

Comprehensive Annual Financial Report

City of Ellsworth, Maine

For the fiscal year ending June 30, 2011



City of Ellsworth, Maine

**Comprehensive Annual
Financial Report**

For the Fiscal Year Ended June 30, 2011

Prepared by the Finance Department

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City of Ellsworth, Maine

For the Fiscal Year Ended June 30, 2011

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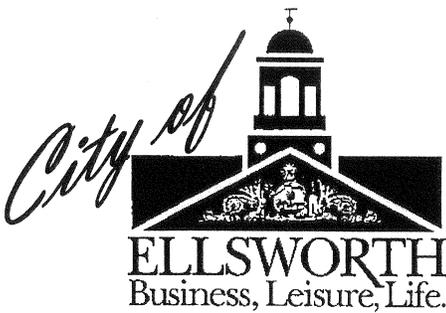
City of Ellsworth, Maine

For the Fiscal Year Ended June 30, 2011

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To the Honorable Chairman,
Members of the Ellsworth City Council, and
Citizens of Ellsworth

The City of Ellsworth's comprehensive annual financial report for the fiscal year ended June 30, 2011 is hereby submitted in accordance with the requirements of both our City Charter and State Statutes. The Charter and statutes require that the City of Ellsworth issue annually a report of its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all the disclosures, rests with the City of Ellsworth. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Ellsworth on a government wide and fund basis.

The City is responsible for establishing and maintaining an internal control framework designed to ensure that the assets of the City are protected from loss, theft, and misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

The City's financial statements have been audited by Purdy Powers & Company. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's unqualified opinion is presented as the first component of the financial section of this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budgets Circular A-133, Audits of States, Local Government and Non-Profit Organizations. The "Single Audit" is designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including a schedule of expenditures of federal awards, findings, questioned costs,

recommendations, and the independent auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separately issued single audit report.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Ellsworth, incorporated in 1869, is located in the center of the County of Hancock in the southeastern coastal region of the State of Maine, also referred to as "Down East". Ellsworth is the only city in Hancock County and has served as its county seat since 1837. Ellsworth is situated at the head of the Union River Bay with the Union River passing southward through the center of the City.

The City of Ellsworth is an urban, commercial, industrial and residential community with some rural characteristics. The City's area includes tracts of forest and farm lands, open space and river front areas. The City is comprised of Rural Residential, Urban Residential, Commercial or Industrial zones, and has the distinction of being the "largest" city in Maine with its 93.37 square miles of area.

The City operates under a charter adopted in 1869, as amended (the "Charter"), providing for a Council-Manager form of government with a seven member City Council elected from the registered voters of the City, at-large, for three year staggered terms. The Charter grants to the Council all powers to enact, amend, or repeal rules, ordinances, orders or resolutions relating to the City's property, affairs and government, to preserve the public peace, health and safety, to establish personnel policies, give effect to any vote of the City authorizing the issuance of debt, and provide for an annual audit of the City's accounts. The City Manager is the chief administrative officer of the City and appointed by the Council, as are the Assessor, City Clerk, Tax Collector, and Treasurer.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, a library, highways, streets and sidewalks, parks and recreational areas, business and economic development, planning, code enforcement, health and welfare, and general administrative services. Public education is provided for grade Kindergarten ("K") through 12 through the City's affiliation with Regional School Unit 24 (RSU). The City operates its own water system and wastewater treatment system and is accounted for in the City's Proprietary Funds.

The City's budgeting process is structured around its fiscal year, which begins on July 1st and ends on the following June 30th. The City annually adopts budgets for its general fund and two proprietary funds. All departments of the City are required to submit requests for appropriation to the Finance Director in January of each year. The City's Finance Director uses these requests

as the starting point for developing a proposed budget. It is then forwarded to the City Manager for any necessary changes and recommendations. The City Charter requires that the City Manager submit a recommended budget to the Council by the second Monday in April. The budget, which must be in balance, contains estimates of all non-tax revenues and receipts expected to be received during the next fiscal year, the expenditures necessary to support City operations, debt service requirements, and the tax levy required to achieve balance between revenues and expenditures. The Council may modify recommended expenditures and the recommended tax levy. If the Appropriation Resolve increases the property tax levy from the prior year by more than a specified Growth Limitation factor then the excess of the appropriation must be approved by a majority of the entire City Council. The school budget is subject to referendum by the voters of the RSU through a Budget Validation process. If the Council fails to adopt a budget by July 1st, the Council may make appropriations by a continuing resolution to the various departments and accounts in the amounts sufficient to finance the necessary expenses until the budget resolve is in force. Upon adoption of the budget, a property tax levy is then established and filed with the City Assessor.

The City Manager may transfer any unencumbered appropriation balance or portion thereof from line item to line item within cost centers, but may not expend funds in excess of the cost center appropriation. The Council may, by Council Order, transfer any unencumbered appropriation balance or portion thereof between cost centers. Additional appropriations within the budget may be made by Council order if the Treasurer verifies that there are sufficient unanticipated and unappropriated revenues. Additional appropriations may also be covered by an appropriation from a reserve account or an interfund transfer from the General Fund or other fund.

The annual budget serves as the foundation for the City of Ellsworth's financial planning and control. The City Manager may transfer resources within a department; however, transfers between departments require Council action.

Special revenue funds do not have adopted budgets. Budgetary controls are maintained on other governmental funds through formal authorizations by the City Council and through grant agreements. All budgets are legally adopted by the City Council through the passage of an appropriation resolve.

Local Economy

The City of Ellsworth is the service center for the entire Downeast region of the State of Maine for retail, wholesale, distribution, transportation, banking, legal, medical, recreational, and other major services. Several malls are located throughout the City's commercial areas and its downtown area provides a blend of specialty shops, restaurants and consumer services. A recent market feasibility study was done by a private developer that verified that more than 63,000 people are served by the City for shopping, recreation, and professional services.

Ellsworth has a stable and varied economic base. Major employers include a diversified mix of healthcare, educational, professional, retail, manufacturing, and governmental entities.

The City's assessed value for tax year 2010-2011 is \$1,068,856,310, an approximate increase of 1.38 percent from the 2009-2010 tax assessment. Approximately 32 percent of the tax base is

commercial and industrial with the remainder being residential (these figures include vacant parcels as well as developed parcels). The City's rate of tax collection remains constant at 96 percent for last year, up one and a half percent over the prior year.

The City is committed to preserving its viable economic base while creating new opportunities for future economic growth. In 2007, the Ellsworth City Council adopted an Economic Development Strategy that was recommended by the 2004 Comprehensive Plan. This strategy addresses economic diversification, capital improvements, determination of improvements that are necessary to attract businesses, assessment of future land needs, development criteria for economic development projects, community recommendations, the development of specific strategies on the use of tax increment financing, and staffing needs. After this strategy was approved, City staff and the Ellsworth Economic Development Committee established a long-term economic development road map for the community and highlighted the need for further diversifying the tax base by encouraging a balanced mix of development in residential, retail, office, warehouse, and manufacturing. The City desires to facilitate projects that will meet the sustainable balance and create new employment opportunities to improve the economy.

Long-term Financial Planning

The City maintains an ongoing ten year capital improvement plan (CIP) that serves as a tool for the City Manager and City Council to make strategic investments in the community. In Fiscal Year 2011, the Capital Improvement budget included \$755,000 to fund street, sidewalk, and drainage improvements; \$210,000 to fund improvements to municipal facilities; \$31,500 to fund technology improvements; \$46,000 to fund library improvements; \$222,450 to fund upgrades in police, fire, and highway equipment; and \$80,000 to fund miscellaneous capital improvements.

The City's Water Department, Wastewater Department, and Tax Increment Financing District capital improvement plans are designed to be fully self-supporting and are, therefore, presented as separate items in the City's CIP process.

Major Initiatives

In May 2009, the Ellsworth City Council voted to form a Charter Commission comprised of elected and appointed members to update the City Charter that had not been revised since 1988. This Charter Commission was created to review and revise the entire document during a series of public meetings and hearings throughout the year. In reviewing the Charter, the Commission endeavored to eliminate inconsistencies, clarify language, modernize language where appropriate, delete obsolete provisions, account for new state laws, and generally make the Charter easier to use and understand by the general public as well as governmental officials. The final document was voted on in the November 2010 election and became effective in January 2011.

The construction of the new K-8 Ellsworth Elementary/Middle School has left the City as the owner of two empty school properties within a two block radius. A committee was created to evaluate the properties and to create plans for utilizing each property in ways that would be the most advantageous to Ellsworth's citizens. After much debate and consideration, including

citizen surveys and public hearings, it was determined that both properties would remain in the ownership of the City. One parcel would become a community park, taking advantage of its proximity to the new school and the fact that the property already contained the existing community playground. The second parcel would be utilized as a center for senior citizen and youth programs that would provide activities that promote healthy minds and bodies with socialization, educational and meeting space opportunities.

To address an area that had petroleum contaminated ground water that was impacting private and public wells in the vicinity, the City Council voted on a \$2 million bond to extend over two miles of water main along a major arterial road and into the City's Industrial Park. The Maine Department of Environmental Protection provided a \$1 million grant to fund a portion of the project to provide an alternative source of potable water to users in the contaminated area. This water main installation has provided the current businesses and school in the contaminated area to have public water and has also allowed developers to establish industrial-sized buildings within the area to have public fire protection necessary for that type of activity.

In January 2011, the City expanded its recycling program when it reached an agreement with four member towns of Acadia Disposal District (ADD) to accept and process their recyclable material in bulk deliveries. The ADD agreement is structured so that the participating communities receive 75% of the net revenues generated from their recyclable material. This arrangement provides the communities with a financial incentive to continue to recycle and generates additional revenues for the City. With the acceptance of recyclables from ADD it is expected that the tonnage processed through the City's facility will increase by 370 tons. This increased demand on the City's facilities prompted the purchase of a mini excavator in order to process the material. The new equipment will allow the City to sustain the ADD tonnage to ensure a long term relationship with the participating communities and position the City to add other towns in the future. This new program evidences the City's strong local commitment to the City's recycling program.

Significant Accomplishments of Fiscal Year 2011

- The City Council voted to authorize the issuance of \$1.892 million bond for local road projects.
- According to the 2010 U.S. Census, the City was the largest growing city in the State of Maine with a 20 percent increase over the past ten years.
- The State of Maine valuation for the City increased by approximately \$29 million from 2010 to 2011 indicating a continued growth.
- The City's local housing market is better than average across the state of Maine. There are currently enough residential sales in Ellsworth that indicates that the City is not showing a decline in the market.
- For the past three years, our local state valuation sales ratio has remained at 97 percent.
- The City continued its own investment into public infrastructure by improving parking lots, streetscapes, water and sewer mains and local roads throughout the City.
- The City experienced additional growth as new restaurants and retail stores opened; a local bank and convenient store/petroleum station are doing large demolition and

- expansion projects; and a large downtown store opened that had been vacant for several years.
- The Maine Department of Transportation has completed the \$9 million reconstruction of nine miles of an arterial road in the City. This road is the main route for millions of tourists traveling to Acadia National Park.
 - In order to eliminate discharge violations, improve treatment process reliability and capacity, accommodate current and expected future population growth, and to support the City's goals for development and environmental responsibility, the City decided to build a new wastewater treatment plant. This project costs approximately \$20.7 million. The City has qualified for grants in the amount of \$8.6 million from USDA, DEP, CDBG and a USDA and Clean Water State Revolving Fund loans for approximately \$12.1 million. A contract was awarded in the amount of \$13,975,500 for the construction of the plant and will be completed and in full operation by December 2012.
 - The City Council voted to authorize the issuance of \$4.3 million bond for the construction of a new wastewater treatment plant.
 - The City received a \$122,500 Boating Infrastructure Grant to construct a ten-finger slip in the City Harbor. Each finger is equipped with power and water utility hookups. The Department of Transportation also provided a \$35,000 grant to install a pump out station on the slips.
 - The Ellsworth Public Library has formed a committee to review the future needs of the library including a large expansion.
 - The City received a \$150,000 CDBG Community Enterprise grant to assist local businesses in façade improvements.
 - The Maine Department of Transportation has started construction of a 1.3 mile shared use path that connects to the 85 mile Downeast Sunrise Trail. This four-season, multipurpose, recreational trail was constructed to promote economic development in three counties that will entice people to visit and spend vacation time in the region.

Relevant Financial Policies

The City has established a formal Investment Policy. Under its policy, the City's investment practice is to maintain a cash and investment pool that is available for use by all funds and consist of short-term investments. The City is invested principally in direct obligations of the United States government and its agencies. The City is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

The City's Fund Balance Ordinance requires maintaining the City's unassigned fund balance at no less than 10% and no more than 20% of the previous fiscal year's audited gross expenditures. Any fund balance in excess of 20% shall be used to increase designated reserves, the City's appropriated contingency account, or the appropriated capital improvement fund. In the event that the undesignated fund balance is anticipated to fall below 10% prior to appropriating fund balance the City is required to create a written plan that will replenish the fund balance in a maximum of three fiscal years.

Awards and Acknowledgements

We believe that this year's comprehensive annual financial report will meet the Certificate of Achievement Program's requirements and we are submitting it to the Government Finance Officers Association for consideration for a certificate.

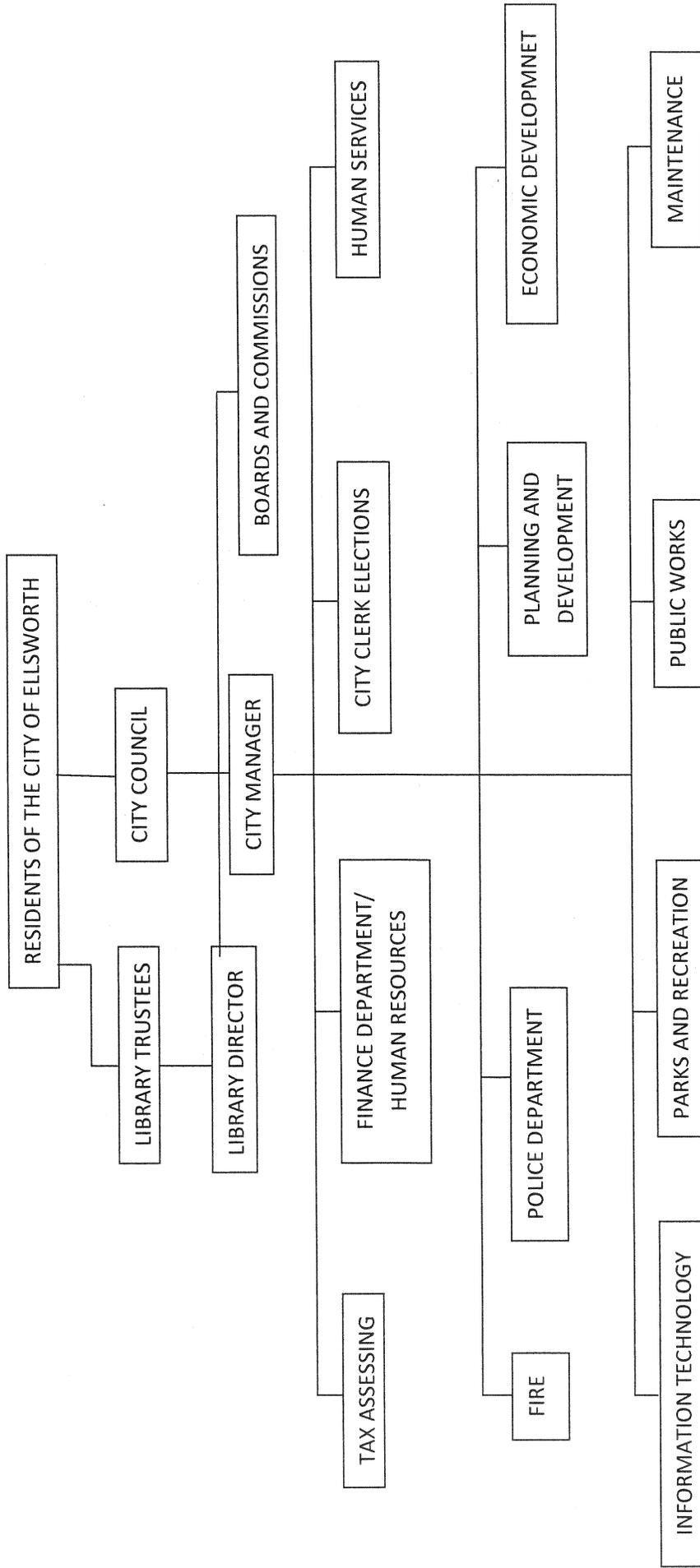
The preparation of this report would not have been possible without the various departments, as well as members of the Finance Office, providing the necessary information needed to complete this comprehensive annual financial report. Appreciation is also extended to the City Manager and the City Council for their support of the efforts to improve the City's level of financial reporting. I wish to acknowledge the efforts of our independent auditors, Purdy Powers & Company, for the professional audit work they provided and for all their support and assistance.

Respectfully submitted,



Tammy Mote
Finance Director
November 15, 2011

City of Ellsworth
Organizational Chart



City of Ellsworth, Maine

List of Principal Officials

June 30, 2011

Elected Officials

John Phillips	City Council Chairperson
Stephen Beathem	City Councilor
Matthew Boucher	City Councilor
Gary Fortier	City Councilor
Michael Boucher	City Councilor
John Moore	City Councilor
Pamela Perkins	City Councilor

Appointed Officials and Department Heads

Michelle Beal, City Manager

Charlene Churchill, Library Director	Jason Ingalls, Technology Coordinator
John Deleo, Chief of Police	Doug Kohute, Maintenance Supervisor
Michele Gagnon, City Planner	Jonathan Marshall, Fire Chief
Larry Gardner, City Assessor	Tammy Mote, Finance Director
Myron Grant, Highway Foreman	Dwight Tilton, Code Enforcement Officer
Heidi Noel Grindle, City Clerk	Larry Wilson, Water Superintendent
Michael Harris, Wastewater Superintendent	

Independent Auditors' Report

To the City Council City of Ellsworth, Maine

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011, on our consideration of the City of Ellsworth, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress on pages 3 and 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ellsworth, Maine's financial statements as a whole. The introductory section, Combining and Individual Fund Statements and Schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining and Individual Fund Statements and Schedules 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

As described in Note A to the financial statements, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Certain prior year fund balance amounts have been restated to reflect the provisions of GASB Statement No. 54.

Purdy Pownall & Company
Professional Association

Portland, Maine
November 15, 2011

Management's Discussion and Analysis

City of Ellsworth, Maine

As management of the City of Ellsworth, Maine, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements that follow this section.

Financial Highlights

- The City's assets exceeded liabilities by approximately \$20 million as of June 30, 2011, compared to approximately \$18.4 million as of June 30, 2010.
- The City's governmental funds General Fund Balance was \$3.97 million as of June 30, 2011, compared to \$3.95 million as of June 30, 2010.
- The City's Fund Balance Ordinance requires the unassigned fund balance to remain between 10% and 20% of the previous fiscal year's expenditures. At the end of the current fiscal year, the fund balance stands at 13.06%.
- The City of Ellsworth incurred \$5,392,000 in additional debt in the most recent fiscal year. Of that amount, \$1,892,000 was issued for local road projects and \$3,500,000 was issued for the new wastewater treatment plant construction.
- At the close of fiscal year 2011, the City of Ellsworth's governmental funds financial statements reported a combined ending fund balance of \$6.8 million, or a 12% increase from the prior year.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and present both a long-term and short-term view of the City's finances. Financial reporting at this level is similar to the accounting used by most private-sector companies.

The Statement of Net Assets includes all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are accrued but not yet paid or collected but will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee vacation leaves).

The Statement of Net Assets and the Statement of Activities are divided into two kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including the police, fire, general administration, education, health and welfare, and parks and recreation. These activities are principally supported by taxes and intergovernmental revenues.
- **Business-type activities:** The City operates a water and sewer system that charges a fee to customers to help it cover the cost of the certain service it provides.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and GASB Statement No. 54 to define and classify the existing governmental fund types. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** are used to account for mostly the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The City of Ellsworth maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Capital Projects Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements (Schedule B) elsewhere in this report.

The City of Ellsworth adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (Schedule A-2).

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

- Proprietary funds are used to account for essentially the same functions reported as business-type activities in the government-wide financial statements. Enterprise funds are the only type of proprietary funds maintained by the City. The proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

The City maintains two individual proprietary funds: Wastewater and Water. These two funds are considered to be major. The City of Ellsworth adopts annual budgets for each of its proprietary funds.

- Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the City as a Whole - Government-wide Financial Statements

The following schedule is a summary of nets assets for the years ended June 30, 2011 and 2010:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and other assets	\$11,766,807	\$13,109,912	\$ (1,343,105)	\$ 9,612,188	\$ 9,687,494	\$ (75,306)
Capital assets	53,087,048	50,739,754	2,347,294	22,051,824	16,976,755	5,075,069
Total Assets	64,853,855	63,849,666	1,004,189	31,664,012	26,664,249	4,999,763
Long-term liabilities	39,962,137	41,341,805	(1,379,668)	7,737,947	11,919,029	(4,181,082)
Other liabilities	4,796,229	4,137,127	659,102	10,170,809	1,922,080	8,248,729
Total Liabilities	44,758,366	45,478,932	(720,566)	17,908,756	13,841,109	4,067,647
Net assets:						
Invested in capital assets, net of related debt	10,294,469	8,508,357	1,786,112	6,730,821	10,781,659	(4,050,838)
Restricted	636,751	636,751	-	7,958,749	1,929,223	6,029,526
Unrestricted	9,164,269	9,225,626	(61,357)	(934,314)	112,258	(1,046,572)
	<u>\$ 20,095,489</u>	<u>\$ 18,370,734</u>	<u>\$ 1,724,755</u>	<u>\$ 13,755,256</u>	<u>\$ 12,823,140</u>	<u>\$ 932,116</u>

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

Governmental activity assets exceeded liabilities by \$20,095,489. Business-type activity assets exceeded liabilities by \$13,755,256 for a City-wide total of net assets of \$33,850,745 at the close of the most recent fiscal year.

The largest portion of the City of Ellsworth's net assets (50%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Ellsworth uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City of Ellsworth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets for both governmental and business-type activities (25% or \$8,229,955) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Ellsworth is able to report positive balances in all categories of net assets for the governmental activities. However, the business-type activities report a deficit of \$934,314 in the unrestricted net assets category. This is due to the Wastewater's operating history where expenses exceeded revenues. The City Council has addressed this issue by increasing the user fee rates.

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

The following schedule is a summary of the statement of activities for the years ended June 30, 2011 and 2010:

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenues:						
Program revenues:						
Charges for services	\$ 609,454	\$ 439,947	\$ 169,507	\$ 1,901,945	\$ 1,690,625	\$ 211,320
Operating grants and contributions	112,263	236,591	(124,328)	-	-	-
Capital grants	778,544	1,000	777,544	508,691	1,975,431	(1,466,740)
General revenues						
Taxes	16,210,617	15,458,516	752,101	-	-	-
Intergovernmental	3,125,819	1,210,184	1,915,635	-	-	-
Investment	264,559	281,724	(17,165)	(50,776)	(70,258)	19,482
All others	334,691	575,999	(241,308)	51,518	135,592	(84,074)
Total Revenues	<u>21,435,947</u>	<u>18,203,961</u>	<u>3,231,986</u>	<u>2,411,378</u>	<u>3,731,390</u>	<u>(1,320,012)</u>
Expenses:						
General government	1,277,144	1,293,243	(16,099)	-	-	-
Public safety	2,584,403	2,436,340	148,063	-	-	-
Municipal buildings	231,336	218,875	12,461	-	-	-
Culture and recreation	662,864	665,768	(2,904)	-	-	-
General assistance	43,780	36,818	6,962	-	-	-
Public works	1,874,784	1,762,455	112,329	-	-	-
County tax	390,328	385,325	5,003	-	-	-
Education	8,980,058	8,799,458	180,600	-	-	-
Unclassified	1,800,548	2,056,032	(255,484)	-	-	-
Interest on long-term debt	1,865,947	791,791	1,074,156	-	-	-
Water and Wastewater	-	-	-	1,479,262	1,474,712	4,550
Total Expenses	<u>19,711,192</u>	<u>18,446,105</u>	<u>1,265,087</u>	<u>1,479,262</u>	<u>1,474,712</u>	<u>4,550</u>
Special Item	<u>-</u>	<u>(4,725,013)</u>	<u>4,725,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 1,724,755</u>	<u>\$ (4,967,157)</u>	<u>\$ 1,966,899</u>	<u>\$ 932,116</u>	<u>\$ 2,256,678</u>	<u>\$ (1,324,562)</u>

The cost of all governmental activities was \$19.7 million. As shown on the Statement of Activities, the total amount financed by the City's taxpayers was \$16.2 million, or 76 percent. Those who directly benefit from an activity provided \$609,454 in payments. Other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$112,263. Capital grants accounted for \$778,544. The City also received \$3.7 million in other general revenues such as State Revenue Sharing, homestead exemptions, and interest earnings.

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

Financial Analysis of the City's Funds - Fund Financial Statements

Governmental funds. The focus of the City of Ellsworth's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which primarily establishes a hierarchy of fund balance classifications based on constraints placed on the use of these accounts. The unassigned General Fund Balance of \$2.5 million may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year after assigning the amount needed for fiscal year 2012.

As of the end of the current fiscal year, the City of Ellsworth governmental funds reported combined ending fund balances at June 30, 2011 of \$6,758,626, an increase of \$727,343. Approximately 26% of this total amount (\$1,761,319) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$4,997,307) is reserved or designated to indicate that it is not available for new spending because it has already been committed to account for 1) to liquidate contracts and purchase orders of the prior period (\$1,434,729), and 2) reserved for non-expendable principal in investments, interfund advances and inventory (\$678,438), or restricted or assigned for capital projects, special revenues, or permanent funds (\$2,884,140).

The increase in the governmental funds ending fund balance is due to the following reasons: 1) there was a decrease of \$464,089 in the School Construction fund due to the continued construction of the new Ellsworth Elementary/Middle School; 2) there was an increase of \$399,132 in the other governmental funds is mainly attributable to the restatement of fund balance due to the GASB 54 implementation; 3) the Capital Projects fund increased \$766,838 due to the remaining bond proceeds available for future road construction projects; and 4) the general fund increased \$25,462 due to revenues exceeding expenditures.

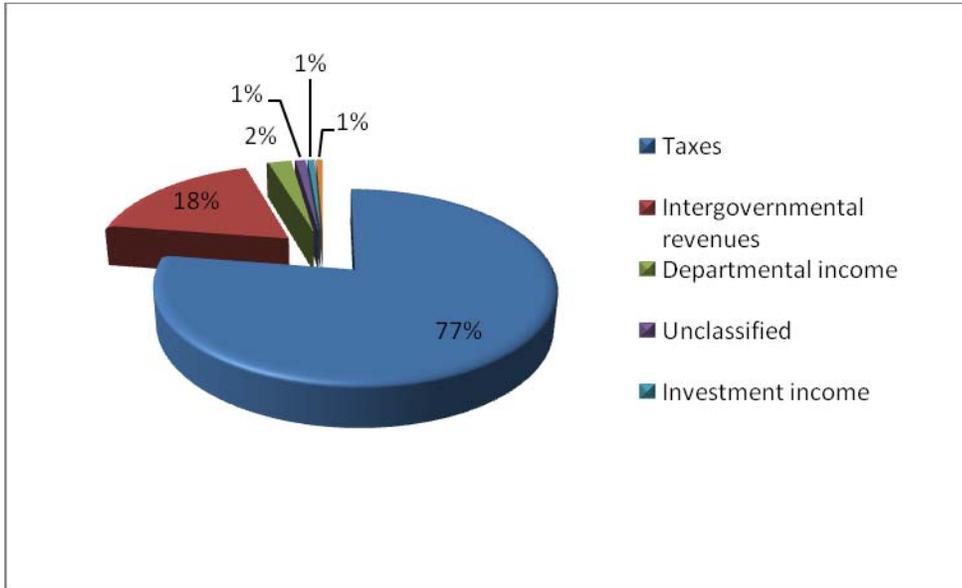
General funds. The general fund is the central operating fund of the City of Ellsworth. As stated earlier, the unassigned General Fund Balance as of June 30, 2011 was \$2,498,328 as compared to the \$2,317,114 of the previous year, or a \$181,214 increase. This positive change in fund balance can be attributable to the restatement of fund balance due to the GASB 54 implementation.

Total expenditures in the general fund increased \$513,695, or 2.8 percent, mainly due to the increase in the educational assessment. Total revenues in the General Fund, on a budgetary basis, increased from the prior year by \$2,624,530, or 14.3 percent, mainly due to the increase in the tax levy and the recording of the educational debt payment reimbursements. In 2010, the City of Ellsworth issued a School Construction Bond by Regional School Unit #24 in the name of the City of Ellsworth. The GOB is backed by the full faith and credit of the City of Ellsworth. The State of Maine Department of Education is responsible for paying 96 percent of the annual principal and interest to the Maine Municipal Bond Bank directly. The remaining four percent is paid by Regional School Unit #24. No additional programs were funded by the City in the current year, nor were any eliminated.

Management’s Discussion and Analysis - Continued

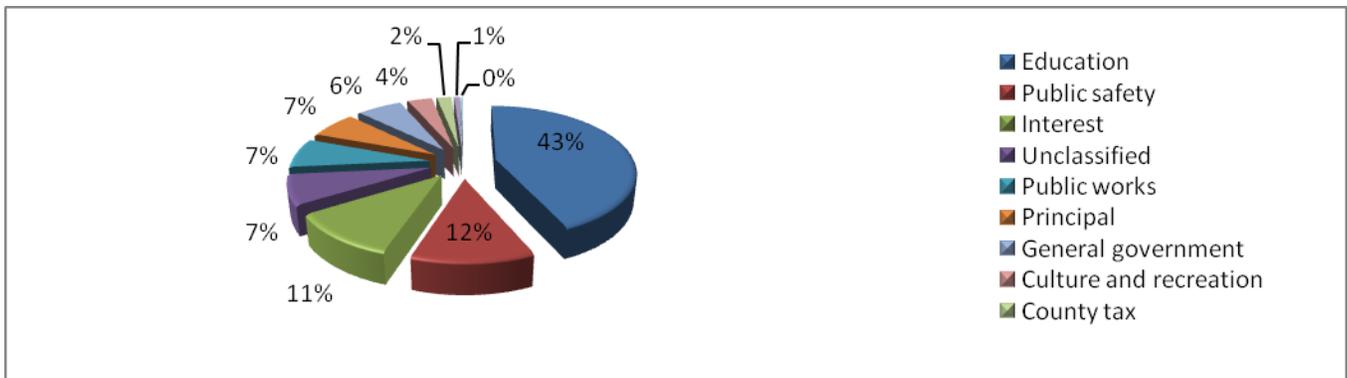
City of Ellsworth, Maine

The City’s general fund revenues were as follows:



On a budgetary basis, the total general operating revenues increased by \$2.6 million. The largest single source of revenue continues to be the property tax which increased due to the modest increase in assessed value of 1.4% which was attributable to new development and improvements within the City during the prior fiscal year. The remaining increase is from the revenue received for debt and lease payments made on behalf of Regional School Unit #24. As the Operating Fund Revenue graph demonstrates, 77% of the revenues come from taxes and 18% from intergovernmental revenues. The remaining 5% comes from Departmental Income (2%), Unclassified (1%), Investment Income (1%), and Licenses and Permits (1%).

The City’s general fund expenditures were as follows:



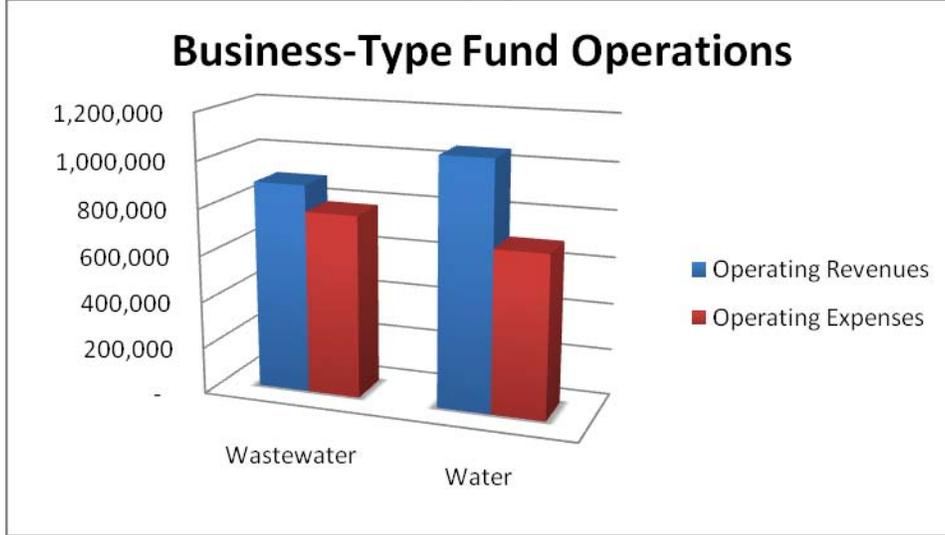
This expense graph reflects current year expenses. Education accounted for 43% of the expenses and Municipal Services represented 57% of the expenditures.

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

Business-type Activities

The two funds that are classified as proprietary funds are the Wastewater and Water.



Unrestricted net assets of the City's Wastewater fund amounted to (\$1,994,796), a decrease of \$529,903. The City's Water fund unrestricted net assets amounted to \$1,060,482, a decrease of \$516,669. However, the other two categories of net assets in these both of these funds increased.

General Fund Budgetary Highlights

The General Fund's revenues represent a variance of \$2.9 million between the original and final budget. This is mainly due to the increase of the recording of the educational debt payment reimbursements which are recorded at the end of the fiscal year and not part of the budget process.

There is a \$3.7 million variance between the original and final budget of the General Fund's expenditures. The variances are due to: 1) a \$2.85 million education debt expenditure that is recorded at the end of the fiscal year; 2) the prior year encumbrances (\$585,000) are carried forward from the prior year and added to the subsequent year's total appropriation; 3) year-end supplemental appropriations (67,000) that were authorized by the City Council and covered by unanticipated revenues, as well as coverage from other general fund budgets; and 4) Council approved expenditures (\$207,000) supported by special revenues.

The City of Ellsworth has a strong purchase policy to prevent unnecessary departmental over-expenditures. All expenditures are approved by the City Manager and the Finance Committee. Over-expenditures are normally due to overtime and other unavoidable or unanticipated circumstances.

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

Capital Assets

The City of Ellsworth's capital assets for its governmental type activities as of June 30, 2011 amounts to \$63,169,398 and \$32,239,935 for its business-type activities. This investment in capital assets includes land, buildings and improvements, vehicles, machinery and equipment, and infrastructure. The City of Ellsworth maintains a capital improvement fund for the purpose of replacing and acquiring new assets and reconstruction of infrastructure. The City maintains a ten year capital improvement plan for both governmental and business-type activities for budgetary planning of this fund.

Additional information on the City's capital assets can be found in Note C of this report.

Long-Term Liabilities

At the end of the current fiscal year, the City of Ellsworth had total long-term debt of \$58,044,979. Of this amount, \$1,970,000 is remaining on a bond for construction of the Ellsworth High School; \$4,461,959 is remaining for road construction projects, revaluation, Business Park improvements, and fire equipment; \$15,289,172 is for business-type activities. In 2010, the City of Ellsworth issued a School Construction Bond in the amount of \$36,323,848 by Regional School Unit #24 in the name of the City of Ellsworth. The State of Maine Department of Education is responsible for paying 96 percent of the annual principal and interest payments to the Maine Municipal Bond Bank directly. The remaining four percent is paid by the Regional School Unit #24.

All debt is backed by the full faith and credit of the City.

The City of Ellsworth issued \$5,392,000 in new long-term debt during the current fiscal year.

State statutes limit the amount of general obligation debt a municipality may issue to 15% of its total state assessed valuation. The current debt limitation for the City of Ellsworth is \$162,975,000 far exceeding the City's outstanding general obligation debt.

Additional information on the City's long-term liabilities can be found in Note F of this report.

Economic Factors and Next Year's Budgets and Rates

When creating the budget, the primary objective was to provide City services while at the same time attempting to keep the tax rate low.

The City of Ellsworth is the commercial center for the Downeast Region and is responsible for providing services for Hancock County and parts of Washington County. Our economic base is dependent on providing services and retail sales to the people of these regions and on tourism. Because of this, the City is not dependent on a particular business to maintain its tax base. It has been able to see a growing tax base and to experience a stable economy from business development and employment growth. However, there is a fine line between the services demanded and the services the City taxpayers can afford.

Management's Discussion and Analysis - Continued

City of Ellsworth, Maine

According to the 2010 census, the City of Ellsworth was the fastest growing city in the state of Maine. In the past decade, the City grew by 20 percent. The City has worked hard to expand and is always looking for new development opportunities.

Due to the continued uncertainty surrounding the national economy, the City Council and management has been closely following revenues, expenditures, liens, foreclosures, unemployment rates, construction, building permits, and the State of Maine budget projections.

The City continues to monitor the State economic and political climates. Changes in the formulas of State aid to education and municipal revenue sharing along with other State reimbursement programs, can have an impact on the amount of revenue the City receives therefore creating a negative impact on the City's budget.

The City continues the planning and economic development for the completion of the City's business park, traffic and housing studies, and upgrades to the City's water mains. Future projects include a continued partnership with the State of Maine DOT in traffic control, construction of a new wastewater treatment plant, continued upgrades to the City's water mains, reconstruction of local roads, the design of a new community park, and the construction of a senior center.

The City of Ellsworth received a rating review by Standard & Poor's and Moody's in June 2011. The City maintained its' AA- GO bond rating with Standard and Poors stating that "the City has a seasonal local economy with a strong commercial presence; a strong, diverse tax base and good wealth and income levels; and low debt burden, net of self-supported enterprise and state-subsidized school debt, coupled with manageable capital needs. Moody's also affirmed its rating of Aa3 based upon "...the City's diverse and growing tax base, manageable debt position, and stable financial operations". The City of Ellsworth is committed to fiscal responsibility, planning, and economic development.

For the FY 2012 budget, the City Council's goal was to minimize any tax rate increase. This goal became more challenging due to a 9.6% percent increase in the Regional School Unit #24's assessment. For the second year in a row, the City Council reduced the City's portion of the budget while the County and RSU #24 budgets increased.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of Ellsworth, Maine, One City Hall Plaza, Ellsworth, Maine 04605.

Statement of Net Assets

City of Ellsworth, Maine

As of June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 4,728,350	\$ 412,454	\$ 5,140,804
Investments	1,729,434	154,212	1,883,646
Receivables:			
Taxes receivable	40,853	-	40,853
Tax liens	884,870	-	884,870
Accounts receivable	491,426	316,771	808,197
Prepaid expenses	31,583	-	31,583
Inventory	10,104	2,882	12,986
Internal balances	475,691	(475,691)	-
Cash restricted for capital projects	-	5,486,960	5,486,960
Accounts receivable restricted for capital projects	-	2,471,789	2,471,789
Receivables for long-term obligations from RSU #24	3,374,496	-	3,374,496
Capital assets, net of accumulated depreciation	53,087,048	22,051,824	75,138,872
Total Assets	64,853,855	30,421,201	95,275,056
Liabilities			
Accounts payable	590,980	1,185,973	1,776,953
Accrued liabilities	424,070	70,639	494,709
Taxes collected in advance	80,935	-	80,935
Escrow deposit	1,700	-	1,700
Long-term liabilities:			
Portion due or payable within one year:			
Bonds payable	3,360,772	7,583,056	10,943,828
Capital lease obligations	36,772	-	36,772
Accrued compensated absences	301,000	88,330	389,330
Portion due or payable after one year:			
Bonds payable	39,395,035	7,737,947	47,132,982
Accrued compensated absences	301,000	-	301,000
Other postemployment benefits obligation	266,102	-	266,102
Total Liabilities	44,758,366	16,665,945	61,424,311
Net Assets			
Invested in capital assets, net of related debt	10,294,469	6,730,821	17,025,290
Restricted			
Nonexpendable principal	636,751	-	636,751
Restricted for capital projects	-	7,958,749	7,958,749
Unrestricted	9,164,269	(934,314)	8,229,955
Total Net Assets	\$ 20,095,489	\$ 13,755,256	\$ 33,850,745

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

Statement of Activities

City of Ellsworth, Maine

For the Year Ended June 30, 2011

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 1,277,144	\$ 298,317	\$ -	\$ -	\$ (978,827)		\$ (978,827)	
Public safety	2,584,403	152,107	-	-	(2,432,296)		(2,432,296)	
Municipal buildings	231,336	-	-	-	(231,336)		(231,336)	
Culture and recreation	662,864	1,200	14,263	-	(647,401)		(647,401)	
General assistance	43,780	-	-	-	(43,780)		(43,780)	
Public works	1,874,784	157,830	98,000	-	(1,618,954)		(1,618,954)	
County tax	390,328	-	-	-	(390,328)		(390,328)	
Education	8,980,058	-	-	-	(8,980,058)		(8,980,058)	
Unclassified	1,800,548	-	-	778,544	(1,022,004)		(1,022,004)	
Interest on long-term debt	1,865,947	-	-	-	(1,865,947)		(1,865,947)	
Total Governmental Activities	19,711,192	609,454	112,263	778,544	(18,210,931)		(18,210,931)	
Business-type Activities:								
Wastewater	784,013	847,683	-	381,277	-	\$ 444,947	444,947	
Water	695,249	1,054,262	-	127,414	-	486,427	486,427	
Total Business-type Activities	1,479,262	1,901,945	-	508,691	-	931,374	931,374	
Total Primary Government	\$21,190,454	\$ 2,511,399	\$ 112,263	\$ 1,287,235	(18,210,931)	931,374	(17,279,557)	
General revenues:								
Property taxes					14,982,086	-	14,982,086	
Excise and other taxes					1,228,531	-	1,228,531	
Intergovernmental revenues					3,125,819	-	3,125,819	
Unclassified					334,691	51,518	386,209	
Investment income					264,559	(50,776)	213,783	
					Total General Revenues			
					19,935,686	742	19,936,428	
					Change in Net Assets	1,724,755	932,116	2,656,871
Net assets at beginning of year, as previously stated					18,975,832	-	-	
Prior period adjustment					(605,098)	-	-	
Net assets at beginning of year, restated					18,370,734	12,823,140	31,193,874	
					Net Assets at End of Year	\$20,095,489	\$13,755,256	\$33,850,745

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

Balance Sheet - Governmental Funds

City of Ellsworth, Maine

As of June 30, 2011

	General Fund	Capital Projects Fund	School Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 4,229,592	\$ -	\$ 403,532	\$ 95,226	\$ 4,728,350
Investments	973,784	-	-	755,650	1,729,434
Receivables:					
Taxes receivable	40,853	-	-	-	40,853
Tax liens	884,870	-	-	-	884,870
Accounts receivable	283,216	-	-	208,210	491,426
Prepaid expenses	31,583	-	-	-	31,583
Other assets	10,104	-	-	-	10,104
Due from other funds	2,107,720	2,420,857	-	56,389	4,584,966
Total Assets	\$ 8,561,722	\$ 2,420,857	\$ 403,532	\$ 1,115,475	\$ 12,501,586
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 299,907	\$ 257,110	\$ 33,512	\$ 451	\$ 590,980
Accrued liabilities	140,070	-	-	-	140,070
Taxes collected in advance	80,935	-	-	-	80,935
Deferred tax revenue	820,000	-	-	-	820,000
Escrow deposit	1,700	-	-	-	1,700
Due to other funds	3,244,366	-	-	864,909	4,109,275
Total Liabilities	4,586,978	257,110	33,512	865,360	5,742,960
Fund Balances					
Nonspendable					
General fund	41,687	-	-	-	41,687
Permanent	-	-	-	636,751	636,751
Restricted					
Capital projects	-	2,163,747	370,020	-	2,533,767
Special revenues	-	-	-	164,739	164,739
Permanent	-	-	-	185,634	185,634
Assigned					
General fund	1,434,729	-	-	-	1,434,729
Unassigned					
General fund	2,498,328	-	-	-	2,498,328
Special revenues	-	-	-	(737,009)	(737,009)
Total Fund Balances	3,974,744	2,163,747	370,020	250,115	6,758,626
Total Liabilities and Fund Balances	\$ 8,561,722	\$ 2,420,857	\$ 403,532	\$ 1,115,475	\$ 12,501,586

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

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets**

City of Ellsworth, Maine

As of June 30, 2011

Total Fund Balances - Governmental Funds \$ 6,758,626

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Property tax revenues are presented on the modified accrual basis
of accounting in the governmental funds but in the Statement of
Activities, property tax revenue is reported under the accrual method.
The balance in deferred property tax revenue in the governmental
funds as a liability is: 820,000

Long-term assets are not available in the current period and therefore
are not reported as assets in the funds. The Receivable for long-term
obligations from RSU #24 at year-end was: 3,374,496

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in governmental
funds. The cost of capital assets, net of accumulated depreciation is: 53,087,048

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds. Long-term
debt and related liabilities at year-end consist of:

Bonds and notes payable	\$ (42,755,807)	
Capital lease obligations	(36,772)	
Other postemployment benefits obligation	(266,102)	
Accrued compensated absences	(602,000)	
Accrued interest payable	<u>(284,000)</u>	
		<u>(43,944,681)</u>

Total Net Assets - Governmental Activities \$ 20,095,489

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

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	General Fund	Capital Projects Fund	School Construction	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 15,790,025	\$ -	\$ -	\$ 580,592	\$ 16,370,617
Licenses and permits	132,375	-	-	-	132,375
Intergovernmental revenues	3,648,715	101,000	677,544	297,191	4,724,450
Departmental income	477,079	-	-	-	477,079
Unclassified	206,398	-	-	132,293	338,691
Investment income	137,719	-	20,772	106,068	264,559
Total Revenues	20,392,311	101,000	698,316	1,116,144	22,307,771
Expenditures					
Current:					
General government	1,192,398	-	-	-	1,192,398
Public safety	2,255,099	-	-	188,089	2,443,188
Municipal buildings	167,919	-	-	-	167,919
Culture and recreation	651,533	-	-	-	651,533
General assistance	43,780	-	-	-	43,780
Public works	1,376,658	-	-	500	1,377,158
County tax	390,328	-	-	-	390,328
Education	8,303,154	-	-	-	8,303,154
Unclassified	1,387,840	-	-	152,410	1,540,250
Debt service:					
Principal	1,255,991	-	-	-	1,255,991
Interest	2,121,947	-	-	-	2,121,947
Capital outlays	-	2,781,650	1,162,405	40,727	3,984,782
Total Expenditures	19,146,647	2,781,650	1,162,405	381,726	23,472,428
Revenues Over (Under) Expenditures	1,245,664	(2,680,650)	(464,089)	734,418	(1,164,657)
Other Financing Sources (Uses)					
Operating transfers in	339,569	1,555,488	-	6,283	1,901,340
Operating transfers out	(1,559,771)	-	-	(341,569)	(1,901,340)
Proceeds from debt obligations	-	1,892,000	-	-	1,892,000
Total Other Financing Sources (Uses)	(1,220,202)	3,447,488	-	(335,286)	1,892,000
Revenues and Other Sources Over (Under) Expenditures and Other Uses	25,462	766,838	(464,089)	399,132	727,343
Fund balances (deficits) at beginning of year	3,949,282	1,396,909	834,109	(149,017)	6,031,283
Fund Balances (Deficits) at End of Year	\$ 3,974,744	\$ 2,163,747	\$ 370,020	\$ 250,115	\$ 6,758,626

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

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

City of Ellsworth, Maine

As of June 30, 2011

Net Change in Fund Balances - Total Governmental Funds		\$ 727,343
Amounts reported for governmental activities in the Statement of Activities are different because:		
Property tax revenues are presented on the modified accrual basis of accounting in the governmental funds but in the Statement of Activities, property tax revenue is reported under the accrual method. The current year change in deferred property tax revenue reported in the governmental funds and not in the Statement of Activities is:		(160,000)
Governmental funds report the long-term obligation payments made by RSU #24 on behalf of the City as revenues. However, in the Statement of Activities, these amounts are reported as a reduction of the receivable from RSU #24 .		(707,824)
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differed from capital asset additions in the current period:		
Capital asset additions	\$ 3,800,960	
Depreciation expense	<u>(1,363,166)</u>	
		2,437,794
Governmental funds report the sale of capital assets as revenues. However, in the Statement of Activities, the sale of those assets is recognized as a gain or loss, depending on the sale and accumulated depreciation amounts.		
Proceeds from disposal of capital assets	(4,000)	
Gain (loss) on disposal of capital assets	<u>(86,500)</u>	
		(90,500)
Bond proceeds, issuance of long-term debt and entering into capital lease obligations provide current resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments differed from proceeds and additions to capital lease obligations in the current period:		
Proceeds from debt obligation	(1,892,000)	
Principal portion of debt service payments	1,255,991	
Reductions in capital lease obligations	<u>74,827</u>	
		(561,182)
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Change in OPEB obligation	(76,476)	
Change in accrued compensated absences	(100,400)	
Change in accrued interest payable	<u>256,000</u>	
		<u>79,124</u>
Change in Net Assets of Governmental Activities		\$ <u>1,724,755</u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund**

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes	\$ 16,136,447	\$ 16,203,361	\$ 16,370,617	\$ 167,256
Licenses and permits	140,500	140,500	132,375	(8,125)
Intergovernmental revenues	813,580	3,544,063	3,648,715	104,652
Departmental income	435,900	545,282	477,079	(68,203)
Unclassified	140,239	145,522	188,427	42,905
Investment income	100,000	100,000	115,908	15,908
Total Revenues	17,766,666	20,678,728	20,933,121	254,393
Expenditures				
Current:				
General government	1,227,801	1,272,587	1,192,398	80,189
Public safety	2,149,009	2,276,344	2,255,099	21,245
Municipal buildings	171,230	178,066	167,919	10,147
Culture and recreation	690,572	690,682	651,533	39,149
General assistance	41,688	44,188	43,780	408
Public works	1,503,080	1,515,004	1,376,658	138,346
County tax	390,328	390,328	390,328	-
Education	8,001,254	8,553,154	8,303,154	250,000
Unclassified	1,252,253	1,359,811	1,366,965	(7,154)
Debt service:				
Principal	482,728	1,255,991	1,255,991	-
Interest	50,000	2,122,320	2,121,947	373
Total Expenditures	15,959,943	19,658,475	19,125,772	532,703
Revenues Over (Under) Expenditures	1,806,723	1,020,253	1,807,349	787,096
Other Financing Sources (Uses)				
Operating transfers in	139,569	339,569	339,569	-
Operating transfers out	(1,925,542)	(2,057,868)	(2,057,868)	-
Transfers (to) from assigned fund balances	(20,000)	(13,089)	(54,282)	(41,193)
Utilization of assigned fund balance	142,451	269,259	-	(269,259)
Utilization of unassigned fund balance	-	585,077	-	(585,077)
Total Other Financing Sources (Uses)	(1,663,522)	(877,052)	(1,772,581)	(895,529)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 143,201	\$ 143,201	34,768	\$ (108,433)
Budgetary fund balance at beginning of year			<u>2,856,108</u>	
Budgetary Fund Balance at End of Year			<u>\$ 2,890,876</u>	

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

Statement of Net Assets
Proprietary Funds - Enterprise Funds

City of Ellsworth, Maine

As of June 30, 2011

	Waste- water	Water	Total
Assets			
Current Assets			
Cash	\$ 27,921	\$ 384,533	\$ 412,454
Investments	152,212	2,000	154,212
Accounts receivable - trade	274,555	31,043	305,598
Liens receivable	11,173	-	11,173
Inventory	2,882	-	2,882
Due from other funds	-	767,120	767,120
Total Current Assets	<u>468,743</u>	<u>1,184,696</u>	<u>1,653,439</u>
Noncurrent Assets			
Property, plant and equipment, net	11,654,981	10,396,843	22,051,824
Cash restricted for capital projects	5,486,960	-	5,486,960
Accounts receivable restricted for capital projects	2,471,789	-	2,471,789
Deferred charges	-	-	-
Total Noncurrent Assets	<u>19,613,730</u>	<u>10,396,843</u>	<u>30,010,573</u>
Total Assets	<u>20,082,473</u>	<u>11,581,539</u>	<u>31,664,012</u>
Liabilities			
Current Liabilities			
Accounts payable	1,157,031	28,942	1,185,973
Accrued liabilities	63,697	95,272	158,969
Due to other funds	1,242,811	-	1,242,811
Current portion of bonds and notes payable	7,091,523	491,533	7,583,056
Total Current Liabilities	<u>9,555,062</u>	<u>615,747</u>	<u>10,170,809</u>
Noncurrent Liabilities			
Bonds and notes payable	4,246,312	3,491,635	7,737,947
Total Noncurrent Liabilities	<u>4,246,312</u>	<u>3,491,635</u>	<u>7,737,947</u>
Total Liabilities	<u>13,801,374</u>	<u>4,107,382</u>	<u>17,908,756</u>
Net Assets			
Invested in capital assets, net of related debt	317,146	6,413,675	6,730,821
Restricted for capital projects - expendable	7,958,749	-	7,958,749
Unrestricted	(1,994,796)	1,060,482	(934,314)
Total Net Assets	<u>\$ 6,281,099</u>	<u>\$ 7,474,157</u>	<u>\$ 13,755,256</u>

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

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds - Enterprise Funds**

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Waste- water	Water	Total
Operating Revenues			
Charges for services	\$ 847,683	\$ 1,054,262	\$ 1,901,945
Miscellaneous	47,592	3,926	51,518
Total Operating Revenues	<u>895,275</u>	<u>1,058,188</u>	<u>1,953,463</u>
Operating Expenses			
Personnel	283,185	251,001	534,186
Contract services	8,632	29,464	38,096
Supplies, maintenance and repairs	178,539	117,805	296,344
Utilities	107,875	-	107,875
Miscellaneous	19,687	103,743	123,430
Depreciation	186,095	193,236	379,331
Total Operating Expenses	<u>784,013</u>	<u>695,249</u>	<u>1,479,262</u>
Operating Income (Loss)	111,262	362,939	474,201
Nonoperating Revenues (Expenses)			
Investment income	84,704	9,818	94,522
Interest expense	(75,105)	(70,193)	(145,298)
Total Nonoperating Revenues (Expenses)	<u>9,599</u>	<u>(60,375)</u>	<u>(50,776)</u>
Income (Loss) Before Other Revenues and Transfers	120,861	302,564	423,425
Other Revenues and Transfers			
Capital contributions	381,277	127,414	508,691
Transfers	-	-	-
Other Revenues and Transfers	<u>381,277</u>	<u>127,414</u>	<u>508,691</u>
Change in Net Assets	502,138	429,978	932,116
Net assets at beginning of year	<u>5,778,961</u>	<u>7,044,179</u>	<u>12,823,140</u>
Net Assets at End of Year	<u>\$ 6,281,099</u>	<u>\$ 7,474,157</u>	<u>\$ 13,755,256</u>

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

Statement of Cash Flows
Proprietary Funds - Enterprise Funds

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Waste- water	Water	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 849,474	\$ 1,051,269	\$ 1,900,743
Payments to suppliers	(423,503)	(244,205)	(667,708)
Payments to employees	(253,277)	(227,172)	(480,449)
Net Cash Provided by Operating Activities	<u>172,694</u>	<u>579,892</u>	<u>752,586</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(4,180,754)	(2,382,092)	(6,562,846)
Proceeds from bonds	3,500,000	-	3,500,000
Interest paid on bonds and notes	(75,105)	(70,193)	(145,298)
Advances from (to) other funds	(395,075)	1,325,158	930,083
Proceeds from capital contributions	335,173	914,569	1,249,742
Payment of deferred charges	15,531	-	15,531
Principal payments on interfund advance	(21,100)	-	(21,100)
Principal payments on bonds and notes	(335,940)	(435,033)	(770,973)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,157,270)</u>	<u>(647,591)</u>	<u>(1,804,861)</u>
Cash Flows from Investing Activities			
(Purchase) sale of investments	(35,856)	1,612	(34,244)
Investment income	84,704	9,818	94,522
Net Cash Provided by Investing Activities	<u>48,848</u>	<u>11,430</u>	<u>60,278</u>
	Decrease in Cash	(935,728)	(56,269)
Cash at beginning of year	6,450,609	440,802	6,891,411
	Cash at End of Year	<u>\$ 5,514,881</u>	<u>\$ 384,533</u>
		<u>\$ 5,899,414</u>	<u>\$ 5,899,414</u>
Summary of Cash Balances Reported in the Statement of Net Assets:			
Cash	\$ 27,921	\$ 384,533	\$ 412,454
Cash restricted for capital projects	5,486,960	-	5,486,960
	<u>\$ 5,514,881</u>	<u>\$ 384,533</u>	<u>\$ 5,899,414</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 111,262	\$ 362,939	\$ 474,201
Adjustment to reconcile changes in operating income to net cash provided by operating activities:			
Depreciation	186,095	193,236	379,331
(Increase) Decrease in operating assets:			
Accounts receivable	(52,361)	(6,919)	(59,280)
Liens receivable	6,560	-	6,560
Prepaid expenses	313	-	313
Inventory	902	8,821	9,723
Increase (Decrease) in operating liabilities:			
Accounts payable	(109,985)	(2,014)	(111,999)
Accrued liabilities	29,908	23,829	53,737
Net Cash Provided by Operating Activities	<u>\$ 172,694</u>	<u>\$ 579,892</u>	<u>\$ 752,586</u>
Non-Cash Investing and Financing Activities			
Debt forgiven	\$ 129,855	\$ -	\$ 129,855

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

**Statement of Fiduciary Net Assets
Fiduciary Funds**

City of Ellsworth, Maine

As of June 30, 2011

	Agency Funds	Private-purpose Trusts
	<u> </u>	<u> </u>
Assets		
Cash	\$ -	\$ 38,563
Investments	204,880	512,907
Accounts receivable	-	58,278
	<u>204,880</u>	<u>609,748</u>
Total Assets	204,880	609,748
 Liabilities		
Held for cemetery association	204,880	-
	<u>204,880</u>	<u>-</u>
Total Liabilities	204,880	-
 Net Assets		
Held in trust	-	609,748
	<u>-</u>	<u>609,748</u>
Total Net Assets	<u>\$ -</u>	<u>\$ 609,748</u>

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

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds**

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	<u>Private-purpose Trusts</u>
Additions:	
Interest income	\$ 9,954
Increase (decrease) in investment fair market value	97,373
Donations and other	<u>43,282</u>
Total Additions	150,609
Deductions:	
Library	56,807
Scholarships	<u>-</u>
Total Deductions	56,807
Special Item:	
Transfer McCarty Scholarship back to donors	<u>(7,965)</u>
Change in Net Assets	85,837
Net assets at beginning of year	<u>523,911</u>
Net Assets at End of Year	\$ <u>609,748</u>

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

Notes to Financial Statements

City of Ellsworth, Maine

Note A - Summary of Significant Accounting Policies

The City of Ellsworth, Maine (the City) operates under an elected City Council and City Manager form of government. The City's major operations include public safety, culture and recreation, public works, education and general administrative services. In addition, the City operates water and wastewater systems.

The accounting policies of the City conform to United States 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 City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Financial Reporting Entity

The basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in GAAP include whether:

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

Based on the aforementioned criteria, the City has no component units.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note A - Summary of Significant Accounting Policies - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization as stipulated by the specific trust instrument.

Proprietary (Business-type) Activities

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

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note A - Summary of Significant Accounting Policies - Continued

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary Funds (not included in Government-wide statements)

The City's fiduciary funds are presented in the fiduciary fund statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the Government-wide statements.

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and/or other government units. *Private Purpose Trust Funds* report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The reporting focus is on net assets for agency funds and the changes in net assets for private purpose funds; both are reported using accounting principles similar to proprietary funds. The Board of Trustees of the Ellsworth Public Library has sole discretion over the investment and expenditure of the Library Funds private purpose trust.

Major Governmental Funds:

The City reports the General Fund as a major fund. This fund reports the operations of the City, essentially all financial resources and activities of the general government.

The City reports the Capital Projects Fund as a major fund. This fund reports all capital outlays of the City, except for those required to be reported in another fund.

The City reports the School Construction Fund as a major fund capital project fund. This fund reports all capital outlays related to the construction of school facilities.

Major Proprietary Funds:

The City reports the Wastewater Fund as a major fund. This fund reports the operations and capital expenditures of the City sewer system.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note A - Summary of Significant Accounting Policies - Continued

The City reports the Water Fund as a major fund. This fund reports the operations and capital expenditures of the City water supply system.

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 is related to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

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

Modified Accrual

Governmental funds 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 within 60 days after year end. Revenues susceptible to accrual include property taxes, excise and other taxes, intergovernmental revenues, investment income, charges for services, and grants. 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 is recognized when due.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The City'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.

Investments

The City follows GASBS No. 31, Accounting and Reporting of Certain Investments and External Investment Pools. Under GASBS No. 31, certain investments held by governments are reported at their fair value in the balance sheet. Unrealized gains and losses are included in the statement of revenues, expenditures and changes in fund balance.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase. Inventories consisting of supplies for the Water and Wastewater proprietary funds are accounted for at the lower of cost or market on a first-in, first-out (FIFO) basis.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note A - Summary of Significant Accounting Policies - Continued

Taxes, Liens, and Accounts Receivable

At June 30, 2011 management has estimated that there was no need for an allowance for uncollectible taxes, liens, and accounts receivable.

Capital Assets

In the government-wide financial statements and in proprietary funds in the fund financial statements, capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: buildings and improvements, 50 years; infrastructure, 25 to 60 years; and vehicles, furniture and equipment, 5 to 20 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

Compensated Absences

Under the terms of the City's personnel policies, paid leave is granted in varying amounts according to length of service. Employees are entitled to payment for unused vacation upon termination or retirement. The City accrues unpaid vacation and sick leave when earned (or estimated to be earned) by the employee in the government-wide financial statements. Unused vacation is expensed in the governmental financial statements when termination or retirement of the employee occurs.

Long-Term Obligations

In the government-wide financial statements and in proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note A - Summary of Significant Accounting Policies - Continued

Budget

The City's policy is to adopt an annual budget for the General Fund, which is prepared on a basis consistent with generally accepted accounting principles (GAAP) with modifications as described in Note H. The City does not adopt budgets for special revenue funds. The following procedures are followed in establishing budgetary data reflected in the financial statements:

- Not later than one month before the end of the fiscal year, the City Manager submits to the City Council budget estimates for the ensuing year.
- As early as practicable after the beginning of the fiscal year the City Council passes an annual appropriation resolve. The total amount appropriated shall not exceed estimated revenues.
- Periodically the Council may adopt changes to the originally adopted annual appropriation resolve.

Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund loan receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide presentation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. Since not all funds maintain a separate cash account, cash is pooled in the General Fund cash account and activity for individual funds are recorded through the General Fund and each respective individual fund through the recognition of a "due to/due from" as appropriate. The due to/from other funds balances are subject to elimination upon consolidation in the government-wide presentation. All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Revenue Recognition - Property Taxes

The City's property tax for the current year was levied July 29, 2010, on the assessed value listed as of April 1, 2010, for all real and personal property located in the City. Taxes were due September 9, 2010 and March 10, 2011. Interest on unpaid taxes commenced on September 10, 2010 and March 11, 2011, at 5% 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 City 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 \$143,201 for the year ended June 30, 2011.

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

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note A - Summary of Significant Accounting Policies - Continued

Government-wide Fund Net Assets

Government-wide net assets are divided into three components:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net assets - consist of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - All other net assets are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed through constitutional provisions or enabling legislation.

Committed - resources which are subject to limitations the government imposes upon itself at its highest level of design making, the City Council, and that remain binding unless removed in the same manner.

Assigned - resources neither restricted nor committed for which a government has a stated intended use as established by the City Council or a body or official to which the Council has designated the authority to assign amounts for specific purposes.

Unassigned - resources which cannot be properly classified in one of the other four categories.

Use of Restricted Resources

The City has no formal fund balance policy but adopted a policy subsequent to year-end. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

New Accounting Pronouncements

During the year ended June 30, 2011 the City implemented Governmental Accounting Standards Board Statement (GASBS) No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Certain prior year fund balance amounts have been restated to reflect the provisions of GASBS No. 54.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note B - Cash and Investments

The City conducts all its banking and investment transactions with depository banks and investment firms.

Custodial Credit Risk

At June 30, 2011, the carrying amount of the City's deposits was \$10,666,327 and the bank balance was \$12,102,288. The difference between these balances relates to deposits in transit, outstanding checks and cash on hand at year-end. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. In accordance with the City's deposit policy on custodial credit risk all deposits are to be invested with institutions insured by the FDIC or FSLIC. If deposits with these institutions have balances above insurance limits, collateralization agreements are required. At June 30, 2011, \$11,517,441 of the City's bank balance of \$12,102,288 was exposed to credit risk as the balances were uninsured. These balances were collateralized with the collateral held by the pledging bank's trust department in the City's name.

Investments

Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, certain corporate stocks, bonds and mutual funds.

Interest Rate Risk

In accordance with the City's investment policy, excluding reserve and trust investments, investment maturities shall be less than one year. At June 30, 2011, the City had the following investments and maturities:

Investment Types	Fair Value	Not Applicable	Maturity		
			Less than 1 year	1-5 years	More than 5 years
U.S. Government bonds	\$ 874,611	\$ -	\$ -	\$ 598,755	\$ 275,856
Corporate bonds	633,691	-	41,094	406,465	186,132
Common stock	497,823	497,823	-	-	-
Mutual funds	595,308	595,308	-	-	-
	<u>\$2,601,433</u>	<u>\$ 1,093,131</u>	<u>\$ 41,094</u>	<u>\$ 1,005,220</u>	<u>\$ 461,988</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the City's investment policy, the securities are required to be held by a third party custodian. At June 30, 2011, \$2,427,493 of the City's investments was held by third-party custodians but not in the name of the City.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note B - Cash and Investments - Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the City's investment policy, credit risk is minimized by only holding investments authorized by State statutes. At June 30, 2011, the City had the following credit quality distribution in debt securities:

<u>Standard & Poor Rating</u>	<u>Fair Value</u>
AAA	\$ -
AA+	150,852
AA	64,192
AA-	115,109
A+	105,473
A	92,752
A-	105,313
Total debt securities	<u>\$ 633,691</u>
Bond mutual fund (not rated)	<u>\$ 235,543</u>

Concentration of Credit Risk

In accordance with the City's investment policy, concentration of credit risk is minimized by diversifying investments held. As of June 30, 2011 the City held individually \$173,893 of Camden National Corporation common stock, which represented more than 5% of total investments.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note C - Capital Assets

A summary of capital assets transactions for the year ended June 30, 2011 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired/ Completed</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 1,486,029	\$ 251,381	\$ -	\$ 1,737,410
Construction in progress	35,278,172	1,173,452	35,805,316	646,308
Depreciable Assets:				
Buildings and improvements	5,643,342	36,274,211	161,372	41,756,181
Vehicles, furniture, and equipment	4,133,802	1,020,203	362,000	4,792,005
Infrastructure	13,350,465	887,029	-	14,237,494
Totals at historical cost	59,891,810	39,606,276	36,328,688	63,169,398
Less accumulated depreciation:				
Buildings and improvements	2,598,822	832,595	161,372	3,270,045
Vehicles, furniture, and equipment	1,904,517	238,822	271,500	1,871,839
Infrastructure	4,648,717	291,749	-	4,940,466
Total accumulated depreciation	9,152,056	1,363,166	432,872	10,082,350
Capital Assets, Net	<u>\$ 50,739,754</u>	<u>\$ 38,243,110</u>	<u>\$ 35,895,816</u>	<u>\$ 53,087,048</u>
Business-type Activities:				
Non-Depreciable Assets:				
Land	\$ 841,463	\$ -	\$ -	\$ 841,463
Conservaton easement	836,836	15,000	-	851,836
Construction in progress	5,246,182	5,111,696	1,359,393	8,998,485
Depreciable Assets:				
Wastewater items	10,832,109	200,000	-	11,032,109
Water items	9,028,945	1,487,097	-	10,516,042
Totals at historical cost	26,785,535	6,813,793	1,359,393	32,239,935
Less accumulated depreciation:				
Wastewater items	6,941,231	186,095	-	7,127,326
Water items	2,867,549	193,236	-	3,060,785
Total accumulated depreciation	9,808,780	379,331	-	10,188,111
Capital Assets, Net	<u>\$ 16,976,755</u>	<u>\$ 6,434,462</u>	<u>\$ 1,359,393</u>	<u>\$ 22,051,824</u>

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note C - Capital Assets - Continued

Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$	73,546
Public safety		100,415
Municipal buildings		63,417
Education		724,728
Culture and recreation		3,731
Public works		397,329

Total governmental activities depreciation expense \$ 1,363,166

Business-type Activities:

Wastewater	\$	186,095
Water		193,236

Total business-type activities depreciation expense \$ 379,331

In addition, a total of \$95,141 in interest, net of amortized bond premium, was capitalized as part of construction in progress under Business-type Activities.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note D - Interfund Receivables and Payables

Interfund balances at June 30, 2011 consisted of the following fund receivables and payables:

	<u>Due From</u>	<u>Due To</u>	
Governmental Activities:			
General Fund:			
Capital Projects Fund	\$ -	\$ (2,420,857)	
Special Revenues	864,909	(56,389)	
Wastewater Fund	1,242,811	-	
Water Fund	-	(767,120)	
	<u>2,107,720</u>	<u>(3,244,366)</u>	\$ (1,136,646)
Capital Projects Fund:			
General Fund	<u>2,420,857</u>	-	
	<u>2,420,857</u>	-	2,420,857
Special Revenues Fund:			
General Fund	<u>56,389</u>	<u>(864,909)</u>	
	<u>56,389</u>	<u>(864,909)</u>	<u>(808,520)</u>
Net Governmental Activities			<u><u>\$ 475,691</u></u>
 Business-type Activities:			
Enterprise Funds:			
Wastewater Fund:			
General Fund	<u>\$ -</u>	<u>\$ (1,242,811)</u>	
	<u>-</u>	<u>(1,242,811)</u>	(1,242,811)
Water Fund:			
General Fund	<u>767,120</u>	-	
	<u>767,120</u>	-	<u>767,120</u>
Net Business-type Activities			<u><u>\$ (475,691)</u></u>

All interfund balances resulted from the City pooling cash in the General Fund for other funds disclosed above, for greater efficiency and physical control, with each fund having an interest in the pooled cash account and reporting its interest in its balance sheet and statement of net assets.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note E - Interfund Transfers

Interfund transfers for the year ended June 30, 2011 consisted of the following amounts:

	<u>Transfers In</u>	<u>Transfers Out</u>	
Governmental Activities:			
General Fund:			
Capital Projects Fund	\$ -	\$ (1,553,488)	
Special Revenues	<u>339,569</u>	<u>(6,283)</u>	
	<u>339,569</u>	<u>(1,559,771)</u>	\$ (1,220,202)
Capital Projects Fund:			
General Fund	1,553,488	-	
Special Revenues	<u>2,000</u>	-	
	<u>1,555,488</u>	-	1,555,488
Special Revenues Fund:			
General Fund	6,283	(339,569)	
Capital Project Fund	<u>-</u>	<u>(2,000)</u>	
	<u>6,283</u>	<u>(341,569)</u>	<u>(335,286)</u>
Net Governmental Activities			\$ -
 Business-type Activities:			
Enterprise Funds:			
	<u>-</u>	<u>-</u>	<u>-</u>
Net Business-type Activities			\$ -

Transfers are used to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note F - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning			Ending	Amounts
Governmental Activities:	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
General obligation debt	\$ 42,119,798	\$ 1,892,000	\$ 1,255,991	\$ 42,755,807	\$ 3,360,772
Capital lease obligations	111,599	-	74,827	36,772	36,772
Other postemployment retirement obligations	189,626	89,776	13,300	266,102	-
Accrued compensated absences	<u>501,600</u>	<u>307,300</u>	<u>206,900</u>	<u>602,000</u>	<u>301,000</u>
Total Governmental	<u>\$ 42,922,623</u>	<u>\$ 2,289,076</u>	<u>\$ 1,551,018</u>	<u>\$ 43,660,681</u>	<u>\$ 3,698,544</u>
Business-type Activities:					
Bonds payable	\$ 12,506,247	\$ 3,500,000	\$ 717,075	\$ 15,289,172	\$ 7,551,227
Interfund advance	21,100	-	21,100	-	-
Accrued compensated absences	<u>79,925</u>	<u>33,330</u>	<u>24,925</u>	<u>88,330</u>	<u>88,330</u>
Total Business-type	<u>\$ 12,607,272</u>	<u>\$ 3,533,330</u>	<u>\$ 763,100</u>	15,377,502	<u>\$ 7,639,557</u>
				<u>31,831</u>	
				<u>\$ 15,409,333</u>	

Add: Unamortized bond premiums

31,831
\$ 15,409,333

Long-term Debt:

At June 30, 2011, bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
1993 General Obligation Bond for school construction with U.S. Bank due in annual payments ranging from \$655,000 to \$710,000 through May 2014 with interest ranging from 4.75% to 5.25%.	\$ 1,970,000	\$ -
2001 General Obligation Bond for the Business Park improvements and water improvements with U.S. Bank due in annual payments ranging from \$165,000 to \$335,000 through October 2011 with interest ranging from 3.50% to 4.30%.	75,000	90,000
2006 General Obligation Bond for Myrick Street construction, High Street construction, revaluation, and wastewater improvements with Bank of New York due in annual principal payments of \$290,000 plus interest ranging from 3.5% - 4.0% through April 2016.	1,287,500	162,500

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note F - Long-Term Liabilities - Continued

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2006 General Obligation Water Bond with Maine Municipal Bond Bank due in annual principal payments of \$8,486 through April 2025. Non-interest bearing.	-	118,797
2008 General Obligation Water Bond with Maine Municipal Bond Bank due in annual principal payments of \$16,083 through October 2017. Non-interest bearing.	-	112,577
2008 General Obligation Water Bond with Maine Municipal Bond Bank due in annual principal payments of \$14,956 through April 2028. Non-interest bearing.	-	254,252
2009 General Obligation Wastewater Bond with Maine Municipal Bond Bank due in semi-annual principal payments of \$29,843 and administration and management fees of \$16,942 through April 2029. Non-interest bearing. In addition, \$806,266 was forgiven at closing.	-	1,074,359
2010 General Obligation Bonds due in annual principal payments beginning at \$474,000 plus interest ranging from 2.00% to 2.75% through April 2020.	1,207,459	1,892,541
2010 General Obligation Bonds with Maine Municipal Bond Bank due in annual principal payments of \$151,500 plus interest at 1% through October 2020.	-	1,515,000
2010 General Obligation Bonds with Maine Municipal Bond Bank due in annual principal payments of \$71,985 plus interest ranging from 5.61% to 2.11% through November 2029.	1,367,724	-
2010 General Obligation Bonds with Maine Municipal Bond Bank due in annual principal payments of \$1,839,796 plus interest at 6% through November 2029.	34,956,124	-

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note F - Long-Term Liabilities - Continued

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2010 General Obligation Bond Anticipation Notes due December 2011 plus interest at 2% .	-	6,699,000
2011 General Obligation Bonds due in annual principal payments ranging from \$185,000 to \$192,000 plus interest ranging from 1.50% to 2.65% through April 2021.	1,892,000	-
2011 General Obligation Bonds with Maine Municipal Bond Bank due in annual principal payments ranging from \$68,507 to \$268,507 plus interest ranging from 0.00% to 1.22% and fees ranging from \$3,446 to \$65,925 through October 2030.	-	3,370,146
Total bonds payable outstanding	<u>\$ 42,755,807</u>	<u>\$ 15,289,172</u>

The annual requirements to amortize bonds payable are as follows:

Year ending June 30,	Governmental		Business-type		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 3,360,772	\$ 1,595,309	\$ 7,551,227	\$ 198,036	\$ 12,705,344
2013	3,278,773	1,442,852	762,226	122,248	5,606,099
2014	3,283,773	1,284,462	762,226	97,417	5,427,878
2015	2,633,773	1,154,045	762,226	86,952	4,636,996
2016	2,493,773	1,074,176	762,226	76,488	4,406,663
2017-2021	10,498,905	4,151,942	3,387,843	227,275	18,265,965
2022-2026	9,558,905	1,766,437	749,692	50,036	12,125,070
2027-2031	7,647,133	322,708	551,506	28,096	8,549,443
	<u>\$ 42,755,807</u>	<u>\$ 12,791,931</u>	<u>\$ 15,289,172</u>	<u>\$ 886,548</u>	<u>\$ 71,723,458</u>

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note F - Long-Term Liabilities - Continued

Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of various equipment. These agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of future minimum payments required under the leases as of June 30, 2011:

Year ending June 30,	
2012	\$ 38,427
	38,427
Less amount representing interest (various rates)	1,655
Obligations under capital leases	<u>\$ 36,772</u>

Other Postemployment Benefits

Under Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (GASB Statement No. 45), the long term cost of retirement health care and obligations for other postemployment benefits are reported on the accrual basis of accounting in the Government-wide financial statements. Under this method future postemployment benefits are recognized as an expense in the period earned by future retirees. The amount of expense recognized is determined on an actuarial basis and accumulates as a liability to the extent the City does not fund the actuarially required contribution.

Plan Description

The City contributes to the Maine Municipal Employees Health Trust, an agent multiple-employer defined benefit post-retirement healthcare plan that provides health and life insurance to retiring employees. Retirees that are eligible (reach age 55 with 5 years of continuous service) in the plan pay 100% of the coverage premium. The plan does not issue stand-alone or combined financial reports.

Funding Policy and Annual Other Postemployment Benefits (OPEB) Cost

GASB Statement No. 45 does not mandate the prefunding of the postemployment benefits liability. The City currently plans to fund these benefits on a "pay-as-you-go" basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liabilities of the plan over a period not to exceed thirty years. Calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members at that point.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note F - Long-Term Liabilities - Continued

The following table shows the components of the City's annual OPEB cost for the year, the amounts contributed to the plan and the change in the net OPEB obligation based on an actuarial valuation as of January 1, 2011:

Normal cost	\$ 37,748
Amortization of unfunded liability	50,285
Interest	<u>1,743</u>
Annual required contribution	89,776
City contributions (ARC offset - implicit subsidy)	<u>(13,300)</u>
Increase (decrease) in net OPEB obligation	76,476
Net OPEB Obligation at beginning of year	<u>189,626</u>
Net OPEB Obligation at End of Year	<u>\$ 266,102</u>

Funding Status and Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of OPEB Costs <u>Contributed</u>	Net OPEB <u>Obligation</u>
2009	\$ 108,053	12.73%	\$ 94,297
2010	106,372	10.38%	189,626
2011	89,776	14.82%	266,102

The unfunded actuarial accrued liability as a percentage of covered payroll for the year ended June 30, 2011 is as follows:

Actuarial accrued liability (AAL)	\$ 904,318
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 904,318</u>
Funded ratio (Actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll	<u>\$ 3,339,613</u>
UAAL as a percentage of covered payroll	<u>27.08%</u>

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note F - Long-Term Liabilities - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, which is required supplementary information, presents trend information (only one year is available) that will show whether the actual value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuation date	January 1, 2011
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Remaining amortization period	30 years, open
Actuarial assumptions:	
Investment rate of return	4%
Participation	95.40% of eligible employees
Increase in future medical costs	7.6% for pre-Medicare and 8.7% for Medicare eligible

Note G - Short-Term Liabilities

The City obtained short-term borrowing in the form of a tax anticipation note for immediate cash flow needs. Short-term debt activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities				
Tax Anticipation Note	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

The City also entered into a short term general obligation bond anticipation note, dated March 1, 2011 in the amount of \$800,000 with at stated interest rate of 3%. No advances have been received as of June 30, 2011. The note matures on March 1, 2013.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note H - Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Budgetary Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses \$ 34,768

Sources/inflows of resources reconciling items:

Property taxes are included in the general fund budget on a gross basis, however a portion of the property taxes levied are recognized in the special revenue funds (580,592)

Miscellaneous revenues from assigned balances are not included in general fund operating budget 17,971

Interest income allocated to assigned balances are not included in general fund operating budget 21,811

Uses/outflows of resources reconciling items:

Miscellaneous expenditures from assigned balances are not included in general fund operating budget (20,875)

Transfers to other funds and assigned balances are outflows of budgetary resources but are not expenditures for financial reporting purposes 552,379

Generally Accepted Accounting Principles Basis:

Revenues and Other Sources Over (Under) Expenditures and Other Uses \$ 25,462

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note I - Fund Balances

At June 30, 2011, the nonspendable fund balance consisted of the following:

	General <u>Fund</u>	Permanent <u>Funds</u>
Prepaid expenses and other	\$ 41,687	\$ -
Cemetery Fund	-	551,450
Higgins Fund	-	85,301
	<u>\$ 41,687</u>	<u>\$ 636,751</u>

At June 30, 2011, the restricted fund balance consisted of the following:

	Permanent <u>Funds</u>	Special <u>Revenues</u>
Cemetery Fund	\$ 55,124	\$ -
Higgins Fund	130,514	-
Other Grants	-	86,593
Conservation Easement	-	28,491
Shellfish Operating	-	49,655
	<u>\$ 185,638</u>	<u>\$ 164,739</u>

At June 30, 2011, the assigned general fund balance consisted of the following:

	Balance at <u>7/1/2010</u>	<u>Appropriated</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>6/30/2011</u>
Capital Reserve Funds	\$ 795,517	\$ 104,559	\$ 23,450	\$ 4,431	\$ 919,095
School Reserves	111,543	(111,534)	-	9	-
Library Operating	133,484	611,472	57,904	587,534	215,326
Municipal Revenue Sharing	5,574	(450,000)	480,237	-	35,811
Harbor Operating	-	-	16,420	16,420	-
Education	500,000	(250,000)	-	-	250,000
Encumbrances	74,515	-	14,497	74,515	14,497
	<u>\$ 1,620,633</u>	<u>\$ (95,503)</u>	<u>\$ 592,508</u>	<u>\$ 682,909</u>	<u>\$ 1,434,729</u>

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note J - Deficit Fund Balances

At June 30, 2011, the following funds had deficit fund balances which are expected to be funded by future charges for service and tax increment revenues:

Other Grants - Development Fees	\$475,943
TIF District	\$257,010

Note K - Tax Increment Financing District

Under Maine law, the City has established a Tax Increment Financing District Development Program.

The acquisitions and improvements made by the Development Program will result in an estimated investment of approximately \$7,500,000 creating additional tax base within the City.

The City will make available 67% of the captured tax increment revenues from the District for the tax years 2009 through 2016. Beginning with the tax year 2017 and continuing through 2021 the amount available will begin at 60% and phase down to 20%. The captured tax increment revenues will be used to fund a municipal development sinking fund account, a municipal project cost account and a developer project cost account.

During the year ended June 30, 2011 approximately \$581,000 was made available.

Note L - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by the International City Management Association Retirement Corporation (ICMARC) and authority for establishing or amending the Plan's provisions or contribution requirements rests with the City.

The plan, available to all full-time and permanent part-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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 solely the property and rights of the participants. All assets are protected by a trust arrangement from any claims on the City and from any use by the City other than paying benefits to employees and their beneficiaries in accordance with the plan.

The City's deferred compensation plan contribution for the employees for the year ended June 30, 2011 was approximately \$129,000, which was charged to the general fund.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note M - Pension Plan

Maine Public Employees Retirement System

City employees contribute to the Maine Public Employees Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for public school teachers, state employees (except as members of the judiciary and legislature who are covered under the Judicial and Legislative Retirement Systems) and political subdivisions.

Benefits vest after five years of service. Employees who retire at or after age sixty with one year of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two percent of the average of their highest three years earnings per year of service. The system also provides death and disability benefits. These benefits provisions and all other requirements are established by state statute.

The System allows maintenance, support workers, and custodial support staff to participate voluntarily in the System. Participants are required to contribute 6.5% of their annual gross salary to the plan and the district is required to make a contribution based on an historical assessment of the plan by the System. Vesting of benefits occurs after five years of service. Disability, pre-retirement and death benefits are provided under the City's plan. A cost of living increase is provided under the City's plan. Upon retirement at or after age sixty, the participant is entitled to an annual retirement benefit of two-percent of the average of their three highest years earnings multiplied by the number of years of credited service. The City's required and actual contribution as a participating local district for the year ended June 30, 2011 was approximately \$31,000.

Effective July 1, 1995 the City's Participating Local District (PLD) joined with other PLD's forming a consolidated PLD. All PLD's that enter the Consolidated Plan cease to be individual sponsors of a "Single - Employer Defined Benefit Pension Plan" and instead become participants in a "Cost-Sharing Multiple - Employer Defined Benefit Pension Plan." As such, the disclosures made by individual PLD's reflect the assets and liabilities under the Consolidated Plan in which the PLD participates and not those of the PLD itself. A complete report is available by contacting the Maine Public Employees Retirement System at 46 State House Station, Augusta, ME 04333.

Note N - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City either carries commercial insurance, or is effectively self-insured. Currently, the City carries commercial insurance for any risks of loss to which it may be exposed. In none of the past three years have claims exceeded the City's insurance coverage.

Based on the coverage provided by commercial insurance, the City is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2011.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note O - Long-term Receivable

Proprietary Activities

Approximately \$1,050,000 of the accounts receivable balance restricted for capital projects will be received more than one year from June 30, 2011.

Note P - Prior Period Adjustments

Government-Wide Financial Statements

During the year ended June 30, 2011 a correction was made to the opening balance of the infrastructure balance of the governmental activities capital assets to decrease the balance by \$605,098 for assets which were recorded in excess of historical cost. The effect on operations of this adjustment for the year ended June 30, 2010 would have been a reduction of the change in net assets before special item for governmental activities of \$605,098.

Note Q - Litigation

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. The City has vigorously defended these claims and believes an unfavorable outcome is unlikely. An estimate of the possible loss cannot be made.

Note R - Commitments

Proprietary Activities

The City has contracted with a firm for construction services related to the upgrade of its wastewater treatment plant. The total contract price is \$13,975,500 and the term of the contract runs through the fiscal year ended June 30, 2013. A total of approximately \$3,030,000 had been incurred under the contract through the year ended June 30, 2011.

The City has contracted with a firm for engineering services related to the upgrade of its wastewater treatment plant. The total contract price is \$2,055,000 and the term of the contract is not fixed. A total of approximately \$1,490,000 had been incurred under the contract through the year ended June 30, 2011.

Notes to Financial Statements - Continued

City of Ellsworth, Maine

Note S - Subsequent Events

Tax Anticipation Note

Subsequent to June 30, 2011, the City entered into a short-term financing arrangement with TD Bank in the form of a tax anticipation note in the amount of \$2,000,000 at 1.24% interest. The note is due June 30, 2012.

Federal Earmark

Subsequent to June 30, 2011, the City received notice from the Environmental Protection Agency that a \$286,000 award it had previously received for its wastewater treatment plant project had been rescinded due to federal budgetary difficulties. This rescission did not affect the City's financial position or results of operations for the year ended June 30, 2011.

Tax Increment Financing District

Subsequent to June 30, 2011, the City created a new tax increment financing district for housing.

Bond Refinancing

Subsequent to June 30, 2011, the City engaged an investment advisory firm to conduct the sale of general obligation bond anticipation notes on November 29, 2011 in order to refinance \$6,699,000 in previous bond anticipation notes due December 2011.

Required Supplementary Information (Unaudited)

City of Ellsworth, Maine

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
1/1/2009	\$ -	\$ 937,368	\$ 937,368	0.00%	\$ 3,716,675	25.22%
1/1/2010 *	-	937,368	937,368	0.00%	3,353,729	27.95%
1/1/2011	-	904,318	904,318	0.00%	3,339,613	27.08%

* An actuarial valuation of liabilities was not performed during the fiscal year ended June 30, 2010.

Comparative Balance Sheet - General Fund

Schedule A-1

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	2011	2010
Assets		
Cash	\$ 4,229,592	\$ 4,044,125
Investments	973,784	1,004,029
Receivables:		
Taxes receivable	40,853	78,167
Tax liens	884,870	1,083,825
Accounts receivable	283,216	187,276
Prepaid expenses	31,583	28,512
Other assets	10,104	10,482
Due from other funds	2,107,720	2,777,810
Interfund advance	-	21,100
	-	21,100
Total Assets	\$ 8,561,722	\$ 9,235,326
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 299,907	\$ 234,026
Amounts payable to RSU #24	-	293,761
Accrued liabilities	140,070	118,802
Taxes collected in advance	80,935	86,428
Deferred tax revenue	820,000	980,000
Escrow deposit	1,700	-
Due to other funds	3,244,366	3,573,027
	3,244,366	3,573,027
Total Liabilities	4,586,978	5,286,044
Fund Balances		
Nonspendable	41,687	38,994
Assigned	1,434,729	1,593,174
Unassigned	2,498,328	2,317,114
	2,498,328	2,317,114
Total Fund Balances	3,974,744	3,949,282
Total Liabilities and Fund Balances	\$ 8,561,722	\$ 9,235,326

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund**

Schedule A-2
Page 1 of 5

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	2011				2010
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)	Actual
Revenues					
Taxes:					
Property taxes	\$ 14,823,447	\$ 14,803,661	\$ 14,963,661	\$ 160,000	\$ 13,961,818
Supplemental	-	-	35,974	35,974	22,099
Boat excise	13,000	13,000	12,664	(336)	14,333
Auto excise	1,200,000	1,200,000	1,215,867	15,867	1,214,576
Interest on taxes	75,000	137,700	102,861	(34,839)	97,740
Lien costs and notices	25,000	49,000	39,590	(9,410)	37,950
	<u>16,136,447</u>	<u>16,203,361</u>	<u>16,370,617</u>	<u>167,256</u>	<u>15,348,516</u>
Licenses and permits:					
City clerk fees	35,000	35,000	29,858	(5,142)	22,755
Motor vehicle fees	13,000	13,000	16,412	3,412	15,884
State and City licenses	6,000	6,000	7,890	1,890	6,585
Animal control fees	2,000	2,000	1,258	(742)	1,877
Dog fees	-	-	725	725	399
Building permits and maps	50,000	50,000	30,827	(19,173)	30,057
Electrical permits	12,000	12,000	20,760	8,760	6,582
Planning Board fees	5,000	5,000	3,656	(1,344)	1,274
Plumbing permit fees	10,000	10,000	7,771	(2,229)	6,904
Mooring and docking fees	7,500	7,500	13,218	5,718	8,041
	<u>140,500</u>	<u>140,500</u>	<u>132,375</u>	<u>(8,125)</u>	<u>100,358</u>
Intergovernmental revenues:					
Urban rural initiative program	85,000	85,000	98,000	13,000	92,596
State revenue sharing	450,000	450,000	480,237	30,237	505,574
Tree growth reimbursement	75,000	75,000	123,643	48,643	73,713
Veterans reimbursement	3,400	3,400	3,400	-	3,400
Homestead exemption	121,000	121,000	131,450	10,450	157,167
BETE reimbursement	37,000	37,000	30,786	(6,214)	37,643
Shellfish revenues	3,200	3,200	3,200	-	-
Snowmobile refund	1,500	1,500	1,437	(63)	1,582
Welfare reimbursement	10,000	10,000	14,263	4,263	12,096
Park fee share	6,400	6,400	7,497	1,097	7,192
FEMA	-	-	-	-	3,718
Other grants	21,080	21,080	24,319	3,239	33,730
RSU debt and lease payments	-	2,730,483	2,730,483	-	885,093
RSU reimbursement	-	-	-	-	225,288
	<u>813,580</u>	<u>3,544,063</u>	<u>3,648,715</u>	<u>104,652</u>	<u>2,038,792</u>

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund - Continued**

Schedule A-2
Page 2 of 5

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	2011				2010
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)	Actual
Departmental income:					
Highway department	\$ 3,000	\$ 3,000	\$ 2,680	\$ (320)	\$ 2,964
Fire department	10,000	10,000	14,713	4,713	10,300
Computer income	32,100	32,100	32,020	(80)	32,120
Police department	25,000	134,382	134,394	12	150,653
Dispatch services	3,000	3,000	3,000	-	3,000
Recycling	42,500	42,500	54,263	11,763	42,813
Waterfront gas revenues	-	-	2,633	2,633	256
Solid waste billings	178,000	178,000	80,654	(97,346)	177,129
Solid waste miscellaneous	4,600	4,600	17,600	13,000	4,600
Resident stickers	133,500	133,500	133,922	422	134,305
Recreation	4,200	4,200	1,200	(3,000)	1,000
	<u>435,900</u>	<u>545,282</u>	<u>477,079</u>	<u>(68,203)</u>	<u>559,140</u>
Unclassified:					
District court fees	6,000	6,000	7,864	1,864	10,110
Alewife sales	12,000	12,000	11,700	(300)	13,306
Cable TV franchise	60,000	60,000	64,781	4,781	60,734
Payment in lieu of taxes	15,000	15,000	16,173	1,173	15,482
Building rental	3,060	3,060	3,060	-	1,410
Property rental	100	100	150	50	175
Photocopies	500	500	137	(363)	360
Sale of surplus property	-	-	735	735	150
Sale of City property	21,400	21,400	84,115	62,715	23,980
Loan interest	21,679	21,679	580	(21,099)	1,145
Reserve transfers	-	-	-	-	9,701
Miscellaneous	500	5,783	(868)	(6,651)	(15,839)
	<u>140,239</u>	<u>145,522</u>	<u>188,427</u>	<u>42,905</u>	<u>120,714</u>
Investment income	<u>100,000</u>	<u>100,000</u>	<u>115,908</u>	<u>15,908</u>	<u>141,071</u>
Total Revenues	17,766,666	20,678,728	20,933,121	254,393	18,308,591

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund - Continued**

Schedule A-2
Page 3 of 5

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	2011				2010
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)	Actual
Expenditures					
General government:					
Legislative	\$ 13,100	\$ 12,100	\$ 10,530	\$ 1,570	\$ 10,539
Administration	130,212	132,712	131,756	956	138,893
City clerk	68,738	67,738	67,952	(214)	66,790
Finance and tax collector	213,868	213,868	214,873	(1,005)	220,396
Assessment	109,467	109,467	109,774	(307)	111,093
Code enforcement	118,761	119,261	119,424	(163)	122,267
Planning	113,094	115,998	115,108	890	112,422
Legal	44,500	64,500	50,206	14,294	67,103
Elections	21,807	21,807	17,409	4,398	18,294
Economic development	62,831	96,397	52,045	44,352	65,211
Technology	140,843	131,200	116,658	14,542	117,187
Board of appeals	-	-	-	-	-
Joint office services	65,900	67,859	67,553	306	60,761
Insurance	95,020	90,020	89,342	678	87,797
Miscellaneous	29,660	29,660	29,768	(108)	25,347
	<u>1,227,801</u>	<u>1,272,587</u>	<u>1,192,398</u>	<u>80,189</u>	<u>1,224,100</u>
Public safety:					
Police department	882,602	1,011,122	1,010,291	831	1,039,128
Fire department	625,854	628,669	624,760	3,909	627,760
Dispatching	181,103	180,103	177,869	2,234	150,514
Hydrant rental	312,000	312,000	312,000	-	312,000
Street lights	111,000	106,000	99,605	6,395	92,398
Traffic signals	36,450	38,450	30,574	7,876	27,515
	<u>2,149,009</u>	<u>2,276,344</u>	<u>2,255,099</u>	<u>21,245</u>	<u>2,249,315</u>
Municipal buildings:					
City Hall	169,880	166,111	166,431	(320)	155,574
Miscellaneous city property	1,350	11,955	1,488	10,467	2,119
	<u>171,230</u>	<u>178,066</u>	<u>167,919</u>	<u>10,147</u>	<u>157,693</u>

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund - Continued**

Schedule A-2
Page 4 of 5

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	2011				2010
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)	Actual
Culture and recreation					
Recreation	\$ 124,100	\$ 124,210	\$ 121,903	\$ 2,307	\$ 117,200
Library	566,472	566,472	529,630	36,842	623,066
	<u>690,572</u>	<u>690,682</u>	<u>651,533</u>	<u>39,149</u>	<u>740,266</u>
General assistance	41,688	44,188	43,780	408	36,818
Public works:					
Public works	924,631	937,298	916,519	20,779	864,939
Public works garage	58,650	54,907	48,925	5,982	47,261
Solid waste disposal	484,597	484,597	377,297	107,300	454,188
Parks trees and cemeteries	19,050	18,050	16,596	1,454	16,702
Water supply	16,152	20,152	17,321	2,831	15,870
	<u>1,503,080</u>	<u>1,515,004</u>	<u>1,376,658</u>	<u>138,346</u>	<u>1,398,960</u>
County tax	390,328	390,328	390,328	-	385,325
Education:					
Education assessment	8,001,254	8,251,254	8,251,254	-	8,663,100
Additional education appropriation	-	250,000	-	250,000	129,096
Education capital lease expenses	-	51,900	51,900	-	71,178
	<u>8,001,254</u>	<u>8,553,154</u>	<u>8,303,154</u>	<u>250,000</u>	<u>8,863,374</u>
Unclassified:					
Employee benefits	1,203,100	1,306,367	1,263,798	42,569	1,227,334
Ellsworth Harbor	33,389	37,572	34,648	2,924	32,785
Health and social services	13,264	13,264	13,264	-	11,764
Historical preservation	500	500	135	365	356
Miscellaneous	-	108	-	108	-
Historical society	2,000	2,000	2,000	-	2,000
Abatements	-	-	53,120	(53,120)	39,704
	<u>1,252,253</u>	<u>1,359,811</u>	<u>1,366,965</u>	<u>(7,154)</u>	<u>1,313,943</u>
Debt service:					
Principal	482,728	1,255,991	1,255,991	-	2,093,107
Interest	50,000	2,122,320	2,121,947	373	149,176
	<u>532,728</u>	<u>3,378,311</u>	<u>3,377,938</u>	<u>373</u>	<u>2,242,283</u>
Total Expenditures	<u>15,959,943</u>	<u>19,658,475</u>	<u>19,125,772</u>	<u>532,703</u>	<u>18,612,077</u>
Revenues Over (Under) Expenditures	1,806,723	1,020,253	1,807,349	787,096	(303,486)

See accompanying independent auditors' report.

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund - Continued**

Schedule A-2
Page 5 of 5

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	2011				2010
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)	Actual
Other Financing Sources (Uses)					
Transfers in:					
TIF District	\$ 139,569	\$ 139,569	\$ 139,569	\$ -	\$ 156,198
Development fees	-	200,000	200,000	-	200,000
School Department	-	-	-	-	634,013
	<u>139,569</u>	<u>339,569</u>	<u>339,569</u>	<u>-</u>	<u>990,211</u>
Transfers out:					
Capital improvements	(1,344,950)	(1,477,276)	(1,477,276)	-	(1,336,195)
TIF District	(580,592)	(580,592)	(580,592)	-	(429,425)
Revenue Sharing	-	-	-	-	(5,574)
	<u>(1,925,542)</u>	<u>(2,057,868)</u>	<u>(2,057,868)</u>	<u>-</u>	<u>(1,771,194)</u>
Proceeds from debt obligation	-	-	-	-	780,715
Transfer (to) from assigned fund balances					
Police overtime	-	6,911	6,911	-	5,060
Capital reserve funds	(20,000)	(20,000)	(61,193)	(41,193)	(20,000)
	<u>(20,000)</u>	<u>(13,089)</u>	<u>(54,282)</u>	<u>(41,193)</u>	<u>(14,940)</u>
Utilization of fund balances:					
Unassigned	142,451	269,259	-	(269,259)	-
Assigned	-	585,077	-	(585,077)	-
	<u>142,451</u>	<u>854,336</u>	<u>-</u>	<u>(854,336)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,663,522)</u>	<u>(877,052)</u>	<u>(1,772,581)</u>	<u>(895,529)</u>	<u>(15,208)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	143,201	143,201	34,768	(108,433)	(318,694)
Special Item					
Accrued salaries assumed by RSU #24	-	-	-	-	944,386
Net Change in Fund Balance	\$ 143,201	\$ 143,201	34,768	\$ (108,433)	\$ 625,692
Budgetary fund balance at beginning of year			<u>2,856,108</u>		
Budgetary Fund Balance at End of Year			<u>\$ 2,890,876</u>		

See accompanying independent auditors' report.

**Combining Balance Sheet
Nonmajor Governmental Funds**

Schedule B-1

City of Ellsworth, Maine

As of June 30, 2011

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash	\$ 28,491	\$ 66,735	\$ 95,226
Investments	-	755,650	755,650
Accounts receivable	208,210	-	208,210
Due from other funds	<u>56,389</u>	<u>-</u>	<u>56,389</u>
Total Assets	<u>\$ 293,090</u>	<u>\$ 822,385</u>	<u>\$ 1,115,475</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 451	\$ -	\$ 451
Due to other funds	<u>864,909</u>	<u>-</u>	<u>864,909</u>
Total Liabilities	865,360	-	865,360
Fund Balances (Deficits)			
Nonspendable	-	636,751	636,751
Restricted	164,739	185,634	350,373
Unassigned	<u>(737,009)</u>	<u>-</u>	<u>(737,009)</u>
Total Fund Balances (Deficits)	<u>(572,270)</u>	<u>822,385</u>	<u>250,115</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 293,090</u>	<u>\$ 822,385</u>	<u>\$ 1,115,475</u>

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds**

Schedule B-2

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
Revenues			
Property taxes	\$ 580,592	\$ -	\$ 580,592
Intergovernmental	297,191	-	297,191
Other income	132,293	-	132,293
Investment income	660	105,408	106,068
Total Revenues	<u>1,010,736</u>	<u>105,408</u>	<u>1,116,144</u>
Expenditures			
Current			
Public safety	188,089	-	188,089
Culture and recreation	-	-	-
Public works	500	-	500
Unclassified	126,936	25,474	152,410
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	40,727	-	40,727
Total Expenditures	<u>356,252</u>	<u>25,474</u>	<u>381,726</u>
Revenues Over (Under) Expenditures	654,484	79,934	734,418
Other Financing Sources (Uses)			
Operating transfers in	6,283	-	6,283
Operating transfers out	(341,569)	-	(341,569)
Total Other Sources (Uses)	<u>(335,286)</u>	<u>-</u>	<u>(335,286)</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	319,198	79,934	399,132
Fund balances (deficits) at beginning of year	(891,468)	742,451	(149,017)
Fund Balances (Deficits) at End of Year	<u>\$ (572,270)</u>	<u>\$ 822,385</u>	<u>\$ 250,115</u>

See accompanying independent auditors' report.

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

Schedule C-1

City of Ellsworth, Maine

As of June 30, 2011

	Other Grants	TIF District	Conservation Easement Reserve	Shellfish Operating	Total
Assets					
Cash	\$ -	\$ -	\$ 28,491	\$ -	\$ 28,491
Investments	-	-	-	-	-
Accounts receivable	208,210	-	-	-	208,210
Prepaid expenses	-	-	-	-	-
Inventory	-	-	-	-	-
Due from other funds	-	6,283	-	50,106	56,389
	<u>-</u>	<u>6,283</u>	<u>-</u>	<u>50,106</u>	<u>56,389</u>
Total Assets	<u>\$ 208,210</u>	<u>\$ 6,283</u>	<u>\$ 28,491</u>	<u>\$ 50,106</u>	<u>\$ 293,090</u>
 Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 451	\$ 451
Due to other funds	601,616	263,293	-	-	864,909
	<u>601,616</u>	<u>263,293</u>	<u>-</u>	<u>-</u>	<u>864,909</u>
Total Liabilities	601,616	263,293	-	451	865,360
 Fund Balances (Deficits)					
Restricted	86,593	-	28,491	49,655	164,739
Unassigned	(479,999)	(257,010)	-	-	(737,009)
	<u>(479,999)</u>	<u>(257,010)</u>	<u>-</u>	<u>-</u>	<u>(737,009)</u>
Total Fund Balances (Deficits)	<u>(393,406)</u>	<u>(257,010)</u>	<u>28,491</u>	<u>49,655</u>	<u>(572,270)</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 208,210</u>	<u>\$ 6,283</u>	<u>\$ 28,491</u>	<u>\$ 50,106</u>	<u>\$ 293,090</u>

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Special Revenue Funds**

Schedule C-2

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Other Grants	TIF District	Conservation Easement Reserve	Shellfish Operating	Total
Revenues					
Property taxes	\$ -	\$ 580,592	\$ -	\$ -	\$ 580,592
Intergovernmental	279,191	-	-	18,000	297,191
Other income	74,431	-	-	57,862	132,293
Investment income	-	-	660	-	660
Total Revenues	353,622	580,592	660	75,862	1,010,736
Expenditures					
Current					
Public safety	188,089	-	-	-	188,089
Culture and recreation	-	-	-	-	-
Public works	500	-	-	-	500
Unclassified	77,925	-	-	49,011	126,936
Education	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	40,727	-	-	-	40,727
Total Expenditures	307,241	-	-	49,011	356,252
Revenues Over (Under) Expenditures	46,381	580,592	660	26,851	654,484
Other Financing Sources (Uses)					
Operating transfers in	-	6,283	-	-	6,283
Operating transfers out	(202,000)	(139,569)	-	-	(341,569)
Total Other Sources (Uses)	(202,000)	(133,286)	-	-	(335,286)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(155,619)	447,306	660	26,851	319,198
Fund balances (deficits) at beginning of year	(237,787)	(704,316)	27,831	22,804	(891,468)
Fund Balances (Deficits) at End of Year	\$ (393,406)	\$ (257,010)	\$ 28,491	\$ 49,655	\$ (572,270)

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Special Revenue Fund -
Other Grants**

Schedule C-3

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Fund Balances (Deficits) beginning of year	Revenues		Expenditures	Net Transfers in (out)	Fund Balances (Deficits) at end of year
		Inter- governmental	Other			
Revenues						
Assistance to Firefighters Grant	\$ -	\$ 40,727	\$ -	\$ 40,727	\$ -	\$ -
Bangor Hydro Pole	5,000	-	-	-	-	5,000
Bulletproof Vest Grant	307	1,618	-	1,925	-	-
CDBG Business Assistance Grant	(1,500)	-	-	-	-	(1,500)
Development Fees	(277,329)	-	1,386	-	(200,000)	(475,943)
DOT Feasibility Grant	11,000	-	-	-	-	11,000
EFD/SHHC Convention	-	-	31,923	15,105	-	16,818
Façade Grant	-	77,730	-	77,730	-	-
Fire Assistance Grant	(540)	540	-	-	-	-
Fire Training Grant	564	-	-	-	-	564
Fire Training Site	37,491	-	32,382	29,518	-	40,355
Hancock County Byrne JAG	1,801	-	-	1,744	-	57
Hancock County Byrne JAG	-	16,481	-	10,516	-	5,965
Homeland Security Grant	(8,927)	26,852	-	17,925	-	-
Homeland Security Grant	-	2,583	-	2,583	-	-
K-9 program	396	-	2,956	1,674	-	1,678
Lakes Environment Grant	-	-	2,000	-	(2,000)	-
Library Grant	50	-	-	50	-	-
Maine Community Foundation	301	-	-	145	-	156
OUI Grant	-	7,140	-	7,140	-	-
Police Speed Grant	-	1,008	-	1,008	-	-
Rails with Trail Connector	5,000	-	-	-	-	5,000
Recycling Grant	-	-	500	500	-	-
Safe Routes to School	-	79,479	-	79,479	-	-
Safety Grant	-	-	3,284	3,284	-	-
Seatbelt Grant	-	4,662	-	4,662	-	-
Ship Grant	(1,527)	-	-	-	-	(1,527)
UAD Grant	-	2,438	-	2,681	-	(243)
US Fish and Wildlife	(786)	-	-	-	-	(786)
WMD/Hazmat Grant	-	-	-	-	-	-
WMD/Hazmat Grant	(9,088)	17,933	-	8,845	-	-
	<u>\$ (237,787)</u>	<u>\$ 279,191</u>	<u>\$ 74,431</u>	<u>\$ 307,241</u>	<u>\$ (202,000)</u>	<u>\$ (393,406)</u>

See accompanying independent auditors' report.

**Combining Balance Sheet
Nonmajor Permanent Funds**

Schedule D-1

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Cemetery Fund	Higgins Fund	Total
Assets			
Cash	\$ 24,813	\$ 41,922	\$ 66,735
Investments	581,757	173,893	755,650
Due from other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 606,570</u>	<u>\$ 215,815</u>	<u>\$ 822,385</u>
 Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	-	-	-
 Fund Balances			
Nonspendable	551,450	85,301	636,751
Restricted	55,120	130,514	185,634
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>606,570</u>	<u>215,815</u>	<u>822,385</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 606,570</u>	<u>\$ 215,815</u>	<u>\$ 822,385</u>

See accompanying independent auditors' report.

**Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Permanent Funds**

Schedule D-2

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Cemetery Fund	Higgins Fund	Total
Revenues			
Investment income			
Interest income	\$ 22,392	\$ 5,398	\$ 27,790
Realized and unrealized gain (loss) on investments	49,299	28,302	77,601
Other	17	-	17
Total Revenues	<u>71,708</u>	<u>33,700</u>	<u>105,408</u>
Expenditures			
Unclassified	<u>25,474</u>	<u>-</u>	<u>25,474</u>
Total Expenditures	<u>25,474</u>	<u>-</u>	<u>25,474</u>
Revenues Over (Under) Expenditures	46,234	33,700	79,934
Fund balances at beginning of year	<u>560,336</u>	<u>182,115</u>	<u>742,451</u>
Fund Balances at End of Year	<u>\$ 606,570</u>	<u>\$ 215,815</u>	<u>\$ 822,385</u>

See accompanying independent auditors' report.

**Combining Schedule of Fiduciary Net Assets
Fiduciary Funds - Private-purpose Trusts**

Schedule E-1

City of Ellsworth, Maine

As of June 30, 2011

	Private-purpose Trusts		
	Library Funds	School Department Scholarships	Total
Assets			
Cash	\$ 38,563	\$ -	\$ 38,563
Investments	512,907	-	512,907
Accounts receivable	58,278	-	58,278
Total Assets	609,748	-	609,748
Liabilities			
Held for student activities and other purposes	-	-	-
Total Liabilities	-	-	-
Net Assets			
Held in trust	609,748	-	609,748
Total Net Assets	\$ 609,748	\$ -	\$ 609,748

See accompanying independent auditors' report.

**Combining Schedule of Changes in Fiduciary Net Assets
Fiduciary Funds - Private-purpose Trusts**

Schedule E-2

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Private-purpose Trusts		
	Library Funds	School Department Scholarships	Total
Additions:			
Interest income	\$ 9,835	\$ 119	\$ 9,954
Increase (decrease) in investment fair market value	97,541	(168)	97,373
Donations and other	43,282	-	43,282
Total Additions	150,658	(49)	150,609
Deductions:			
Library	56,807	-	56,807
Scholarships	-	-	-
Total Deductions	56,807	-	56,807
Special Item:			
Transfer McCarty Scholarship back to donors	-	(7,965)	(7,965)
Change in Net Assets	93,851	(8,014)	85,837
Net assets at beginning of year	515,897	8,014	523,911
Net Assets at End of Year	\$ 609,748	\$ -	\$ 609,748

See accompanying independent auditors' report.

Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Funds

Schedule F-1

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Assets				
Investments	\$ -	\$ 204,880	\$ -	\$ 204,880
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Held for cemetery association	\$ -	\$ 204,880	\$ -	\$ 204,880
Total Liabilities	<u>\$ -</u>	<u>\$ 204,880</u>	<u>\$ -</u>	<u>\$ 204,880</u>

See accompanying independent auditors' report.

Schedule of Capital Projects

Schedule G-1

City of Ellsworth, Maine

For the Year Ended June 30, 2011

Project

Road improvement	\$ 1,123,331
Fire equipment	758,767
Waterfront improvements	240,465
Moore School roof replacement	126,805
Highway equipment	122,277
Moore School engineering	65,075
Highway garage	50,000
Stormwater management	45,449
Knowlton School Engineering	39,149
Library improvements	36,813
Police cruiser	36,632
MDOT enhancement grant	23,442
Grant application funds	22,693
Police equipment replacement	17,775
Vehicle lift	15,240
Recreational improvements	13,475
Department head workstations	11,500
City Hall improvements	10,553
Information technology	9,543
Beckwith Hill project	7,997
Capital improvements	2,686
Demeyer renovation	1,430
Oak Street courts	488
New Branch Lake boat	65

Total Capital Project Fund Capital Outlays \$ 2,781,650

See accompanying independent auditors' report.

**Schedule of Changes in Assigned Fund Balances
General Fund - Capital Reserve Funds**

Schedule H-1

City of Ellsworth, Maine

For the Year Ended June 30, 2011

	Fund Balances beginning of year	Appropriated	Additions	Reductions	Fund Balances at end of year
Revenues					
General	\$ 164,175	\$ 116,553	\$ 6,000	\$ 881	\$ 285,847
Industrial Park	1,181	-	31	7	1,205
City Hall	70,072	-	1,774	389	71,457
Highway equipment	35,021	-	881	195	35,707
School	125,919	-	3,241	717	128,443
Employee benefits	56,901	-	1,440	316	58,025
Jump playground	20,550	-	520	114	20,956
Cable TV	6,929	-	176	38	7,067
Fire Department rescue	3,754	-	670	22	4,402
City bonds	6,508	(6,283)	103	41	287
Federally forfeited property	14,497	(5,711)	1,280	80	9,986
Road improvement reserve	230,652	-	5,833	1,301	235,184
Capital equipment reserve	59,358	-	1,501	330	60,529
	<u>\$ 795,517</u>	<u>\$ 104,559</u>	<u>\$ 23,450</u>	<u>\$ 4,431</u>	<u>\$ 919,095</u>

See accompanying independent auditors' report.

City of Ellsworth, Maine

For the Year Ended June 30, 2011

Valuation

Real estate	\$ 1,032,697,610
Personal property	<u>36,158,700</u>

Total Valuation \$ 1,068,856,310

Assessment

Valuation x Rate: \$1,068,856,310 x .01385	\$ 14,803,660
Supplemental taxes	<u>35,974</u>

Total Assessment Charged to Collector \$ 14,839,634

Collection and Credits

Cash collections	14,218,576
Tax abatements	<u>30,942</u>

Total Collection and Credits 14,249,518

2011 Taxes Receivable and Tax Liens as of June 30, 2011 \$ 590,116

See accompanying independent auditors' report.

STATISTICAL SECTION

This part of the City of Ellsworth's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

	Page
Financial Trends	62
<p>The schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	68
<p>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</p>	
Debt Capacity	74
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the ability to issue additional debt in the future.</p>	
Demographic and Economic Information	78
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	80
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the service the City provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

CITY OF ELLSWORTH
NET ASSETS BY COMPONENT
Last Nine Fiscal Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities									
Invested in Capital Assets	10,294,469	9,113,455	13,460,163	8,494,924	11,918,308	7,125,659	8,891,052	9,320,402	6,684,624
net of related debt	636,751	636,751	636,751	636,751	636,751	654,492	654,492	654,492	654,492
Restricted	9,164,269	9,225,626	9,240,977	12,897,502	6,504,866	7,819,991	5,126,180	3,697,890	3,252,093
Unrestricted									
Total Governmental Activities Net Assets	20,095,489	18,975,832	23,337,891	22,029,177	19,059,925	15,600,142	14,671,724	13,672,784	10,591,209
Business-type Activities									
Invested in Capital Assets	6,730,821	10,781,659	8,897,641	8,629,198	8,141,023	7,810,372	7,140,243	6,231,842	5,994,703
net of related debt	7,958,749	1,929,223	-	-	-	(294,798)	-	-	-
Restricted	(934,314)	112,258	1,668,821	(898,213)	(379,100)		363,375	261,773	278,198
Unrestricted									
Total Business-type Activities Net Assets	13,755,256	12,823,140	10,566,462	7,730,985	7,761,923	7,515,574	7,503,618	6,493,615	6,272,901
Primary Government									
Invested in Capital Assets	17,025,290	19,895,114	22,357,804	17,124,122	20,059,331	14,936,031	16,031,295	15,552,244	12,679,327
net of related debt	8,595,500	2,565,974	636,751	636,751	636,751	654,492	654,492	654,492	654,492
Restricted	8,229,955	9,337,884	10,909,798	11,999,289	6,125,766	7,525,193	5,489,555	3,959,663	3,530,291
Unrestricted									
Total Primary Government Net Assets	33,850,745	31,798,972	33,904,353	29,760,162	26,821,848	23,115,716	22,175,342	20,166,399	16,864,110

Only nine years have been presented because 2003 was the year that GASB Statement No. 34 was implemented.

**CITY OF ELLSWORTH
CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses									
Governmental Activities									
General Government	1,277,144	1,293,243	1,281,672	1,331,318	1,332,789	1,039,070	1,094,007	949,269	1,053,311
Public Safety	2,584,403	2,436,340	2,160,191	1,971,390	1,883,321	1,775,235	1,754,989	1,660,986	1,575,423
Municipal Buildings	231,336	218,875	147,938	147,470	150,196	161,658	198,490	304,617	106,379
Culture and Recreation	662,864	665,768	664,952	714,202	574,618	634,223	550,866	542,053	529,511
General Assistance	43,780	36,818	33,204	37,868	34,669	41,614	34,604	35,871	27,611
Public Works	1,874,784	1,762,455	1,671,531	1,594,259	1,493,185	1,320,073	1,309,323	1,173,259	1,133,575
County Tax	390,328	385,325	399,485	575,555	401,535	399,076	388,476	381,293	407,163
Education	8,980,058	8,799,458	15,187,627	15,101,268	15,255,071	14,248,440	13,610,190	12,298,969	11,707,790
State Retirement Contributions	-	-	1,291,410	1,328,608	1,273,446	1,169,874	1,036,745	978,249	1,099,858
Unclassified	1,800,548	1,450,934	2,509,814	1,490,367	2,021,242	1,693,452	934,804	782,968	978,395
Capital Outlay	-	-	-	-	464,866	1,510,811	532,527	710,173	467,014
Interest on Long-Term Debt	1,865,947	791,791	371,332	959,938	422,491	447,225	345,116	301,694	447,420
Total Governmental Activities Expenses	19,711,192	17,841,007	25,719,156	25,252,243	25,307,429	24,440,751	21,790,137	20,119,401	19,533,450
Business-type Activities									
Wastewater	784,013	775,893	772,809	965,277	1,089,411	873,947	800,619	749,558	680,912
Water	695,249	698,819	709,896	769,050	735,924	694,399	652,180	665,506	649,698
Total Business-type Activities Expenses	1,479,262	1,474,712	1,482,705	1,734,327	1,825,335	1,568,346	1,452,799	1,415,064	1,330,610
Total Primary Government Expenses	21,190,454	19,315,719	27,201,861	26,986,570	27,132,764	26,009,097	23,242,936	21,534,465	20,864,060

Only nine years have been presented because 2003 was the year that GASB Statement No. 34 was implemented.

TABLE 2 (Continued)

CITY OF ELLSWORTH
CHANGES IN NET ASSETS
 Last Nine Fiscal Years
 (Accrual Basis of Accounting)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Program Revenues									
Governmental Activities									
<i>Charges for Service</i>									
General Government	298,317	166,425	165,524	222,294	182,688	146,536	143,711	131,513	94,940
Public Safety	152,107	44,760	29,368	33,675	49,913	48,764	32,292	31,884	39,877
Culture and Recreation	1,200	1,000	700	54,747	52,388	49,993	56,088	53,493	54,117
Public Works	157,830	227,762	240,517	404,859	369,361	363,717	327,702	346,372	297,752
Unclassified	-	-	-	440,819	131,065	138,964	71,161	161,459	39,053
Education	-	-	2,799,086	3,047,727	2,754,943	2,555,722	2,522,236	2,350,529	2,186,462
Operating Grants and Contributions	112,263	236,591	6,822,102	7,885,564	9,352,209	8,871,231	7,704,030	6,605,600	6,787,218
Capital Grants and Contributions	778,544	1,000	595,000	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,500,261	677,538	10,652,297	12,089,685	12,892,567	12,174,927	10,857,220	9,680,850	9,499,419
Business-type Activities									
<i>Charges for Service</i>									
Wastewater	847,683	658,320	721,941	805,397	729,206	610,043	621,248	598,888	603,265
Water	1,054,262	1,032,305	952,760	882,089	886,461	883,206	866,672	892,653	883,826
Capital Grants and Contributions	508,691	1,975,431	2,004,428	-	322,082	-	556,410	-	-
Total Business-type Activities Program Revenues	2,410,636	3,666,056	3,679,129	1,687,486	1,937,749	1,493,249	2,044,330	1,491,541	1,487,091
Total Primary Government Program Revenues	3,910,897	4,343,594	14,331,426	13,777,171	14,830,316	13,668,176	12,901,550	11,172,391	10,986,510

Only nine years have been presented because 2003 was the year that GASB Statement No. 34 was implemented.

TABLE 2 (Continued)

CITY OF ELLSWORTH
CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net (Expense)/Revenue									
Governmental Activities	(18,210,931)	(17,163,469)	(15,066,859)	(13,162,558)	(12,414,862)	(12,265,824)	(10,932,917)	(10,438,551)	(10,034,031)
Business-type Activities	931,374	2,191,344	2,196,424	(46,841)	112,414	(75,097)	591,531	76,477	156,481
Total Primary Government Expense	<u>(17,279,557)</u>	<u>(14,972,125)</u>	<u>(12,870,435)</u>	<u>(13,209,399)</u>	<u>(12,302,448)</u>	<u>(12,340,921)</u>	<u>(10,341,386)</u>	<u>(10,362,074)</u>	<u>(9,877,550)</u>
General Revenues and Other Changes in Net Assets									
Governmental Activities									
Property Taxes	14,982,086	13,983,917	13,773,783	13,462,417	11,283,093	10,381,448	10,215,710	9,590,193	9,046,575
Excise Taxes	1,228,531	1,228,909	1,267,737	1,316,865	1,309,962	1,321,575	1,245,455	1,227,554	1,107,185
Interest and Costs on Taxes	142,451	135,690	120,839	87,633	62,426	46,646	50,330	56,255	55,286
Franchise Fees	64,781	60,734	55,662	51,231	50,202	47,339	43,229	39,965	36,420
Unrestricted Grants and Contributions	3,125,819	1,210,184	882,968	774,281	761,265	843,198	799,455	787,481	740,013
Unrestricted Investment Earnings	264,559	281,724	353,311	155,210	233,550	196,229	86,535	83,167	96,075
Miscellaneous Revenues	127,459	744,239	304,768	284,180	56,706	69,307	47,604	42,124	83,735
Transfers	-	(118,974)	-	-	-	-	-	-	-
Special Item: Transfer of Funds to RSU #24	-	(4,725,013)	(427,734)	-	-	-	(288,500)	-	-
Total Governmental Activities	<u>19,935,686</u>	<u>12,801,410</u>	<u>16,331,334</u>	<u>16,131,817</u>	<u>13,757,204</u>	<u>12,905,742</u>	<u>12,199,818</u>	<u>11,826,739</u>	<u>11,165,289</u>
Business-type Activities									
Unrestricted Investment Earnings	(50,776)	(70,258)	(35,283)	13,281	13,031	15,763	10,164	9,737	11,997
Miscellaneous Revenues	51,518	16,618	16,791	2,622	120,904	359,790	119,808	134,500	19,766
Transfers	-	118,974	427,734	-	-	-	288,500	-	-
Total Business-type Activities	<u>742</u>	<u>65,334</u>	<u>409,242</u>	<u>15,903</u>	<u>133,935</u>	<u>375,553</u>	<u>418,472</u>	<u>144,237</u>	<u>31,763</u>
Total Primary Government	<u>19,936,428</u>	<u>12,866,744</u>	<u>16,740,576</u>	<u>16,147,720</u>	<u>13,891,139</u>	<u>13,281,295</u>	<u>12,618,290</u>	<u>11,970,976</u>	<u>11,197,052</u>
Change in Net Assets									
Governmental Activities	1,724,755	(4,362,059)	1,264,475	2,969,259	1,342,342	639,918	1,266,901	1,388,188	1,131,258
Business-type Activities	932,116	2,256,678	2,605,666	(30,938)	246,349	300,456	1,010,003	220,714	188,244
Total Primary Government	<u>2,656,871</u>	<u>(2,105,381)</u>	<u>3,870,141</u>	<u>2,938,321</u>	<u>1,588,691</u>	<u>940,374</u>	<u>2,276,904</u>	<u>1,608,902</u>	<u>1,319,502</u>

Only nine years have been presented because 2003 was the year that GASB Statement No. 34 was implemented.

**CITY OF ELLSWORTH
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:										
Nonspendable	41,687									
Restricted	-									
Assigned	1,434,729									
Unassigned	2,498,328	74,515	109,420	130,745	110,819	127,901	105,337	30,261	6,006	379,445
Reserved	-	2,856,108	2,195,511	2,305,467	2,003,675	2,174,986	1,664,161	1,626,339	1,282,438	1,304,320
Unreserved	-	-	-	-	-	-	-	-	-	-
Total General Fund	3,974,744	2,930,623	2,304,931	2,436,212	2,114,494	2,302,887	1,769,498	1,656,600	1,288,444	1,683,765
All Other Governmental Funds:										
Nonspendable	636,751									
Restricted	2,884,140									
Unassigned Special Revenues	(737,009)									
Reserved	-	636,751	636,751	1,029,969	842,889	5,303,405	748,486	667,936	735,567	748,086
Unreserved, reported in										
Special Revenue Funds	-	127,191	999,608	1,641,611	1,516,316	1,287,945	1,657,798	1,461,077	1,409,454	848,721
Capital Projects	-	2,231,018	5,605,789	(1,002,026)	2,823,728	(183,908)	1,623,467	599,401	491,821	567,312
Permanent Funds	-	105,700	111,899	83,026	44,341	15,592	61,197	52,895	33,172	33,923
Total All Other Governmental Funds	2,783,882	3,100,660	7,354,047	1,752,580	5,227,274	6,423,034	4,090,948	2,781,309	2,670,014	2,198,042

Due to the implementation of GASB Statement No. 54, the reclassification of fund balance is stated in year 2011. Information for the restatement of prior years is unavailable.

**CITY OF ELLSWORTH, MAINE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years**

(modified accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:									
General Property and Other Taxes	16,370,617	15,348,516	15,162,359	14,310,715	12,655,481	11,749,669	11,480,895	10,826,202	10,209,046
Licenses and Permits	132,375	100,358	128,423	190,229	150,668	114,491	111,676	99,488	94,940
Intergovernmental Revenues	4,724,450	2,171,691	9,235,500	10,883,330	11,817,684	11,669,292	10,492,523	9,237,879	9,207,504
Departmental Income	477,079	439,947	436,109	472,799	453,294	446,926	394,429	399,023	328,915
Unclassified	338,691	644,749	2,219,382	1,386,446	1,310,692	853,156	723,760	789,314	728,823
Investment Income	264,559	281,724	353,311	421,783	261,952	220,237	111,655	107,883	95,480
Total Revenues	22,307,771	18,986,985	27,535,084	27,665,302	26,649,771	25,053,771	23,314,938	21,459,789	20,664,708
Expenditures									
General Government	1,192,398	1,222,988	1,136,630	1,177,356	1,209,521	1,050,756	946,216	859,957	930,592
Public Safety	2,443,188	2,369,347	2,078,589	1,892,245	1,826,339	1,757,629	1,680,088	1,594,120	1,531,671
Municipal Buildings	167,919	157,693	147,078	147,470	150,196	161,658	198,490	304,617	106,379
Culture and Recreation	651,533	662,532	653,472	710,905	683,512	695,749	604,663	587,797	576,827
General Assistance	43,780	36,818	33,204	37,868	34,669	41,614	34,604	35,871	27,611
Public Works	1,377,158	1,416,749	1,416,163	1,404,106	1,280,044	1,214,660	1,152,780	1,048,136	1,096,957
Unclassified	1,540,250	1,371,185	1,375,542	1,810,778	2,018,617	1,681,096	931,406	778,865	980,865
Debt Principal	1,255,991	2,031,839	1,482,772	1,383,586	1,450,715	1,731,500	1,155,000	1,043,824	1,171,584
Debt Interest	2,121,947	306,444	387,524	391,886	469,929	316,406	345,116	407,870	415,836
Assessments	390,328	385,325	399,485	575,555	401,535	399,076	388,476	381,293	407,163
State Retirement Contributions	-	-	1,291,410	1,328,608	1,273,446	1,169,874	1,036,745	978,249	1,099,858
Education	8,303,154	8,863,374	15,064,466	15,271,460	14,949,329	14,141,833	13,153,803	12,249,566	11,651,127
Capital Outlay*	3,984,782	11,740,530	26,208,789	4,870,805	2,286,072	1,714,843	1,101,514	710,173	591,587
Total Expenditures	23,472,428	30,564,824	51,675,124	31,002,628	28,033,924	26,076,694	22,728,901	20,980,338	20,588,057
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,164,657)	(11,577,839)	(24,140,040)	(3,337,326)	(1,384,153)	(1,022,923)	586,037	479,451	76,651
Other Financing Sources (Uses):									
Proceeds from Borrowing	1,892,000	7,794,798	30,000,000	-	-	3,861,500	1,125,000	-	-
Proceeds from Capital Leases	-	-	37,960	184,350	-	-	-	-	-
Premium on Debt	-	-	-	-	-	26,898	-	-	-
Transfers In	1,901,340	3,702,234	12,114,821	10,865,651	9,024,790	7,742,761	8,436,575	7,442,147	7,002,945
Transfers Out	(1,901,340)	(3,546,888)	(12,542,555)	(10,865,651)	(9,024,790)	(7,742,761)	(8,725,075)	(7,442,147)	(7,002,945)
Total Other Financing Sources (Uses)	1,892,000	7,950,144	29,610,226	184,350	-	3,888,398	836,500	-	-
Net Change in Fund Balances	777,343	(3,627,695)	5,470,186	(3,152,976)	(1,384,153)	2,865,475	1,422,537	479,451	76,651
Debt Service as a Percentage of Noncapital Expenditures	6.45%	10.79%	5.82%	5.29%	5.63%	7.11%	5.34%	5.15%	5.86%

Only nine years have been presented because 2003 was the year that GASB Statement No. 34 was implemented.
*Capital outlays under the modified accrual basis differ from capital outlays on the statement of activities due to capitalization thresholds and budgetary requirements.

**CITY OF ELLSWORTH, ME
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Excise Tax</u>	<u>Total</u>
2011	14,999,635	1,228,531	16,228,166
2010	13,983,917	1,228,909	15,212,826
2009	13,773,783	1,267,737	15,041,520
2008	13,462,417	1,316,865	14,779,282
2007	11,283,093	1,309,962	12,593,055
2006	10,381,448	1,321,575	11,703,023
2005	10,215,710	1,245,455	11,461,165
2004	9,590,193	1,227,554	10,817,747
2003	9,046,575	1,107,185	10,153,760
2002	8,457,526	997,825	9,455,351
Percent Change 2002-2011	77.35%	23.12%	71.63%

Source-City of Ellsworth Annual Financial Statements

**CITY OF ELLSWORTH, ME
STATE AID REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>State Revenue</u>				<u>Total</u>
	<u>Sharing</u>	<u>School Aid</u>	<u>Welfare Assistance</u>	<u>Other State Aid</u>	
2011	480,237	0	14,263	3,154,215	3,648,715
2010	505,574	0	12,096	1,521,122	2,038,792
2009	578,348	3,466,169	10,418	410,800	4,465,735
2008	546,715	4,246,937	12,227	354,145	5,160,024
2007	546,982	4,662,450	10,394	340,243	5,560,069
2006	601,666	4,820,004	12,582	372,134	5,806,386
2005	580,192	4,267,879	12,007	359,928	5,220,006
2004	534,756	3,804,559	12,323	362,323	4,713,961
2003	477,396	3,772,439	8,475	373,654	4,631,964
2002	575,000	4,339,986	8,218	379,702	5,302,906

Source-City of Ellsworth Annual Financial Statements

**CITY OF ELLSWORTH, ME
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Real Property</u>				<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Value as a Percentage of Actual Value</u>
	<u>Residential</u>	<u>Commercial</u>	<u>Personal Property*</u>				
2011	711,254,840	321,442,770	36,158,700		1,068,856,310	13.85	100%
2010	716,765,880	299,814,930	37,486,660		1,054,067,470	13.35	100%
2009	697,479,074	291,168,796	37,056,650		1,025,704,520	13.35	100%
2008	676,191,694	283,685,676	34,522,180		994,399,550	13.15	100%
2007	435,829,047	169,957,722	35,138,300		640,925,069	17.55	69%
2006	401,284,853	146,246,998	34,040,400		581,572,251	17.78	75%
2005	393,578,065	143,548,828	33,276,100		570,402,993	17.84	82%
2004	379,451,011	137,399,390	33,078,600		549,929,001	17.27	100%
2003	368,067,081	131,407,171	33,956,300		533,430,552	16.88	100%
2002	364,461,840	124,497,732	31,700,200		520,659,772	16.00	100%

* Personal Property consists of machinery and equipment.

Source: City Tax Assessor

**CITY OF ELLSWORTH, ME
PROPERTY TAX RATE - DIRECT AND OVERLAPPING GOVERNMENTS
(per \$1,000 of assessed value)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General City Government</u>	<u>Education</u>	<u>Hancock County</u>	<u>Total</u>
2011	6.08	7.41	0.36	13.85
2010	6.05	6.93	0.37	13.35
2009	5.27	7.69	0.39	13.35
2008	5.25	7.49	0.41	13.15
2007	7.36	9.59	0.60	17.55
2006	7.59	9.54	0.65	17.78
2005	6.96	10.17	0.71	17.84
2004	6.39	10.19	0.69	17.27
2003	6.24	9.96	0.68	16.88
2002	5.92	9.44	0.64	16.00

Source - City of Ellsworth Tax Commitment

**CITY OF ELLSWORTH, ME
PRINCIPAL PROPERTY TAXPAYERS*
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Business</u>	<u>2011</u>			<u>2002</u>		
		<u>Assessed Value</u>	<u>Rank</u>	<u>% of Total Tax Base</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>% of Total Tax Base</u>
Bangor Hydro Electric Co	Electric Utility	33,756,500	1	3.16%	13,098,822	2	2.52%
Wal-Mart	Retail Sales	24,614,900	2	2.30%	7,910,300	5	1.52%
Lowe's	Retail Sales	18,411,100	3	1.72%	-	0	-
Union River Associates Realty	Shopping Center	13,917,000	4	1.30%	-	0	-
Home Depot	Retail Sales	12,669,400	5	1.19%	8,680,400	4	1.67%
Black Bear Hydro Partners LLC	Dam	10,000,000	6	0.94%	-	0	-
Ellsworth Shopping Center Inc.	Shopping Center	8,388,900	7	0.78%	6,823,100	6	1.31%
Ellsworth No. 1 LLC	Lodging	6,747,000	8	0.63%	-	-	-
Hancock County Homes Foundation	Multi-Family Apartments	6,048,800	9	0.57%	3,885,600	9	0.75%
Three Eights Hotel Group	Lodging	5,837,300	10	0.55%	-	-	-
Union River Yacht Club	Lodging	-	-	-	4,483,800	8	0.86%
Darling's Auto Mall	Auto Sales	-	-	-	-	0	-
Henrietta T. MacQuinn Trustee	Shopping Center	-	-	-	10,997,100	3	2.11%
Beechland Corporation	Land Developer	-	-	-	2,658,900	10	0.51%
Union Trust Company	Bank	-	-	-	6,557,800	7	1.26%
Penobscot Hydro	Electric Producer	-	-	-	21,079,300	1	4.05%

*Source - City of Ellsworth Tax Commitment

CITY OF ELLSWORTH, ME
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 10

<u>Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>						<u>Subsequent Year Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Tax Collection to Net Levy</u>
	<u>Gross Tax Levy</u>	<u>Abatements</u>	<u>Net Tax Levy</u>	<u>Amount</u>	<u>% of Net Levy</u>	<u>Amount</u>			
2002	8,391,526	104,781	8,286,745	8,087,437	97.59%	140,960	8,228,397	99.30%	
2003	9,046,576	65,955	8,980,621	8,841,218	98.45%	113,515	8,954,733	99.71%	
2004	9,590,193	19,425	9,570,768	9,227,551	96.41%	170,316	9,397,867	98.19%	
2005	10,215,709	18,919	10,196,790	9,933,801	97.42%	126,825	10,060,626	98.66%	
2006	10,381,447	22,362	10,359,085	10,088,149	97.38%	156,782	10,244,931	98.90%	
2007	11,283,078	15,277	11,267,801	10,926,446	96.97%	34,411	10,960,857	97.28%	
2008	13,615,548	136,808	13,478,740	12,796,107	94.94%	228,566	13,024,673	96.63%	
2009	13,615,548	215,226	13,400,322	12,649,490	94.40%	438,925	13,088,416	97.67%	
2010	14,093,900	39,704	14,054,196	13,274,749	94.45%	434,540	13,709,289	97.55%	
2011	14,839,634	30,942	14,808,692	14,218,576	96.02%	-	14,218,576	96.02%	

Source - City of Ellsworth Finance/Tax Departmental Records

CITY OF ELLSWORTH, ME
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary</u>		<u>Per Person</u>	
	<u>General Obligation Bonds</u>	<u>General Obligation Bonds</u>	<u>General Obligation Bonds</u>	<u>Government</u>	<u>Per Capita</u>	<u>Income</u>	<u>Per Capita</u>	<u>Income</u>
2002	11,624,413	4,035,575	15,659,988	2,407.01	6.70%			
2003	10,412,501	3,437,487	13,849,988	2,107.42	5.86%			
2004	9,186,177	3,241,585	12,427,762	1,837.61	5.11%			
2005	9,092,942	2,756,296	11,849,238	1,727.04	4.81%			
2006	10,865,324	2,643,764	13,509,088	1,954.44	5.44%			
2007	9,302,609	2,172,903	11,475,512	1,641.23	4.57%			
2008	7,839,611	1,649,194	9,488,805	1,343.26	3.74%			
2009	36,356,839	2,583,587	38,940,426	5,479.94	15.25%			
2010	42,119,798	12,506,247	54,626,045	7,650.71	21.29%			
2011	42,755,807	15,289,174	58,044,981	7,498.38	14.74%			

** In 2009, the City of Ellsworth issued a School Construction Bond by Regional School Unit #24 in the name of the City of Ellsworth, Maine. The State of Maine Department of Education is responsible for paying 96 percent of the annual principal and interest to the Maine Municipal Bond Bank directly. The remaining four percent is paid by the Regional School Unit #24. The GOB is backed by the full faith and credit of the City of Ellsworth.

Source - City of Ellsworth Finance Departmental Records

CITY OF ELLSWORTH, ME
RATIO OF GENERAL OBLIGATION DEBT TO ASSESSED VALUE AND
NET GENERAL OBLIGATION DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population*</u>	<u>Assessed Value</u>	<u>GO Debt</u>	<u>Ratio of Net Bonded Debt</u>	
				<u>Assessed Value</u>	<u>Per Capita</u>
2002	6506	520,659,772	11,624,413	2.23%	1,786.72
2003	6572	533,430,552	10,412,501	1.95%	1,584.37
2004	6763	549,929,001	9,186,177	1.67%	1,358.30
2005	6861	570,402,993	9,092,942	1.59%	1,325.31
2006	6912	584,572,250	10,865,324	1.86%	1,571.95
2007	6992	640,949,659	9,302,609	1.45%	1,330.46
2008	7064	1,006,045,800	7,839,611	0.78%	1,109.80
2009	7106	1,025,704,520	36,356,839	3.54%	5,116.36
2010	7140	1,054,067,470	42,119,798	4.00%	5,899.13
2011	7741	1,068,856,310	42,755,807	4.00%	5,523.29

*Source: US Census Bureau

** In 2009, the City of Ellsworth issued a School Construction Bond by Regional School Unit #24 in the name of the City of Ellsworth, Maine. The State of Maine Department of Education is responsible for paying 96 percent of the annual principal and interest to the Maine Municipal Bond Bank directly. The remaining four percent is paid by the Regional School Unit #24. The GOB is backed by the full faith and credit of the City of Ellsworth.

CITY OF ELLSWORTH, ME
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2011

	<u>Total Debt</u> <u>Outstanding</u>	<u>% Applicable to</u> <u>Ellsworth</u>	<u>Amount Applicable to</u> <u>Ellsworth</u>
Direct Debt			
City of Ellsworth			
General Obligation Bonds	58,044,981	100%	58,044,981
Overlapping Debt			
Hancock County*	2,400,000	7.54%	180,960
Total Debt	60,444,981		58,225,941

* Hancock County first determines the mill rate based on the total County budget. The municipality's percentage of the County tax is then calculated based on the State of Maine's annual valuation.

**CITY OF ELLSWORTH, ME
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Assessed Value</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Percentage of Net Debt to Debt Limit</u>
2002	76,080,000	507,200,000	15,659,988	60,420,012	20.58%
2003	81,307,500	542,050,000	13,849,988	67,457,512	17.03%
2004	84,352,500	562,350,000	12,427,762	71,924,738	14.73%
2005	97,687,500	651,250,000	11,849,238	85,838,262	12.13%
2006	117,247,500	781,650,000	13,509,088	103,738,412	11.52%
2007	140,805,000	938,700,000	11,475,512	129,329,488	8.15%
2008	151,128,000	1,007,520,000	9,488,805	141,639,195	6.28%
2009	155,175,000	1,034,500,000	38,940,426	116,234,574	25.09%
2010	158,595,000	1,057,300,000	54,626,045	103,968,955	34.44%
2011	162,975,000	1,086,500,000	58,044,981	104,930,019	35.62%

Legal Debt Margin Calculation for Fiscal Year 2011

Total State Valuation	1,086,500,000
Debt Limitation: 15% of State Valuation	162,975,000
Debt Applicable to Debt Limitation:	
General Obligation Bonds:	
Municipal	4,461,959
Water	3,983,167
School	38,293,848
Sewer	11,306,007
Total Debt Applicable to Limit:	58,044,981
Legal Debt Margin	104,930,019

CITY OF ELLSWORTH, ME
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population*</u>	<u>Median Household Income*</u>	<u>Per Capita Income*</u>	<u>Median Age*</u>	<u>Public School Enrollment**</u>	<u>Unemployment Rate***</u>
2002	6506	35,938	21,049	40.5	1,316	6.00%
2003	6572	35,938	21,049	40.5	1,312	6.50%
2004	6763	35,938	21,049	40.5	1,236	5.70%
2005	6861	35,938	21,049	40.5	1,346	6.10%
2006	6912	35,938	21,049	40.5	1,314	5.60%
2007	6992	35,938	21,049	40.5	1,337	6.20%
2008	7064	35,938	21,049	40.5	1,333	6.20%
2009	7106	35,938	21,049	40.5	1,243	8.60%
2010	7140	35,938	21,049	40.5	1,377	7.50%
2011	7741	50,884	26,638	42.2	1,348	7.50%

*Source: US Census Bureau

**Source: Regional School Unit 24

***Source: Maine Department of Labor

CITY OF ELLSWORTH, ME
 PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Employees</u>	<u>Rank</u>	<u>Rank</u>
			<u>Total Employment</u>			
Maine Coast Memorial Hospital	633	1	2.90%	430		1
RSU #24	314	2	1.44%			
Wal-Mart Stores	299	3	1.37%	230		3
Hannaford Bros.	289	4	1.33%	171		4
Shaw's Supermarket	147	5	0.67%	116		7
Kidspace National Centers	123	6	0.56%	170		5
Lowe's	104	7	0.48%			
Home Depot	98	8	0.45%			
Union Trust Company	94	9	0.43%			8
North Country Associates	92	10	0.42%	91		9
City of Ellsworth				352		2
State of Maine, Dept of Transportation				132		6
United States Postal Service				90		10

*Sources - Ellsworth Area Chamber of Commerce and Hancock County Planning Commission

**Percentage of total employment for 2002 in unavailable

CITY OF ELLSWORTH, MAINE
 OPERATING INDICATORS BY FUNCTION*
 LAST TEN FISCAL YEARS

Function	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Code Enforcement Building Permits	190	213	190	259	223	239	289	311	295	295
Police Calls for Service	7,309	7,010	6,337	4,885	5,243	4,861	4,641	5,252	4,534	4,466
Fire Calls for Service	382	397	385	345	355	299	277	329	316	300
Sewer Treated flow (millions of gallons) Biosolids (cubic yards)	148 610	213 716	190 622	259 697	223 680	217 908	317 829	357 559	237 560	207 500

*Source - City of Ellsworth Departmental Records

**CITY OF ELLSWORTH, MAINE
FULL-TIME EQUIVALENT
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Administration	18	18	17	16	16	16	16	13	15	15
Police	16	15	14	14	14	14	14	13	13	13
Fire	10	10	10	9	9	8	8	8	8	8
Dispatch	4	3	3	3	4	4	4	4	4	4
Highway	11	11	11	11	10	9	9	9	9	9
Transfer Station	2	2	2	2	2	2	1	0	0	0
Wastewater Department	4	4	4	4	4	4	3	3	2	2
Water Department	4	4	4	4	4	3	3	3	3	3
Library	11	9	9	9	9	9	9	9	10	10
Recreation	1	1	1	1	1	1	1	1	1	1
Custodial	2	3	3	2	2	2	2	2	2	2
School Department**	0	0	320	320	318	317	291	291	281	283
Totals	83	80	398	395	393	389	361	356	348	350

*Source - City of Ellsworth Departmental Records

**In 2010, the Ellsworth School Department was reorganized and became part of Regional School Unit 24.

**CITY OF ELLSWORTH, MAINE
CAPITAL ASSETS STATISTICS BY FUNCTION*
LAST TEN FISCAL YEARS**

TABLE 19

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Vehicles	8	7	7	7	7	7	7	6	6	6	6
Fire											
Stations	1	1	1	1	1	1	1	1	1	1	1
Vehicles	9	7	9	9	9	9	9	9	9	9	9
Public Works											
Paved Streets/Roads (miles)	37.79	37.79	37.79	37.79	35.86	35.86	35.86	35.86	35.86	35.86	35.86
Unpaved Streets/Roads (miles)	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91	14.91
Sidewalks (miles)	4.21	4.21	4.21	4.21	4.21	4.21	4.21	4.21	4.21	4.21	4.21
Parks and Recreation											
Parks	1	1	1	2	2	2	2	2	0	0	0
Park Acreage	1.25	1.25	1.25	1.40	1.40	1.40	1.40	1.40	1.25	1.25	1.25
Harbors	1	1	1	1	1	1	1	1	1	1	1
Harbor Moorings	42	43	42	41	33	33	35	36	37	31	32
Ball Fields	4	4	4	4	4	4	4	3	3	3	3
Ball Field Acreage	10.70	10.70	10.70	10.70	10.70	10.70	10.70	9.70	9.70	9.70	9.70
Sewer											
Sanitary Sewers (miles)	22.40	22.40	22.40	22.40	22.40	22.40	22.40	22.40	22.40	22.40	22.40
Storm Sewers (miles)	17.90	17.90	17.90	17.90	17.90	17.90	17.90	17.90	17.90	17.90	17.90
Pump Stations	8	7	7	7	7	7	4	4	4	4	4
Treatment Plants	1	1	1	1	1	1	1	1	1	1	1
Water											
Transmission & Distribution (miles)	25.37	23.15	23.15	23.15	23.17	23.17	22.10	22.17	22.17	22.17	22.17
Public Fire Hydrants	235	222	192	192	192	192	181	176	176	176	176

*Source - City of Ellsworth Departmental Records

Federal Compliance Reporting

City of Ellsworth, Maine

June 30, 2011

Contents

City of Ellsworth, Maine

June 30, 2011

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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

**To the City Council
City of Ellsworth, Maine**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ellsworth, Maine, as of and for the year ended June 30, 2011, which collectively comprise the City of Ellsworth, Maine's basic financial statements and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ellsworth, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ellsworth, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ellsworth, Maine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompany schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2011-1 described in the accompany schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ellsworth, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Ellsworth, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Ellsworth, Maine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Purdy Pownall & Company
Professional Association

Portland, Maine
November 15, 2011

**Independent Auditors' Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

**To the City Council
City of Ellsworth, Maine**

Compliance

We have audited the City of Ellsworth, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Ellsworth, Maine's major federal programs for the year ended June 30, 2011. The City of Ellsworth, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Ellsworth, Maine's management. Our responsibility is to express an opinion on the City of Ellsworth, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ellsworth, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Ellsworth, Maine's compliance with those requirements.

In our opinion, the City of Ellsworth, Maine, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the City of Ellsworth, Maine, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Ellsworth, Maine's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ellsworth, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ellsworth, Maine, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Purdy Powers & Company

Professional Association

Portland, Maine
November 15, 2011

Schedule of Expenditures of Federal Awards

City of Ellsworth, Maine

For the Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Total Expenditures
<u>U.S. Department of Agriculture</u>		
Direct Awards:		
Water and Waste Disposal System for Rural Communities	10.760	\$ 463,476
Total U.S. Department of Agriculture		463,476
<u>U.S. Department of Housing and Urban Development</u>		
Passed through the Maine Department of Economic and Community Development:		
Community Development Block Grant (Total CDBG - State-Administered CDBG Cluster)	14.228	77,732
Total U.S. Department of Housing and Urban Development		77,732
<u>U.S. Department of Justice</u>		
Direct Awards:		
Bulletproof Vest Partnership Program	16.607	1,925
Passed through the Maine Department of Health and Human Services		
Enforcing Underage Drinking Laws Program	16.727	2,681
Passed through the Maine Department of Public Safety:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12,260
Total JAG Program Cluster		12,260
Total U.S. Department of Justice		16,866
<u>U.S. Department of Transportation</u>		
Passed through the Maine Department of Transportation		
Highway Program	20.205	63,583
Total Highway Planning and Construction Cluster		63,583
Passed through the Maine Department of Public Safety:		
State and Community Highway Safety	20.600	1,008
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	7,140
Occupant Protection	20.602	4,662
Total Highway Safety Cluster		12,810
Total U.S. Department of Transportation		76,393
<u>U.S. Environmental Protection Agency</u>		
Direct Awards:		
Congressional Mandated Projects	66.202	46,104
Passed through the Maine Department of Environmental Protection		
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	91,043
Capitalization Grants for Drinking Water State Revolving Funds	66.468	16,712
Total U.S. Environmental Protection Agency		153,859
<u>U.S. Department of Homeland Security</u>		
Passed through the Maine Emergency Management Agency:		
Assistance to Firefighters	97.044	47,979
Homeland Security Grant Program	97.067	29,352
Total Homeland Security Cluster		29,352
Total U.S. Department of Homeland Security		77,331
Total Federal Financial Assistance		\$ 865,657

Notes to Schedule of Expenditures of Federal Awards

City of Ellsworth, Maine

June 30, 2011

1. **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Ellsworth, Maine. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the schedule.

2. **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. **Major Program – Federal**

The following program was considered major as defined by OMB Circular A-133:

<u>Program</u>	<u>CFDA#</u>
Water and Waste Disposal Systems For Rural Communities	10.760

Schedule of Findings and Questioned Costs

City of Ellsworth, Maine

For the Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Ellsworth, Maine.
2. A material weakness relating to the financial statement audit is reported in the accompanying Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Ellsworth, Maine were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the accompanying Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Ellsworth, Maine expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Ellsworth, Maine are reported in Part C of this Schedule.
7. The program tested as major was:

<u>Program</u>	<u>CFDA#</u>
Water and Waste Disposal Systems For Rural Communities	10.760

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Ellsworth, Maine was determined to be a low-risk auditee.

Schedule of Findings and Questioned Costs - Continued

City of Ellsworth, Maine

For the Year Ended June 30, 2011

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2011-1 Capital Asset Recordkeeping

- Condition:** During the year ended June 30, 2011 prior period adjustments were made to Governmental Activities for capital asset transactions which were previously recorded incorrectly.
- Criteria:** Internal controls should be in place to provide reasonable assurance that capital asset transactions are recorded accurately.
- Cause:** The accounting procedures currently in place do not address the accurate recording and capitalization of capital assets.
- Effect:** Without proper capitalization of capital assets, asset balances and expenditures may be reported incorrectly.
- Recommendation:** We recommend management adjust its procedures to ensure the accurate recording and capitalization of capital assets. We also recommend the use of fixed asset tracking software in order to decrease the risk of human error in the computation of amounts.
- Response:** The City currently utilizes a commercial spreadsheet application to track capital assets and record expenditures and depreciation. This has proven to be cumbersome and has caused mistakes within the formulas on the spreadsheet. The City is looking to purchase an entirely new municipal accounting software package due to the antiquated system that the City currently operates. As part of this package, a fixed asset program would be put into place. Yet due to the extreme cost of the software, the City Council made the decision to postpone the purchase. Until then, management will ensure that additional measures are established to avoid this situation from reoccurring in the future.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None