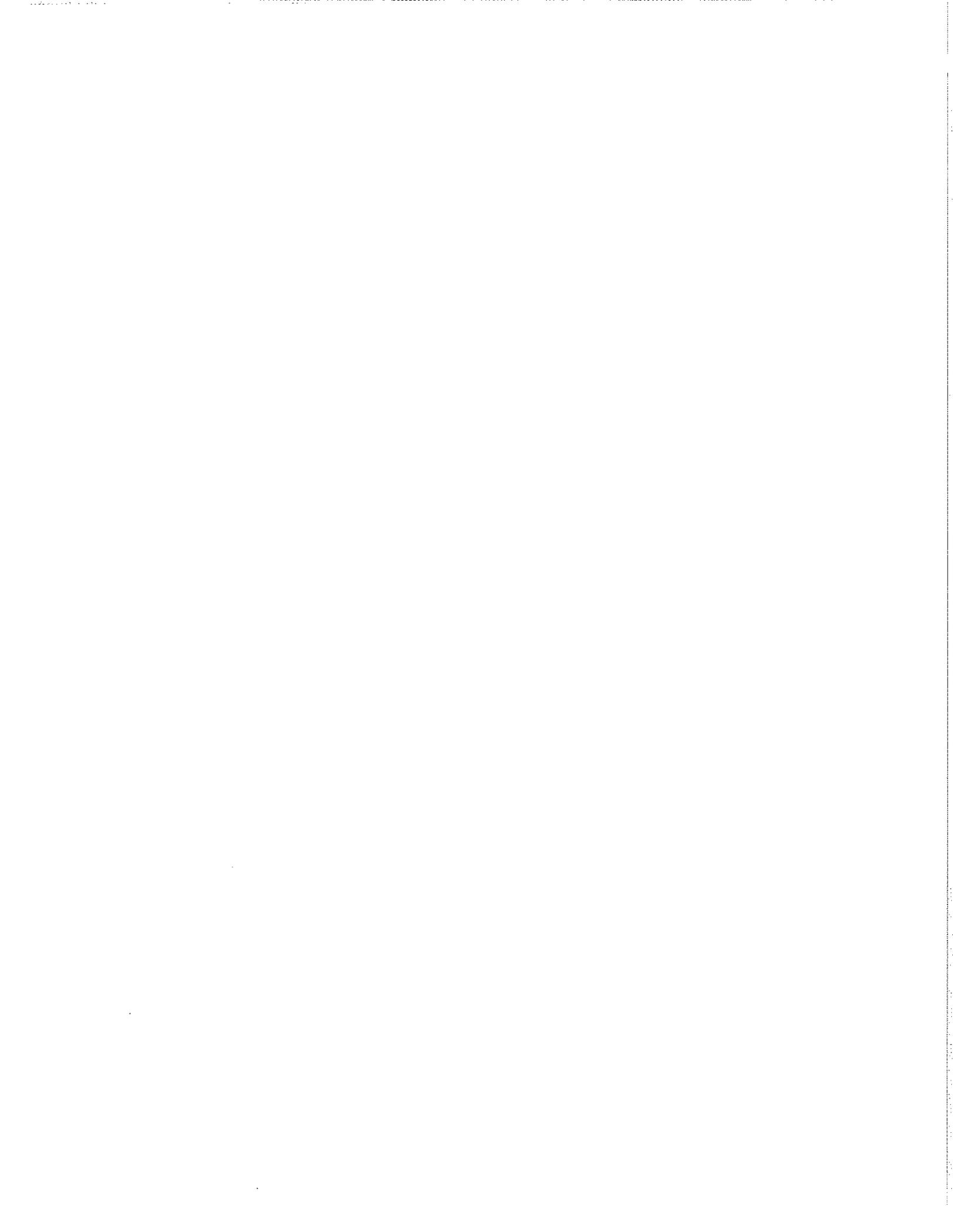


CITY OF GARDINER, MAINE

Financial Report

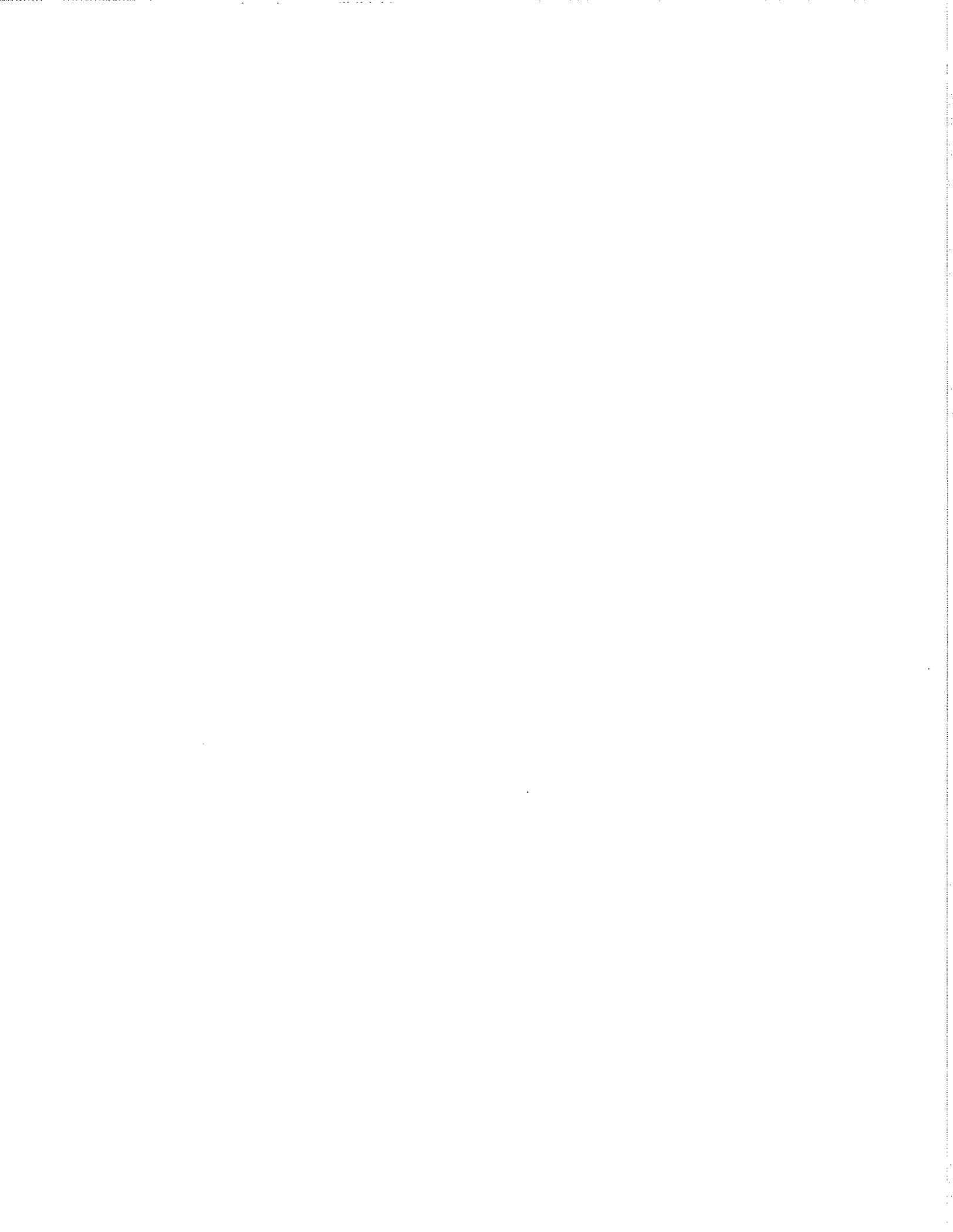
For the Fiscal Year Ended June 30, 2011



CITY OF GARDINER, MAINE
Financial Report
For the Fiscal Year Ended June 30, 2011

Table of Contents

	<u>Statements</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	11
Statement of Activities	2	12
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	15
Statement of Net Assets – Proprietary Funds	6	16
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	7	17
Statement of Cash Flows – Proprietary Funds	8	18
Notes to Basic Financial Statements		19-33
	<u>Exhibits</u>	<u>Page</u>
Required Supplementary Information and Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	A-1	37
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Required Supplementary Information)	A-2	38
All Other Governmental Funds:		
Combining Balance Sheet	B-1	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	B-2	42
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	C-1	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	46
Nonmajor Permanent Funds:		
Combining Balance Sheet	D-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	50



Independent Auditor's Report

City Council
City of Gardiner, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardiner, 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 Gardiner, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Gardiner, Maine, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable thereof, 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 30, 2011, on our consideration of the City of Gardiner, Maine's internal control over financial reporting and our test 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 the 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 Management's Discussion and Analysis and the budgetary comparison information (Exhibit A-2) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 Gardiner, Maine's financial statements as a whole. The combining and individual fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and reflects 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 taken as a whole.



November 30, 2011
South Portland, Maine

CITY OF GARDINER, MAINE
Management's Discussion and Analysis
June 30, 2011

As management of the City of Gardiner, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Gardiner for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information furnished in the notes to the financial statements, which can be found on pages 19-33 of this report.

Financial Highlights

- The assets of the City of Gardiner exceeded its liabilities at the close of the most recent fiscal year by \$19,067,117 (*net assets*) (Statement 1). Of this amount, \$3,017,659 (*unrestricted net assets*) (Statement 1) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City of Gardiner's total net assets increased by \$1,246,165 (Statement 2). This represents an increase of \$950,191 in governmental activities and an increase of \$295,974 in business-type activities (Ambulance and Wastewater).
- As of the close of the current fiscal year, the City of Gardiner's governmental funds reported combined ending fund balances of \$2,598,046 (Statement 3), an increase of \$170,884 (Statement 4) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,701,542 (Statement 3) or 18% of total general fund expenditures of \$9,270,580 (Statement 4).
- The City of Gardiner issued new debt totaling \$1,277,715 during the current fiscal year. A new issue of \$767,000 was for the purchase of a new ladder truck, and a \$260,000 general fund bond and \$236,000 wastewater fund bond was to fund the Harrison Avenue Project. There were new capital leases of \$14,715 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Gardiner's basic financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Gardiner's finances, in a manner similar to a private-sector business.

The *statement of net assets*, Statement 1, presents information on 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.

The *statement of activities*, Statement 2, 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 will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Gardiner that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, education and community services.

The City has two business-type activities, which are an ambulance service and a wastewater treatment plant.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Information is presented separately in the governmental fund balance sheet (Statement 3) and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, TIF Fund, Revolving Loan Fund, and the Harrison Avenue Fund, which are considered to be major funds (Statement 4). 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* elsewhere in this report (See Exhibit B-1 and B-2).

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

Proprietary funds. The City maintains two types of proprietary funds. The *enterprise fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its operations of the ambulance service and the wastewater treatment plant.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-33 of this report.

Other information. Combining and individual fund statements and schedules can be found on Exhibits A through D of this report.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Gardiner, assets exceeded liabilities by \$19,067,117 at the close of the most recent fiscal year (Statement 1).

By far the largest portion of the City of Gardiner's net assets (78 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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.

City of Gardiner's Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 3,341,151	\$ 3,643,265	\$ 1,953,825	\$ 2,025,501	\$ 5,294,976	\$ 5,668,766
Capital assets	15,578,833	14,503,208	10,939,219	10,632,057	26,618,052	25,135,265
Total assets	19,019,984	18,146,473	12,893,044	12,657,558	31,913,028	30,804,031
Non-current liabilities outstanding	7,858,404	7,392,684	4,603,592	4,676,738	12,461,996	12,069,422
Other liabilities	292,017	834,414	91,898	79,240	383,915	913,654
Total liabilities	8,150,421	8,227,098	4,695,490	4,755,978	12,845,911	12,983,076
Net assets:						
Invested in capital assets, net of related debt	8,423,193	7,639,154	6,491,077	6,096,906	14,914,270	13,736,060
Restricted	1,135,188	895,233	-	-	1,135,188	895,233
Unrestricted	1,311,182	1,384,986	1,705,477	1,804,674	3,017,659	3,189,660
Total net assets	\$ 10,869,563	\$ 9,919,373	\$ 8,197,554	\$ 7,901,580	\$ 19,067,117	\$ 17,820,953

The City's restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$3,017,659) may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

The City of Gardiner's net assets increased \$1,246,165 during the current fiscal year. This change is broken out in the following categories:

- **Governmental activities:** The City's governmental activities increased the net assets by \$950,191.
- **Business-type activities:** The City's two business-type activities, the ambulance service and wastewater treatment plant, increased the City of Gardiner's net assets by \$295,974.

City of Gardiner's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 49,798	\$ 34,098	\$ 2,267,420	\$ 2,240,460	\$ 2,317,218	\$ 2,274,558
Operating grants and contributions	361,134	78,750	-	-	361,134	78,750
Capital grants and contributions	1,419,373	-	410,907	-	1,830,280	-
General revenues:						
Property taxes	6,945,610	6,814,769	-	-	6,945,610	6,814,769
Other taxes	884,807	833,082	-	-	884,807	833,082
Grants not restricted to specific programs	796,557	1,389,341	-	-	796,557	1,389,341
Other	92,962	339,860	5,338	2,142	98,300	342,002
Total revenues	10,550,241	9,489,900	2,683,665	2,242,602	13,233,906	11,732,502
Expenses:						
General government	1,132,327	998,508	-	-	1,132,327	998,508
Public safety	1,617,284	1,620,504	-	-	1,617,284	1,620,504
Public works	1,524,719	1,524,898	-	-	1,524,719	1,524,898
Health and welfare	151,068	131,169	-	-	151,068	131,169
Community services	434,863	408,756	-	-	434,863	408,756
Education	3,136,859	3,042,060	-	-	3,136,859	3,042,060
County	360,679	334,848	-	-	360,679	334,848
Unclassified	956,905	1,118,822	-	-	956,905	1,118,822
Minor capital outlay	-	-	-	-	-	-
Interest of debt	285,346	100,541	-	-	285,346	100,541
Ambulance	-	-	948,246	1,014,721	948,246	1,014,721
Wastewater	-	-	1,439,445	1,389,808	1,439,445	1,389,808
Total expenses	9,600,050	9,280,106	2,387,691	2,404,529	11,987,741	11,684,635
Increase in net assets	950,191	209,794	295,974	(161,927)	1,246,165	47,867
Net assets—July 1	9,919,373	9,709,579	7,901,580	8,063,507	17,820,953	17,773,086
Net assets—June 30	\$ 10,869,564	\$ 9,919,373	\$ 8,197,554	\$ 7,901,580	\$ 19,067,118	\$ 17,820,953

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

Financial Analysis of the Government's Funds

As noted earlier, the City of Gardiner uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Gardiner'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. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year (Statement 3).

As of the end of the current fiscal year, the City of Gardiner's governmental funds reported combined ending fund balances of \$2,598,046. Approximately 49 percent of this total amount (\$1,276,008) constitutes *unassigned fund balance*.

The fund balance of the City of Gardiner's general fund increased \$109,489 (Statement 4) during the current fiscal year.

General Fund Budgetary Highlights

For the current fiscal year, revenues exceeded budgetary projections by \$146,041 and expenditures were below appropriations by \$40,047.

This created a positive variance of \$186,088 to the fund balance. However, the budgeted use of prior year carry forwards of \$76,599 netted an increase of \$109,489 to the fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Gardiner's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$15,678,833 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, vehicles, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- the purchase of a new ladder truck for the fire department;
- improvements for the Cobbossee Corridor Bike Trail and the Waterfront;
- improvements for the Harrison Avenue project; and,
- a new server for City Hall.

Additional information on the City of Gardiner's capital assets can be found in the Notes to the Financial Statements of this report.

Long-term debt. At the end of the current fiscal year, the City of Gardiner had total bonded debt outstanding of \$11,578,822. Of this amount, \$4,413,726 is business-type activities and \$7,165,096 is for governmental activities.

State statutes limit the amount of general obligation debt a municipality may issue to 15 percent of its total state assessed valuation. The current debt limitation for the City of Gardiner is \$54,165,000 which is in excess of the City of Gardiner's outstanding general obligation debt of \$11,578,822.

Additional information on the City of Gardiner's long-term debt can be found in the Notes to the Financial Statements of this report.

CITY OF GARDINER, MAINE
Management's Discussion and Analysis, Continued

American Recovery and Reinvestment Act (ARRA) of 2009.

Through competitive award processes, the City was awarded \$1.3 million in ARRA grants. This funding was for six one-time grant awards, as follows;

- The City successfully obtained a Recovery Zone Economic Development Bond (RZEDB) with a grant subsidy of \$864,894 on a \$4.9 million dollar expansion to the Libby Hill Business Park.
- As a Community Development Block Grant (CDBG) entitlement community, the City of Gardiner was awarded a \$100,000 grant for improvements to the sewer system on Harrison Avenue and upgrades to the South Gardiner sewer pump station.
- As part of the same project listed above, the city also received an \$189,000 grant award from the U.S. Department of Agriculture, Rural Development division.
- The City received a Build America Bond (BAB) subsidy of \$70,087 on a \$767,000 bond to finance the purchase of a ladder truck.
- A \$61,000 Public Building Wood to Energy grant was received for a pellet boiler at the Gardiner City Hall.
- The City was awarded \$17,951 from the Department of Justice, which funded the cost of 11 police portables, 4 in-car radios, and a police records management module used for cross agency checks.

Economic Factors

In response to the continued uncertainty surrounding the national economy, management has been closely tracking not only revenues and expenditures, but also foreclosures, liens, unemployment rates, and building permit levels. To date, the City has seen only slight increases in foreclosure and lien rates and will continue to monitor these levels and take steps to assist our tax/rate payers in obtaining assistance wherever possible.

The City will continue to pursue new industrial and commercial development in the Libby Hill Business Park, as well as improvements to the downtown and the waterfront areas. During the upcoming fiscal year, the City's management team will also continue to monitor and evaluate local, state, and national economic conditions to make proactive decisions to put Gardiner in its best financial position.

In June 2011, the unemployment rate for Kennebec County 7.2%, compared to the State's rate of 7.5% and the national rate of 9.3%.

Next Year's Budgets and Tax Rates

The above economic factors were considered in preparing the City's budget for the 2011-12 fiscal year. The Council's primary budgetary objectives were to provide quality City services to its citizens, minimize any increase in the property tax rate, and examine the cost of individual services to determine applicable user and permit fees. To accomplish these goals, City staff scrutinized their budgets for savings, examined staffing levels, adopted user fees, and refined operational service delivery methods for efficiencies.

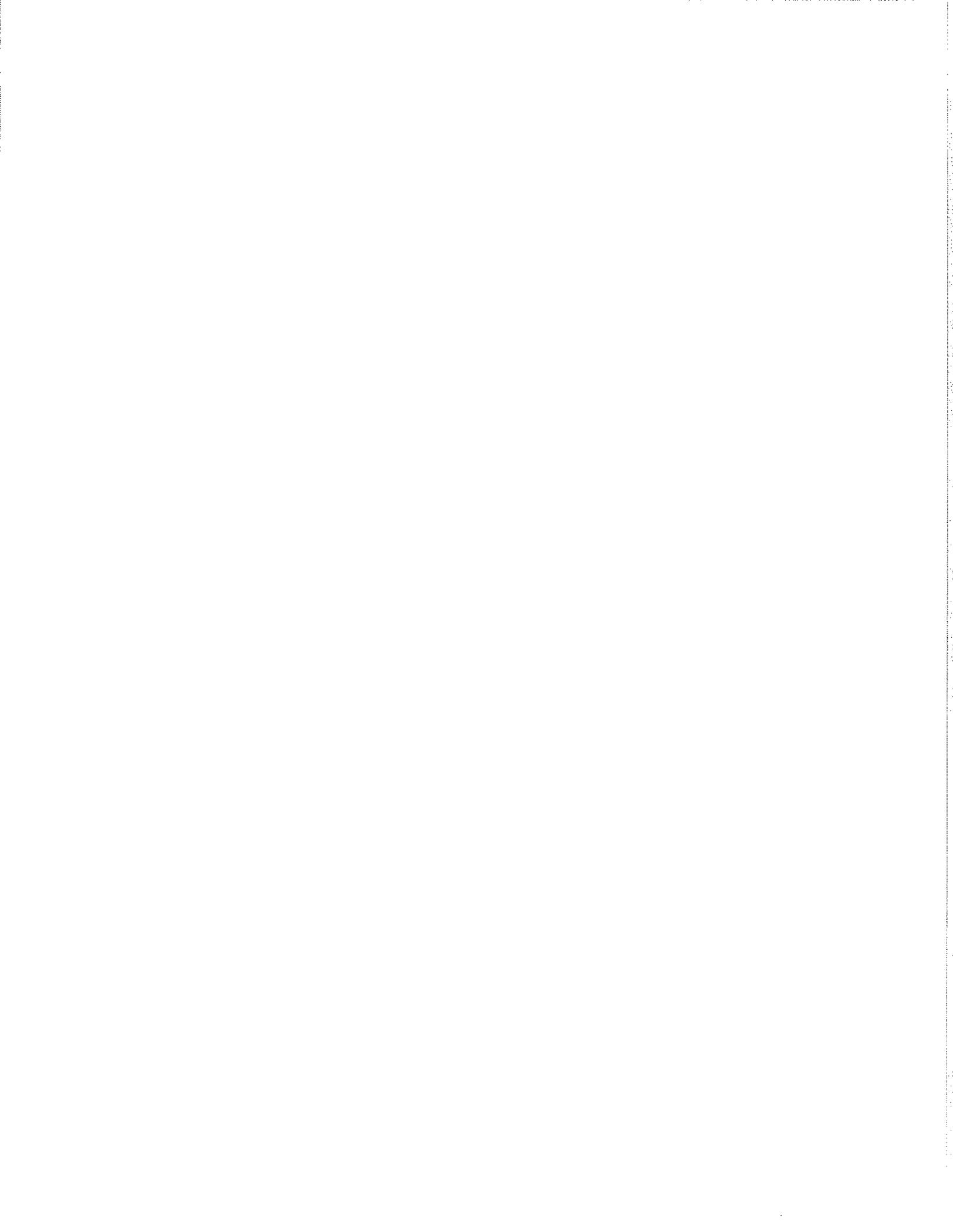
The 2011-12 fiscal year budget adopted by the City Council resulted in a .7% increase to property taxes and a mill rate of 19.9. Some contributing factors that resulted in the increase to property taxes included the following:

- a decrease in excise tax;
- an increase in health insurance costs; and
- a 5.34% increase to the school budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Gardiner's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 6 Church Street, Gardiner, Maine 04345.

BASIC FINANCIAL STATEMENTS



CITY OF GARDINER, MAINE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,162,829	95,597	3,258,426
Receivables:			
Taxes receivable	24,010	-	24,010
Tax liens	487,145	-	487,145
Other receivables, net of allowances	149,306	1,095,824	1,245,130
Notes receivable	280,265	-	280,265
Internal balances	(762,404)	762,404	-
Capital assets, not being depreciated	1,188,648	1,028,575	2,217,223
Capital assets, net of accumulated depreciation	14,490,185	9,910,644	24,400,829
Total assets	19,019,984	12,893,044	31,913,028
LIABILITIES			
Accounts payable	217,150	24,756	241,906
Accrued expenses	27,697	13,946	41,643
Due to other governments	5,619	-	5,619
Accrued interest	41,551	47,024	88,575
Deferred revenue	-	6,172	6,172
Noncurrent liabilities:			
Due within one year	595,046	322,752	917,798
Due in more than one year	7,263,358	4,280,840	11,544,198
Total liabilities	8,150,421	4,695,490	12,845,911
NET ASSETS			
Invested in capital assets, net of related debt	8,423,193	6,491,077	14,914,270
Restricted for:			
Permanent funds	436,466	-	436,466
Revolving loan funds	646,403	-	646,403
Grants	52,319	-	52,319
Unrestricted	1,311,182	1,706,477	3,017,659
Total net assets	\$ 10,869,563	8,197,554	19,067,117

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Activities
For the year ended June 30, 2011

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,132,327	32,189	-	-	(1,100,138)	-	(1,100,138)
Public safety	1,617,284	-	-	-	(1,617,284)	-	(1,617,284)
Public works	1,524,719	5,618	74,728	-	(1,444,373)	-	(1,444,373)
Health and welfare	151,068	-	6,133	-	(144,935)	-	(144,935)
Community services	434,863	11,991	80,273	-	(342,599)	-	(342,599)
Education	3,136,859	-	-	-	(3,136,859)	-	(3,136,859)
County	360,679	-	-	-	(360,679)	-	(360,679)
Unclassified	956,905	-	200,000	-	(756,905)	-	(756,905)
Miscellaneous capital costs	-	-	-	1,419,373	1,419,373	-	1,419,373
Interest on debt	285,346	-	-	-	(285,346)	-	(285,346)
Total governmental activities	9,600,050	49,798	361,134	1,419,373	(7,769,745)	-	(7,769,745)
Business-type activities:							
Ambulance	948,246	887,291	-	-	-	(60,955)	(60,955)
Wastewater	1,439,445	1,380,129	-	-	-	(59,316)	(59,316)
Total business-type activities	2,387,691	2,267,420	-	-	-	(120,271)	(120,271)
Total primary government	\$ 11,987,741	2,317,218	361,134	1,419,373	(7,769,745)	(120,271)	(7,890,016)
General revenues:							
Property taxes					6,945,610	-	6,945,610
Other taxes					884,807	-	884,807
Grants and contributions not restricted to specific programs:							
State revenue sharing					609,566	-	609,566
Homestead exemption					144,789	-	144,789
Other					42,202	-	42,202
Interest earned					19,829	5,338	25,167
Unclassified					484,040	-	484,040
Contributed assets, net					(410,907)	410,907	-
Total general revenues					8,719,936	416,245	9,136,181
Change in net assets					950,191	295,974	1,246,165
Net assets - beginning					9,919,372	7,901,580	17,820,952
Net assets - ending					\$ 10,869,563	8,197,554	19,067,117

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	TIF Fund	Revolving Loan Fund	Harrison Ave Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 2,043,637	-	427,583	244,002	447,607	3,162,829
Receivables:						
Taxes receivable	24,010	-	-	-	-	24,010
Tax liens	487,145	-	-	-	-	487,145
Other receivables and prepaids	95,748	-	-	53,530	28	149,306
Notes receivable	-	-	280,265	-	-	280,265
Interfund loans receivable	-	-	-	-	59,200	59,200
Total assets	\$ 2,650,540	-	707,848	297,532	506,835	4,162,755
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accrued payroll and related liabilities	27,697	-	-	-	-	27,697
Interfund loans payable	170,108	424,558	61,002	152,345	13,591	821,604
Accounts payable	66,085	976	443	126,447	23,199	217,150
Due to other governments	5,619	-	-	-	-	5,619
Deferred revenue	492,639	-	-	-	-	492,639
Total liabilities	762,148	425,534	61,445	278,792	36,790	1,564,709
Fund balances (deficit):						
Nonspendable	-	-	280,265	-	307,399	587,664
Restricted	-	-	366,138	18,740	162,646	547,524
Assigned	186,850	-	-	-	-	186,850
Unassigned	1,701,542	(425,534)	-	-	-	1,276,008
Total fund balances (deficit)	1,888,392	(425,534)	646,403	18,740	470,045	2,598,046
Total liabilities and fund balances	\$ 2,650,540	-	707,848	297,532	506,835	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						15,678,833
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						492,639
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:						
Accrued compensated absences						(247,510)
Accrued interest						(41,551)
Capital leases						(445,798)
Bonds payable						(7,165,096)
Net assets of governmental activities						\$ 10,869,563

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General	TIF Fund	Revolving Loan Fund	Harrison Ave Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,737,778	-	-	-	-	7,737,778
Licenses and permits	32,189	-	-	-	-	32,189
Intergovernmental	1,125,997	-	-	566,407	852,966	2,545,370
Charges for services	17,609	-	-	-	31,694	49,303
Unclassified	104,237	89,941	-	-	289,862	484,040
Interest earned	4,976	-	13,340	503	1,010	19,829
Total revenues	9,022,786	89,941	13,340	566,910	1,175,532	10,868,509
Expenditures:						
Current:						
General government	937,737	214,978	-	-	-	1,152,715
Public safety	1,337,391	-	-	-	80,022	1,417,413
Public works	1,166,993	-	-	-	-	1,166,993
Health and welfare	150,767	-	-	-	-	150,767
Community services	434,863	-	-	-	-	434,863
Education	3,136,859	-	-	-	-	3,136,859
County	360,679	-	-	-	-	360,679
Unclassified	842,054	80,031	21,225	-	3,724	947,034
Capital expenditures	781,715	-	-	973,077	741,929	2,496,721
Debt service	121,522	544,686	45,088	-	-	711,296
Total expenditures	9,270,580	839,695	66,313	973,077	825,675	11,975,340
Excess (deficiency) of revenues over (under) expenditures	(247,794)	(749,754)	(52,973)	(406,167)	349,857	(1,106,831)
Other financing sources (uses):						
Proceeds from debt / capital leases	781,715	-	-	496,000	-	1,277,715
Transfers in	-	679,433	-	-	301,349	980,782
Transfers out	(424,432)	(556,350)	-	-	-	(980,782)
Total other financing sources (uses)	357,283	123,083	-	496,000	301,349	1,277,715
Net change in fund balances	109,489	(626,671)	(52,973)	89,833	651,206	170,884
Fund balances (deficit), beginning of year	1,778,903	201,137	699,376	(71,093)	(181,161)	2,427,162
Fund balances (deficit), end of year	\$ 1,888,392	(425,534)	646,403	18,740	470,045	2,598,046

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$	170,884
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays 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 capital outlays (\$1,985,977) exceeded depreciation expense (\$800,481) and loss on disposal of assets (\$9,871) in the current period.</p>		1,175,625
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		92,639
<p>Lease proceeds provide current financial resources to governmental funds, but issuing leases increases long-term liabilities in the statement of net assets. Repayment of lease 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 (\$147,338) exceeded new lease proceeds (\$14,715).</p>		132,623
<p>Change in accruals recorded on the statement of net assets, but not on the governmental fund - balance sheet:</p>		
Change in compensated absence accrual		(20,530)
Change in accrued interest		(23,237)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond 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 new bonds and notes (\$1,263,000) exceeded the amount of repayments (\$685,187).</p>		(577,813)
<hr/>		
Change in net assets of governmental activities (see Statement 2)	\$	950,191

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2011

Business-type Activities - Enterprise Funds			
	Ambulance	Wastewater	Total
ASSETS			
Current assets:			
Cash	\$ 89,377	6,220	95,597
Accounts receivable - (net of allowance of \$45,000 in ambulance fund)	182,256	913,568	1,095,824
Interfund loans receivable	-	990,973	990,973
Total current assets	271,633	1,910,761	2,182,394
Capital assets:			
Land	-	381,668	381,668
Construction in process - Harrison avenue	-	646,907	646,907
Capital assets, being depreciated	445,486	13,341,207	13,786,693
Accumulated depreciation	(385,467)	(3,490,582)	(3,876,049)
Total capital assets, net	60,019	10,879,200	10,939,219
Total assets	331,652	12,789,961	13,121,613
LIABILITIES			
Current liabilities:			
Accounts payable	4,560	20,196	24,756
Accrued payroll	9,376	4,570	13,946
Accrued interest	-	47,024	47,024
Deferred revenue	-	6,172	6,172
Interfund loans payable	228,569	-	228,569
Current portion of noncurrent liabilities	34,416	288,336	322,752
Total current liabilities	276,921	366,298	643,219
Noncurrent liabilities:			
Accrued compensated absences	125,046	30,404	155,450
Bonds payable	-	4,125,390	4,125,390
Total noncurrent liabilities	125,046	4,155,794	4,280,840
Total liabilities	401,967	4,522,092	4,924,059
NET ASSETS			
Invested in capital assets, net of related debt	25,603	6,465,474	6,491,077
Unrestricted	(95,918)	1,802,395	1,706,477
Total net assets	\$ (70,315)	8,267,869	8,197,554

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2011

Business-type Activities - Enterprise Funds			
	Ambulance	Wastewater	Total
Operating revenues:			
Charges for services	\$ 887,291	1,380,129	2,267,420
Total operating revenues	887,291	1,380,129	2,267,420
Operating expenses	945,210	1,274,465	2,219,675
Operating income (loss)	(57,919)	105,664	47,745
Nonoperating revenues (expenses):			
Contributed capital	-	410,907	410,907
Interest revenue	1,240	4,098	5,338
Interest expense	(3,036)	(164,980)	(168,016)
Total nonoperating revenues (expenses)	(1,796)	250,025	248,229
Change in net assets	(59,715)	355,689	295,974
Net assets, beginning of year	(10,600)	7,912,180	7,901,580
Net assets, end of year	\$ (70,315)	8,267,869	8,197,554

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Combining Statement of Cash Flows - Proprietary Funds
Year ended June 30, 2011

Business-type Activities - Enterprise Funds			
	Ambulance	Wastewater	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 893,282	1,371,978	2,265,260
Payments to employees	(606,401)	(308,999)	(915,400)
Payments to suppliers	(548,202)	(614,554)	(1,162,756)
Net cash provided by (used in) operating activities	(261,321)	448,425	187,104
Cash flows from capital and related financing activities:			
Proceeds from long-term debt	-	236,000	236,000
Capital asset purchases	-	(236,000)	(236,000)
Interest paid on bonds/leases	(3,036)	(164,980)	(168,016)
Principal payments on capital leases	(35,489)	-	(35,489)
Principal payments on bonds	-	(287,520)	(287,520)
Net cash used in capital and related financing activities	(38,525)	(452,500)	(491,025)
Cash flows from investing activities:			
Interest received	1,240	4,098	5,338
Net cash provided by investing activities	1,240	4,098	5,338
Net increase (decrease) in cash	(298,606)	23	(298,583)
Cash, beginning of year	387,983	6,197	394,180
Cash, end of year	\$ 89,377	6,220	95,597
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (57,919)	105,664	47,745
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	12,085	327,660	339,745
(Increase) decrease in receivables	5,991	(72,532)	(66,541)
Increase (decrease) in accounts payable	4,560	20,196	24,756
Increase (decrease) in accrued payroll	(6,462)	(4,678)	(11,140)
Increase (decrease) in accrued interest	-	(958)	(958)
Increase (decrease) in accrued comp absences	5,171	8,692	13,863
(Increase) decrease in interfund loans	(224,747)	64,381	(160,366)
Net cash provided by (used in) operating activities	(261,321)	448,425	187,104

See accompanying notes to basic financial statements.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Gardiner is located in Kennebec County. It was organized in 1754 and operates under a City Manager - City Council form of government.

The financial statements of the City of Gardiner have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

This report includes all funds of the City of Gardiner, Maine. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the City's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that would be considered potential component units within the City of Gardiner that should be included as part of these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. 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 support.

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 has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided 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 proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The TIF Fund is a special revenue fund that accounts primarily for revenues and expenditures associated with the City's tax increment financing districts. It also contains activity specific to costs associated with the development of the Libby Hill Business Park and revenue related to the sale of related lots.

The Revolving Loan Fund is a special revenue fund that accounts for the activity of the IRP revolving loan fund.

The Harrison Ave. Fund is a capital project fund that accounts for the road and sewer projects on Harrison Avenue.

The City reports the following major proprietary funds:

The Wastewater Fund accounts for the operation of a sewer system.

The Ambulance Fund accounts for emergency rescue unit in Gardiner.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental activities and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 revenues of the City's proprietary fund is 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 nonoperating revenues and expenses.

D. Cash

Cash includes amounts in demand deposits as well as time deposits and certificates of deposit owned by the City. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

E. Interfund Loans

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund loans receivable" or "interfund loans payable" on the balance sheet.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 5 to 40 years.

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-term Obligations

In the government-wide financial statements, and proprietary fund types 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 if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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.

I. Fund Equity

Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are 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 which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the City imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise the City Council or a body or official delegated by the City Council may assign fund balance, including unspent budgeted amounts, for specific purposes in the General Fund at year end based on Department requests.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the City's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the City's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The City's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Capital assets, net of depreciation	\$ 15,678,833	10,939,219
Bonds and notes payable	(7,165,096)	(4,413,726)
Add non-capital debt (IRP)	355,254	-
<u>Capital leases payable</u>	<u>(445,798)</u>	<u>(34,416)</u>
<u>Total invested in capital assets net of related debt</u>	<u>\$ 8,423,193</u>	<u>6,491,077</u>

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

L. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in all statements because its inclusion would make certain statements unduly complex and difficult to understand.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. These budgets are established in accordance with the various laws of the State of Maine which govern the City's operations. The budget has been prepared consistent with the modified accrual basis of accounting.

All unexpended appropriations lapse at year end unless specific approval is granted at a City Council meeting to carry such amounts forward. Department level total expenditures cannot exceed City appropriations by law.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the following categories:

Public safety	\$ 15,632
Other expenditures	58,818

Other expenditures were over budget due to a pass through grant which had offsetting revenues reflected in the Intergovernmental revenue category. Overall, total expended amounts were less than appropriations by a net of \$40,047. Revenues came in over estimated revenues by \$146,041.

C. Deficit Fund Balances

At June 30, 2011, the following fund had a deficit fund balance:

TIF Fund	\$ 425,534
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The deficit will be funded by future tax revenue, sale of lots in Libby Hill or transfers from the General fund.

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 participates in a public entity risk pool. Currently, the City participates in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage. Based on the coverage provided by this pool, as well as coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claims liabilities which should be recorded at June 30, 2011.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS

Custodial credit risk-deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy with respect to custodial credit risk. As of June 30, 2011, the Town reported deposits of \$3,258,426 with a bank balance of \$3,451,691. All of the bank balance was covered by F.D.I.C. or by additional insurance or letters of credit purchased or provided by the financial institutions.

Interest rate risk – The City does not have a deposit policy for interest rate risk.

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2011, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	\$ -	170,108
Revolving Loan Fund	-	61,002
TIF Fund	-	424,558
Harrison Ave Fund	-	152,345
Nonmajor Governmental Funds:		
Bradstreet Fund	3,060	-
Economic Development	50,765	-
Public Safety Grants	1,327	-
Conservation Grant	1,598	-
Permanent Funds	2,450	13,591
Enterprise Funds:		
Ambulance	-	228,569
Sewer	990,973	-
Total interfund balances	\$ 1,050,173	1,050,173

Individual interfund transfers for the year ended June 30, 2011 were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	424,432
Nonmajor Governmental Funds:		
Economic Development	45,513	-
Libby Hill	255,836	-
TIF Fund	679,433	556,350
Total interfund transfers	\$ 980,782	980,782

In addition, capital assets and related debt were transferred from the governmental activities to the business type activities and has been reflected as contributed capital on Statements 2 and 7 (\$410,907).

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX

Property taxes for the current period were committed on August 2, 2010 on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

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 the City budgeted an amount of \$104,937 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 the tax liens and associated costs remain unpaid.

Property taxes levied during the period were recorded as receivables at the time the levy was made. The receivables collected during the period and in the first sixty days following the end of the period have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the levy:

	<u>2011</u>	<u>2010</u>
Assessed value	\$ 362,045,400	396,797,400
Tax rate (per \$1,000)	19.20	17.20
Commitment	6,951,272	6,824,915
Less:		
Abatements	4,593	6,478
Collections	6,632,234	6,540,652
Current year taxes receivable at end of year	314,445	277,785
Taxes and liens receivable - prior years	196,710	178,941
Total taxes and liens receivable	\$ 511,155	456,725

Due date	1st half	September 15, 2010	October 1, 2009
	2nd half	March 15, 2011	March 18, 2010

	<u>2011</u>	<u>2010</u>
Interest rate on delinquent taxes	7.00%	9.00%
Collection rate	95.47%	95.98%

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 175,257	-	-	175,257
Construction in progress – Harrison Ave.	-	260,000	-	260,000
Tax acquired property for resale	753,391	-	-	753,391
Total capital assets not being depreciated	928,648	260,000	-	1,188,648
Capital assets, being depreciated:				
Buildings and building improvements	370,488	7,295	-	377,783
Furniture and equipment	861,767	78,139	-	939,906
Vehicles	2,414,259	789,115	203,743	2,999,631
Infrastructure	43,417,309	851,428	-	44,268,737
Total capital assets being depreciated	47,063,823	1,725,977	203,743	48,586,057
Less accumulated depreciation for:				
Buildings and building improvements	240,988	4,230	-	245,218
Furniture and equipment	536,920	68,871	-	605,791
Vehicles	1,666,511	203,073	193,872	1,675,712
Infrastructure	31,044,844	524,307	-	31,569,151
Total accumulated depreciation	33,489,263	800,481	193,872	34,095,872
Total capital assets being depreciated, net	13,574,560	925,496	9,871	14,490,185
Governmental activities capital assets, net	\$ 14,503,208	1,185,496	9,871	15,678,833
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 381,668	-	-	381,668
Construction in progress – Harrison Ave.	-	646,907	-	646,907
Total capital assets not being depreciated	381,668	646,907	-	1,028,575
Capital assets, being depreciated:				
Building/sewer system	4,664,603	-	-	4,664,603
Vehicles	425,841	-	-	425,841
Furniture and equipment	248,339	-	-	248,339
Infrastructure	8,447,910	-	-	8,447,910
Total capital assets being depreciated	13,786,693	-	-	13,786,693
Less accumulated depreciation for:				
Building/sewer system	2,154,044	111,799	-	2,265,843
Vehicles	342,328	13,193	-	355,521
Furniture and equipment	235,895	3,555	-	239,450
Infrastructure	804,037	211,198	-	1,015,235
Total accumulated depreciation	3,536,304	339,745	-	3,876,049
Total capital assets being depreciated, net	10,250,389	(339,745)	-	9,910,644
Business-type activities capital assets, net	\$ 10,632,057	307,162	-	10,939,219

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 68,871
Public safety	203,074
Public works	528,536

Total depreciation expense – governmental activities \$ 800,481

Business-type activities:

Ambulance	12,085
Wastewater	327,660

Total depreciation expense – business-type activities \$ 339,745

BOND AND GRANT ANTICIPATION NOTES

Bond and grant anticipation note activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>Due date</u>	<u>Beginning</u> <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>balance</u>	<u>Due within</u> <u>one year</u>
Governmental activities:						
Harrison Ave.	5/26/11	\$ 496,000	-	496,000	-	-

LONG-TERM DEBT

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

	<u>Beginning</u> <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>balance</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
General obligation bonds and notes	\$ 6,587,283	1,263,000	685,187	7,165,096	464,224
Capital leases	578,421	14,715	147,338	445,798	130,822
Compensated absences	226,980	20,530	-	247,510	-
Governmental activities					
<u>long-term liabilities</u>	<u>\$ 7,392,684</u>	<u>1,298,245</u>	<u>832,525</u>	<u>7,858,404</u>	<u>595,046</u>

During the year ended June 30, 2011, the City permanently financed a bond anticipation note associated with the wastewater and road project. The assets constructed to date that will benefit the wastewater fund (\$646,907), as well as the related debt that will be repaid by the wastewater fund (\$236,000), were transferred from the governmental activities to the wastewater business-type activities and proprietary fund and have been reflected as contributed capital on Statement 2 and 7 (\$410,907).

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
General obligation bonds and notes	\$ 4,465,246	236,000	287,520	4,413,726	288,336
Capital leases	69,905	-	35,489	34,416	34,416
Compensated absences	141,588	13,862	-	155,450	-
Business-type activities					
long-term liabilities	\$ 4,676,739	249,862	323,009	4,603,592	322,752

Long-term debt payable at June 30, 2011 is comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2011</u>
Governmental activities:					
General obligation bonds	5/25/95	\$ 750,000	11/01/15	5.508-6.208%	172,500
General obligation bonds	5/27/99	2,096,483	11/01/19	4.039-5.239%	943,419
IRP loan (Rural Development)	12/20/00	475,000	3/31/29	1.00%	355,254
General obligation bonds	5/24/01	257,660	11/01/11	4.149-4.574%	25,766
General obligation bonds	10/28/04	775,000	11/01/19	4.099-4.295%	465,003
General obligation bonds	9/26/07	319,700	11/01/27	5.9-6.0%	271,745
General obligation bonds	5/27/10	4,067,093	11/01/24	2.773-5.746%	3,904,409
Ladder Truck	10/28/10	767,000	11/01/25	2.124-4.267%	767,000
General obligation bonds	5/26/11	260,000	11/01/39	2.02-5.52%	260,000
Total governmental activities					7,165,096
Business-type activities:					
1997 State revolving loan	3/14/97	1,296,500	11/01/17	2.95%	453,775
1999 State revolving loan	6/23/99	818,500	11/01/19	2.29%	327,400
2000 State revolving loan	5/15/00	790,000	4/01/20	3.20%	440,250
2004 Rural Development	9/07/05	1,635,000	9/07/33	4.125%	1,309,034
2004 Rural Development	9/07/05	1,507,000	9/07/31	4.125%	1,183,954
2007 Rural Development	3/23/07	540,900	3/23/35	4.125%	463,313
2011 Rural Development	5/26/11	236,000	5/26/40	3.75%	236,000
Total business-type activities					4,413,726
Total long-term debt					\$ 11,578,822

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

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

<u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 464,224	241,209	705,433	288,336	161,439	449,775
2013	447,921	218,323	666,244	290,035	151,830	441,865
2014	448,100	197,752	645,852	291,795	142,165	433,960
2015	448,281	178,628	626,909	293,620	132,443	426,063
2016	448,464	164,232	612,696	295,510	122,661	418,171
2017-2021	1,916,141	626,251	2,542,392	1,173,912	473,140	1,647,052
2022-2026	1,295,030	385,094	1,680,124	714,490	301,416	1,015,906
2027-2031	962,629	195,860	1,158,489	721,790	152,079	873,869
2032-2036	697,163	57,156	754,319	283,794	24,687	308,481
2037-2040	37,143	4,101	41,244	60,444	6,964	67,408
Total	\$ 7,165,096	2,268,606	9,433,702	4,413,726	1,668,824	6,082,550

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City (\$361,100,000). At June 30, 2011, the statutory limit for the City was \$54,165,000. The City's outstanding long-term debt of \$11,578,822 at June 30, 2011 was significantly less than the statutory limit.

OVERLAPPING DEBT

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of June 30, 2011:

<u>Governmental unit</u>	<u>Net debt outstanding</u>	<u>Applicable to Gardiner</u>	<u>City of Gardiner's share of debt</u>
Kennebec County	\$ 70,000	3.54%	2,478
MSAD 11	2,605,000	40.0%	1,042,000

The City's proportionate share of the County and District debt is paid through annual assessments. The City's share of MSAD 11 debt service payments is voted on annually.

CAPITAL LEASES

The City has entered into several lease agreements as lessee for financing the acquisition of vehicles and equipment. These leases qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payments as of the date of its inception.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL LEASES, CONTINUED

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payment at June 30, 2011.

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 130,822	17,783	34,416	1,486
2013	125,520	12,645	-	-
2014	122,909	7,657	-	-
2015	66,547	2,627	-	-
Total	\$ 445,798	40,712	34,416	1,486

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)

Maine PERS - Consolidated Plan

Description of the Plan - The City contributes to Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary, with the exception of Public Safety, which contributes 8%, and the City of Gardiner is required to contribute an actuarially determined rate. The current rate is 3.5%, except for Public Safety, which the rate is 6.6% of annual covered payroll. The contribution rates of plan members and the City of Gardiner are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The City had an initial Unpooled Unfunded Actuarial Credit when joining the consolidated plan. The credit amounted to \$726,792 as of June 30, 2010. This credit is being used in lieu of the City making monthly employer contributions to the plan. Contributions would have approximated \$132,752 in 2011 had these credits not been available.

DEFERRED COMPENSATION PLAN

The City of Gardiner offers all its employees not participating in Maine Public Employees Retirement a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees 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.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the City's financial statements.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

LANDFILL

The City pays a per capita fee for use of the Hatch Hill landfill facility in Augusta. In 2011, the per capita fee was based on 6,198 residents for a total of \$92,970. This was based on a rate of \$23,243 per quarter.

TAX INCREMENT FINANCING DISTRICTS

The City has established six tax increment financing districts under the terms of applicable state laws, which are accounted for in the TIF Fund.

The City established the **Libby Hill Area Wide Tax Incremental Financing District** in the spring of 2009. This thirty year TIF includes all the remaining vacant lots within Libby Hill Phase I and II. Credit enhancement agreements are decided on a case by case basis. Any captured assessed value will be applied to debt service on Libby Hill and economic development expenditures. Current credit enhancement agreements include Dennison Lubricants, 10 years at 25% reimbursement beginning in 2009 and Black Diamond, up to 5 years at 25% and 10 years at 50% reimbursement, beginning in 2012.

The City established the **Harper's II LLC Municipal Development Tax Incremental Financing District** on March 23, 2001, for the purpose of economic development in the Libby Hill Business Park. The TIF will help offset the high specific costs of the high-tech facility by paying for a portion of the marginal increase in debt service. In the first year, 75% of the captured assessed value was applied to the Credit Enhancement Agreement, in year two, 50% of the captured value was applied and in years three through ten, 34% of the captured assessed value will be applied. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. Original credit enhancement agreement expired after 2010 assessment. New Credit enhancement agreement is currently being negotiated by the parties.

The City established the **Downtown Municipal Development Tax Incremental Financing District** on March 20, 2003, for the purpose of improving the downtown area. The TIF will fund debt service payments for a bond issued for downtown improvements. The TIF has been designated for 10 years or until the project costs are expended. This district was amended in 2009 to 30 years, and increased in size to include City owned areas including the City Common, and portions of Church and School Streets leading to the Downtown area.

The City established the **Pine State Trading Municipal Development Tax Incremental Financing District** on March 30, 2004, for the purpose of economic development in the Libby Hill Business Park. The TIF will help offset the costs of a new building by paying for a portion of the project. The TIF has been designated for 10 years and 50% of the captured assessed value will be applied to the Credit Enhancement Agreement. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. Prior credit enhancement agreement remains unchanged.

The City established the **EJ Prescott Tax Incremental Financing District** in March 2005. The TIF has been designated as follows: 75% of the captured assessed value to be paid to developer for years 1-6, and 50% for years 7-10; 25% to be returned to City for debt service on Libby Hill, economic development expenditures, and the Main Street program. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas. Prior credit enhancement agreement remains unchanged.

The City established the **Associated Grocers Tax Incremental Financing District** in 2006. 75% for years 1-2 and 50% for years 3-10 of the captured assessed value is paid to the developer while the balance is used for economic development. This district was amended in 2011 to 30 years, and increased by 24.86 acres to include all Business Park roads and infrastructure areas, as well as fire suppression system which supports the property.

CITY OF GARDINER, MAINE
Notes to Basic Financial Statements, Continued

JOINT VENTURE

The City of Gardiner has entered into a joint venture with a number of other municipalities. This joint venture is considered to be a separate reporting entity and has not been included within the financial statements of the City. The joint venture is as follows:

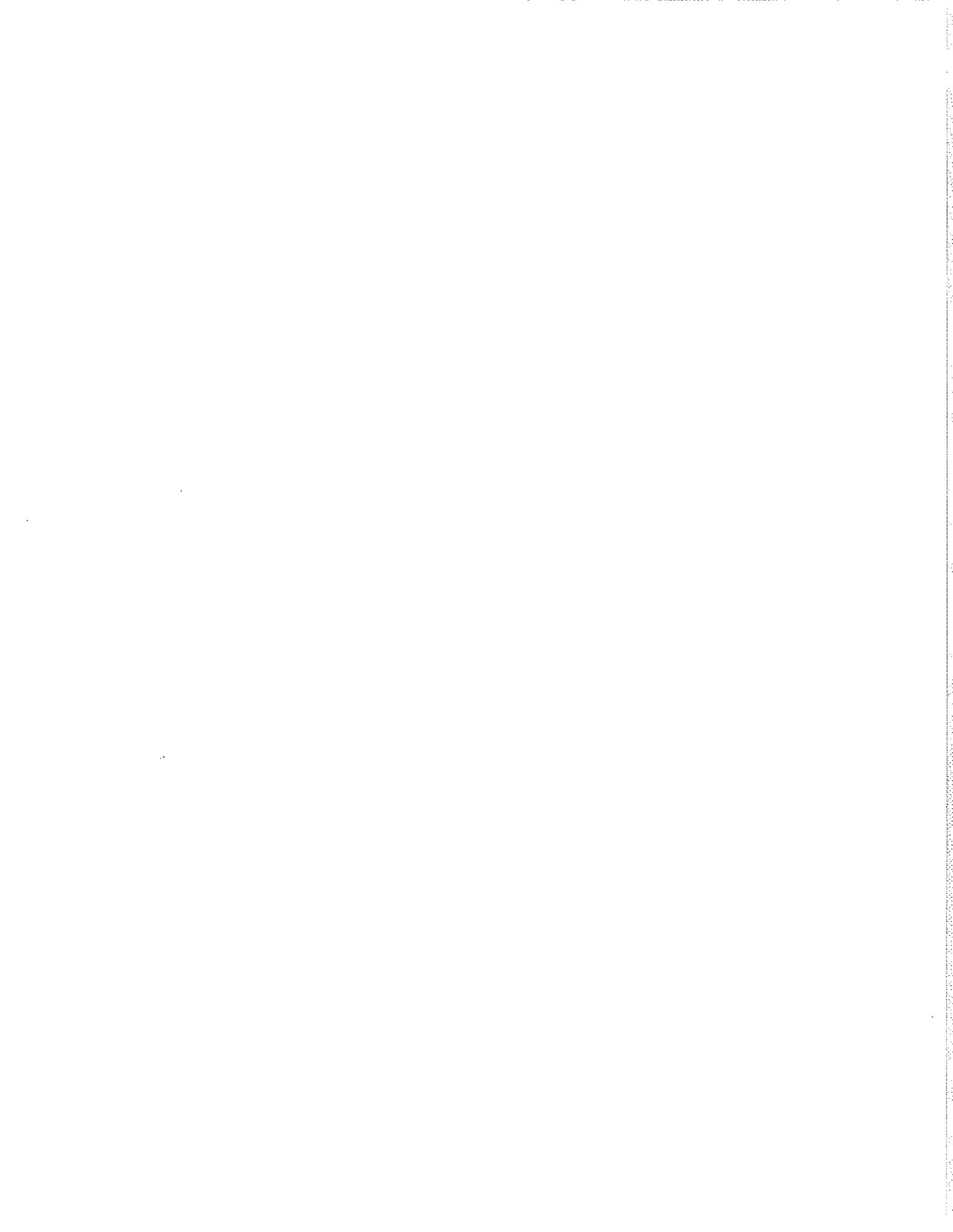
FirstPark

Kennebec Regional Development Authority (FirstPark) was formed in 1998 through an act of the Maine State Legislature. Its primary purposes according to the act were to strengthen the financial condition of local governments within the geographic territory of the Authority, while combining resources and sharing costs for meeting regional and economic development needs and challenges; to promote and develop infrastructure and programs for employment and economic development opportunities and other conditions to positively affect regional development. The intent was that the members would fund the start up costs and then all benefit from the tax revenues later on. There are currently 24 local governments who are members of the Authority, including the City of Gardiner. The Authority derives the bulk of its revenue from participants, but also receives some grant revenues from the State of Maine. In fiscal 2011, the City of Gardiner contributed \$34,564. Complete financial statements may be obtained from Kennebec Regional Development Authority/FirstPark at P.O. Box 246, Oakland, Maine 04963.

FUND BALANCE

As of June 30, 2011, fund balances components consisted of the following:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Long-term notes receivable	\$ -	280,265	280,265
Principal for permanent funds	-	307,399	307,399
Total nonspendable	-	587,664	587,664
Restricted:			
Revolving loan funds	-	366,138	366,138
Charity	-	3,060	3,060
Grants for capital projects	-	47,067	47,067
Grants for public safety	-	1,355	1,355
Grant for conservation	-	837	837
Permanent funds	-	129,067	129,067
Total restricted	-	547,524	547,524
Assigned:			
Voting machines	14,000	-	14,000
GIS project	5,157	-	5,157
Record restoration city clerk	3,498	-	3,498
Comprehensive plan update	20,695	-	20,695
Municipal Building equipment – boiler/AC/lighting	33,000	-	33,000
Road maintenance – Capen Road project	20,000	-	20,000
Waterfront trail security	3,500	-	3,500
MDOT project match	87,000	-	87,000
Total assigned	186,850	-	186,850
Total unassigned	1,701,542	(425,534)	1,276,008
Total fund balance	\$ 1,888,392	709,654	2,598,046



REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund (A-2) is information required by the Governmental Accounting Standards Board as required supplementary information. Exhibit A-1 is presented for additional analysis only.

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges and capital improvement costs which are not paid through other funds.

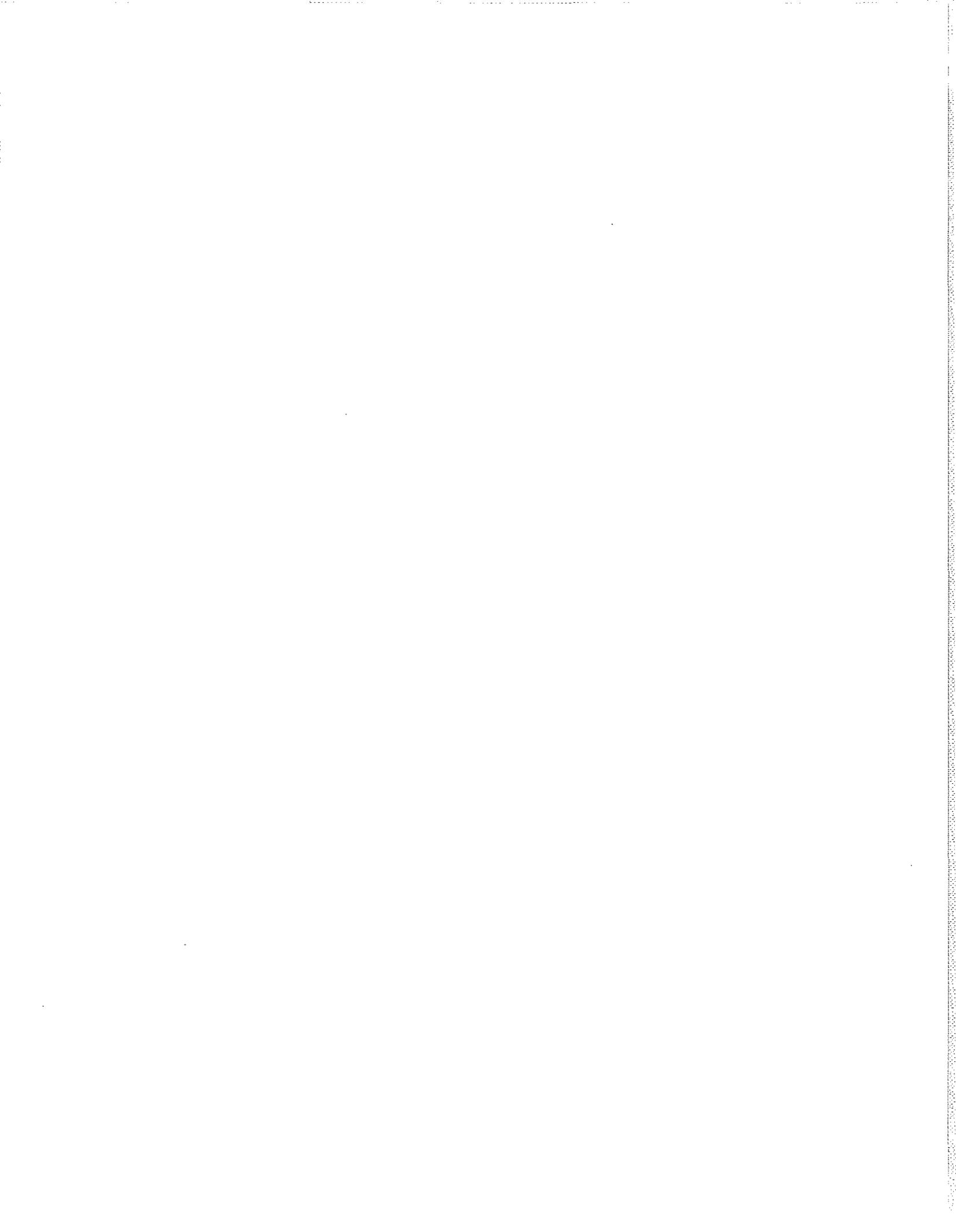
CITY OF GARDINER, MAINE
General Fund
Comparative Balance Sheets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash	\$ 2,043,637	2,124,525
Receivables:		
Taxes - current year	2,954	2,847
Taxes - prior years	21,056	9,816
Tax liens - prior years	175,654	169,124
Real estate taxes / liens - current year	311,491	274,938
Other receivables and prepaids	95,748	73,519
Total assets	\$ 2,650,540	2,654,769
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	66,085	116,268
Accrued payroll	27,697	62,247
Interfund loans payable	170,108	288,889
Deferred tax revenue	492,639	400,000
Due to other governments	5,619	8,462
Total liabilities	762,148	875,866
Fund balances:		
Assigned	186,850	76,599
Unassigned	1,701,542	1,702,304
Total fund balances	1,888,392	1,778,903
Total liabilities and fund balances	\$ 2,650,540	2,654,769

CITY OF GARDINER, MAINE
Required Supplementary Information
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
General Fund
For the year ended June 30, 2011

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,786,272	7,786,272	7,737,778	(48,494)
Licenses and permits	67,000	67,000	32,189	(34,811)
Intergovernmental	891,223	891,223	1,125,997	234,774
Charges for services	17,000	17,000	17,609	609
Unclassified	115,250	115,250	104,237	(11,013)
Interest earned	-	-	4,976	4,976
Total revenues	8,876,745	8,876,745	9,022,786	146,041
Expenditures:				
Current:				
General government	1,031,851	1,031,851	937,737	94,114
Public safety	1,321,759	2,088,759	2,104,391	(15,632)
Public works	1,168,352	1,168,352	1,166,993	1,359
Health and welfare	152,057	152,057	150,767	1,290
Community services	445,612	445,612	434,863	10,749
Other expenditures	783,236	783,236	842,054	(58,818)
County	360,679	360,679	360,679	-
Education	3,136,859	3,136,859	3,136,859	-
Debt service	128,507	128,507	121,522	6,985
Total expenditures	8,528,912	9,295,912	9,255,865	40,047
Excess (deficiency) of revenues over (under) expenditures	347,833	(419,167)	(233,079)	186,088
Other financing sources (uses):				
Use of fund balance	76,599	76,599	-	(76,599)
Proceeds from issuance of debt	-	767,000	767,000	-
Transfer to other funds	(679,432)	(679,432)	(679,432)	-
Transfer from other funds	255,000	255,000	255,000	-
Total other financing sources (uses)	(347,833)	419,167	342,568	(76,599)
Net change in fund balance	-	-	109,489	109,489
Fund balance, beginning of year			1,778,903	
Fund balance, end of year	\$		1,888,392	

ALL OTHER GOVERNMENTAL FUNDS



CITY OF GARDINER, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2011

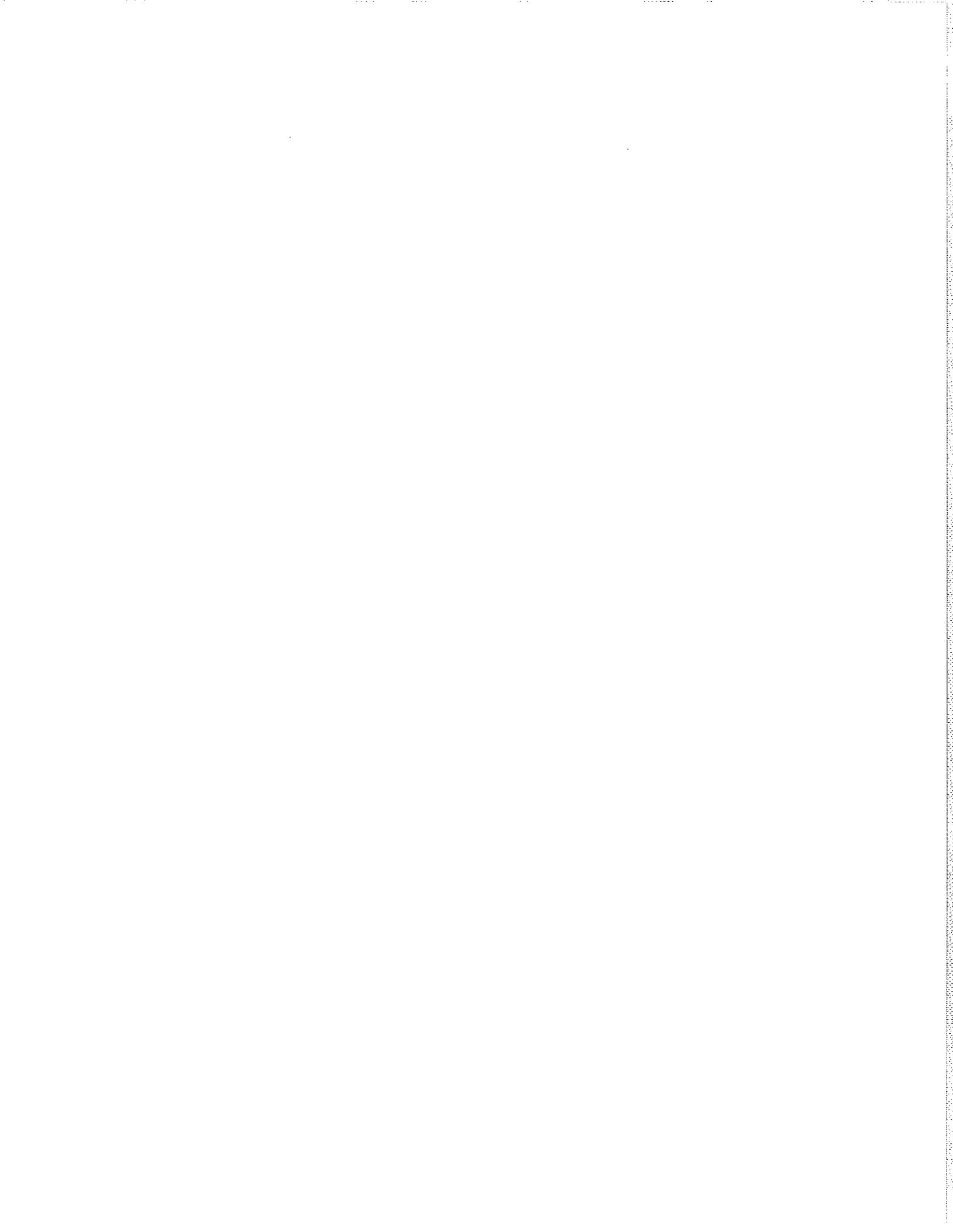
	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash	\$ -	447,607	447,607
Other receivables	28	-	28
Interfund loans receivable	56,750	2,450	59,200
Total assets	\$ 56,778	450,057	506,835
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	23,199	-	23,199
Interfund loans payable	-	13,591	13,591
Total liabilities	23,199	13,591	36,790
Fund balances:			
Nonspendable	-	307,399	307,399
Restricted	33,579	129,067	162,646
Total fund balances	33,579	436,466	470,045
Total liabilities and fund balances	\$ 56,778	450,057	506,835

CITY OF GARDINER, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues:			
Intergovernmental	\$ 852,966	-	852,966
Charges for services	31,694	-	31,694
Interest income	-	1,010	1,010
Other income	50,263	239,599	289,862
Total revenues	934,923	240,609	1,175,532
Expenditures:			
Public safety	80,022	-	80,022
Capital outlay	741,929	-	741,929
Unclassified	3,724	-	3,724
Total expenditures	825,675	-	825,675
Excess (deficiency) of revenues over (under) expenditures	109,248	240,609	349,857
Other financing sources (uses):			
Transfer (to) from other funds	301,349	-	301,349
Total other financing sources (uses)	301,349	-	301,349
Net change in fund balances	410,597	240,609	651,206
Fund balances (deficits), beginning of year	(377,018)	195,857	(181,161)
Fund balances, end of year	\$ 33,579	436,466	470,045

NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.



CITY OF GARDINER, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds						Total
	24 Bradstreet Fund	21 Economic Development Projects	43 Libby Hill Fund	23 Public Safety Grants	26 School Reserve Officer	27 Conservation Grant	
ASSETS							
Accounts receivable	\$ -	-	-	28	-	-	28
Interfund loans receivable	3,060	50,765	-	1,327	-	1,598	56,750
Total assets	\$ 3,060	50,765	-	1,355	-	1,598	56,778
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	-	22,438	-	-	-	761	23,199
Interfund loans payable	-	-	-	-	-	-	-
Total liabilities	-	22,438	-	-	-	761	23,199
Fund balances:							
Restricted	3,060	28,327	-	1,355	-	837	33,579
Total fund balances	3,060	28,327	-	1,355	-	837	33,579
Total liabilities and fund balances	\$ 3,060	50,765	-	1,355	-	1,598	56,778

CITY OF GARDINER, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Special Revenue Funds						Total
	24	21	43	23	26	27	
	Bradstreet Fund	Economic Development Projects	Libby Hill Fund	Public Safety Grants	School Reserve Officer	Conservation Grant	
Revenues:							
Intergovernmental:							
Waterfront cameras	\$ -	5,079	-	-	-	-	5,079
Cobbossee stream bike path	-	71,012	-	-	-	-	71,012
Waterfront	-	776,875	-	-	-	-	776,875
Charges for services	-	-	-	-	31,694	-	31,694
Other income	3,382	-	-	46,881	-	-	50,263
Total revenues	3,382	852,966	-	46,881	31,694	-	934,923
Expenditures:							
Current:							
Public safety	-	-	-	48,328	31,694	-	80,022
Unclassified	2,204	-	-	-	-	1,520	3,724
Capital outlay:							
Art in the park	-	1,300	-	-	-	-	1,300
Waterfront	-	667,914	-	-	-	-	667,914
Waterfront cameras	-	39,913	-	-	-	-	39,913
Park furniture	-	2,500	-	-	-	-	2,500
Cobbossee Stream	-	30,302	-	-	-	-	30,302
Total expenditures	2,204	741,929	-	48,328	31,694	1,520	825,675
Excess (deficiency) of revenues over (under) expenditures	1,178	111,037	-	(1,447)	-	(1,520)	109,248
Other financing sources (uses):							
Transfer from other funds	-	45,513	255,836	-	-	-	301,349
Total other financing sources (uses)	-	45,513	255,836	-	-	-	301,349
Net change in fund balances	1,178	156,550	255,836	(1,447)	-	(1,520)	410,597
Fund balances (deficits), beginning of year	1,882	(128,223)	(255,836)	2,802	-	2,357	(377,018)
Fund balances, end of year	\$ 3,060	28,327	-	1,355	-	837	33,579

NONMAJOR PERMANENT FUNDS

Nonmajor permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The **Henrietta Johnson Fire Department Fund** of \$10,000 is a fund intended for the assistance and relief of sick or unfortunate members of the Gardiner Fire Department, former member(s), or their families.

Lucy Harriman Children's Fund holds \$20,000 of nonexpendable gifts to the City. This trust was established for the assistance of needy children in Gardiner.

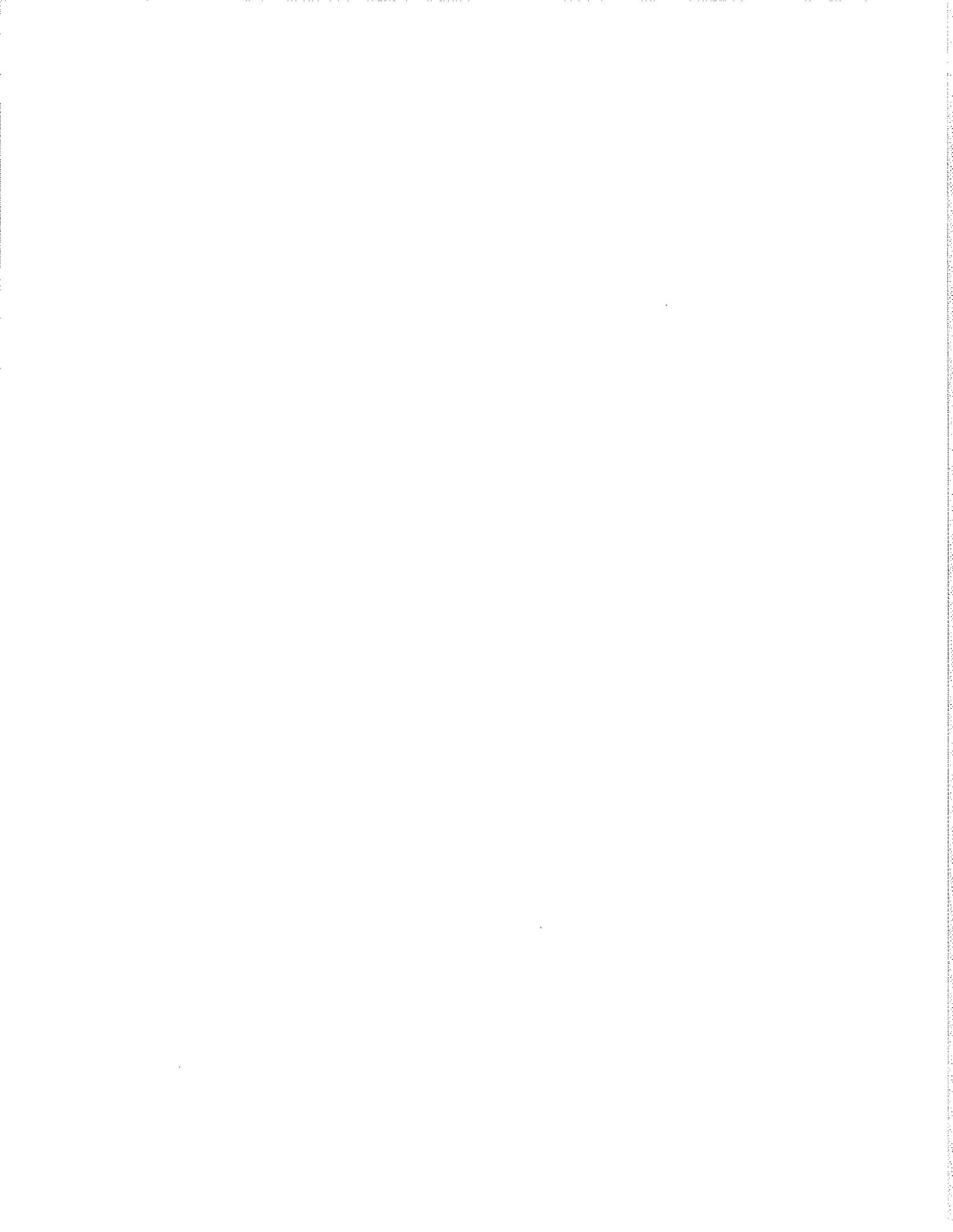
Christmas Dinner Fund holds \$10,000 of nonexpendable gifts to the City. The purpose of this fund is to purchase groceries to provide Christmas dinners for the needy.

Gardiner Fire Department Fund holds \$10,250 of nonexpendable gifts to the City. The purpose of this fund is the same as the Henrietta Johnson Fire Department fund.

The Cemetery Perpetual Care Fund holds \$2,050 of nonexpendable gifts to the City. They were established by various donors for the ongoing care of City cemeteries from the income of the trust funds.

The **Isabel Harriman fund** of \$239,599 is for scholarships for deserving Gardiner area High School graduates to defray the cost of further vocational education.

All Other Funds hold \$15,500 of nonexpendable gifts to the City. The income generated from these various funds is to be used to help the poor and help maintain the City's parks, libraries and cemeteries.



CITY OF GARDINER, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2011

		Henrietta Johnson Fire Dept. Fund	Lucy Harriman Children's Fund	Christmas Dinner Fund	Gardiner Fire Department Fund	Cemetery Perpetual Care	Isabel Harriman Fund	All Other Funds	Total
ASSETS									
Cash	\$	134,041	22,770	9,307	20,026	3,557	239,844	18,062	447,607
Interfund loans receivable		-	-	2,450	-	-	-	-	2,450
Total assets	\$	134,041	22,770	11,757	20,026	3,557	239,844	18,062	450,057
LIABILITIES AND FUND BALANCES									
Liabilities:									
Interfund loan payable		10,500	-	300	68	1,480	-	1,243	13,591
Total liabilities		10,500	-	300	68	1,480	-	1,243	13,591
Fund balances:									
Nonspendable		10,000	20,000	10,000	10,250	2,050	239,599	15,500	307,399
Restricted		113,541	2,770	1,457	9,708	27	245	1,319	129,067
Total fund balances		123,541	22,770	11,457	19,958	2,077	239,844	16,819	436,466
Total liabilities and fund balances	\$	134,041	22,770	11,757	20,026	3,557	239,844	18,062	450,057

CITY OF GARDINER, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenses and Changes in Fund Balances
For the year ended June 30, 2011

		Henrietta Johnson Fire Dept. Fund	Lucy Harriman Children's Fund	Christmas Dinner Fund	Gardiner Fire Department Fund	Cemetery Perpetual Care	Isabel Harriman Fund	All Other Funds	Total
Revenues:									
Other revenue	\$	-	-	-	-	-	239,599	-	239,599
Investment income		493	85	34	74	13	245	66	1,010
Total revenues		493	85	34	74	13	239,844	66	240,609
Expenditures		-	-	-	-	-	-	-	-
Total expenditures		-	-	-	-	-	-	-	-
Net change in fund balances		493	85	34	74	13	239,844	66	240,609
Fund balances, beginning of year		123,048	22,685	11,423	19,884	2,064	-	16,753	195,857
Fund balances, end of year	\$	123,541	22,770	11,457	19,958	2,077	239,844	16,819	436,466