,037,131</u>	<u>\$ 28,473</u>	<u>\$ 1,717,028</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 283	\$ -	\$ -	\$ 283
Due to other funds	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283</u>	<u>-</u>	<u>-</u>	<u>283</u>
<b>FUND BALANCES</b>							
Restricted	1,285	2,057	201,632	358,165	1,037,131	28,473	1,716,745
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,285</u>	<u>2,057</u>	<u>201,632</u>	<u>358,165</u>	<u>1,037,131</u>	<u>28,473</u>	<u>1,716,745</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,285</u>	<u>\$ 2,057</u>	<u>\$ 201,632</u>	<u>\$ 358,448</u>	<u>\$ 1,037,131</u>	<u>\$ 28,473</u>	<u>\$ 1,717,028</u>

See accompanying independent auditors' report.

TOWN OF POLAND, MAINE

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

	<u>AT&amp;T Stock</u>	<u>Hackett Trust</u>	<u>Hackett Relief Fund</u>	<u>Empire Cemetery</u>	<u>Oak Hill Cemetery</u>	<u>Highland Cemetery</u>	<u>IBM Stock</u>	<u>AB Ricker</u>
REVENUES								
Investment income, net of unrealized gains/(losses)	\$ -	\$ 44	\$ -	\$ 26	\$ 35	\$ 4,318	\$ -	\$ 47
Other income	-	-	15,245	-	-	-	-	-
Total revenues	<u>-</u>	<u>44</u>	<u>15,245</u>	<u>26</u>	<u>35</u>	<u>4,318</u>	<u>-</u>	<u>47</u>
EXPENDITURES								
Cemetery	-	-	-	-	-	1,389	-	-
Library	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Other	-	-	43,070	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>43,070</u>	<u>-</u>	<u>-</u>	<u>1,389</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>44</u>	<u>(27,825)</u>	<u>26</u>	<u>35</u>	<u>2,929</u>	<u>-</u>	<u>47</u>
OTHER FINANCING SOURCES (USES)								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	44	(27,825)	26	35	2,929	-	47
FUND BALANCES, JULY 1, RESTATED	<u>-</u>	<u>10,883</u>	<u>35,982</u>	<u>6,450</u>	<u>8,389</u>	<u>39,601</u>	<u>-</u>	<u>11,441</u>
FUND BALANCES, JUNE 30	<u>\$ -</u>	<u>\$ 10,927</u>	<u>\$ 8,157</u>	<u>\$ 6,476</u>	<u>\$ 8,424</u>	<u>\$ 42,530</u>	<u>\$ -</u>	<u>\$ 11,488</u>

TOWN OF POLAND, MAINE

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

	<u>Lane Cemetery</u>	<u>Ricker Cemetery</u>	<u>Scholarship Funds</u>	<u>Operations Ricker Library</u>	<u>Endowment Ricker Library</u>	<u>Ministerial</u>	<u>Totals</u>
<b>REVENUES</b>							
Investment income, net of unrealized gains/(losses)	\$ 5	\$ 9	\$ 3,887	\$ 35,330	\$ 40,410	\$ 115	\$ 84,226
Other income	-	-	2,500	6,814	-	-	24,559
Total revenues	<u>5</u>	<u>9</u>	<u>6,387</u>	<u>42,144</u>	<u>40,410</u>	<u>115</u>	<u>108,785</u>
<b>EXPENDITURES</b>							
Cemetery	-	-	-	-	-	-	1,389
Library	-	-	-	114,452	27,970	-	142,422
Education	-	-	4,198	-	-	-	4,198
Other	-	-	-	-	-	-	43,070
Total expenditures	<u>-</u>	<u>-</u>	<u>4,198</u>	<u>114,452</u>	<u>27,970</u>	<u>-</u>	<u>191,079</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>							
	<u>5</u>	<u>9</u>	<u>2,189</u>	<u>(72,308)</u>	<u>12,440</u>	<u>115</u>	<u>(82,294)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfers In	-	-	-	60,800	-	-	60,800
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,800</u>	<u>-</u>	<u>-</u>	<u>60,800</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>							
	5	9	2,189	(11,508)	12,440	115	(21,494)
<b>FUND BALANCES, JULY 1, RESTATED</b>							
	<u>1,280</u>	<u>2,048</u>	<u>199,443</u>	<u>369,673</u>	<u>1,024,691</u>	<u>28,358</u>	<u>1,738,239</u>
<b>FUND BALANCES, JUNE 30</b>							
	<u>\$ 1,285</u>	<u>\$ 2,057</u>	<u>\$ 201,632</u>	<u>\$ 358,165</u>	<u>\$ 1,037,131</u>	<u>\$ 28,473</u>	<u>\$ 1,716,745</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 POLAND, 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
Fire department	\$ 6,300	\$ 384,980	\$ 1,741,822	\$ -	\$ 2,133,102
Public safety	-	275,087	112,631	-	387,718
Public works department	216,928	1,844,011	1,016,070	1,674,050	4,751,059
Transfer station	120,000	310,000	29,682	-	459,682
TIF	-	-	9,528	2,290,045	2,299,573
Library	-	-	13,435	-	13,435
Town-wide	29,400	359,847	120,459	-	509,706
Total General Capital Assets	372,628	3,173,925	3,043,627	3,964,095	10,554,275
Less: Accumulated Depreciation	-	(885,400)	(1,247,818)	(225,041)	(2,358,259)
Net General Capital Assets	\$ 372,628	\$ 2,288,525	\$ 1,795,809	\$ 3,739,054	\$ 8,196,016

See accompanying independent auditors' report.



## TOWN OF POLAND, 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
Fire department	\$ 2,057,715	\$ 75,387	\$ -	\$ 2,133,102
Public safety	360,335	27,383	-	387,718
Public works department	4,275,182	475,877	-	4,751,059
Transfer station	459,682	-	-	459,682
TIF	2,299,573	-	-	2,299,573
Library	6,835	6,600	-	13,435
Town-wide	491,641	18,065	-	509,706
Total General Capital Assets	9,950,963	603,312	-	10,554,275
Less: Accumulated Depreciation	<u>(1,993,424)</u>	<u>(364,835)</u>	-	<u>(2,358,259)</u>
Net General Capital Assets	<u>\$ 7,957,539</u>	<u>\$ 238,477</u>	<u>\$ -</u>	<u>\$ 8,196,016</u>

See accompanying independent auditors' report.