

# CITY OF WESTBROOK, MAINE

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2010

**CITY OF WESTBROOK, MAINE  
ANNUAL FINANCIAL REPORT  
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**TABLE OF CONTENTS**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Assets (Exhibit 1)	3
Statement of Activities (Exhibit 2)	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	6
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Assets (Exhibit 4)	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	9
Balance Sheet – Proprietary Funds (Exhibit 7)	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Proprietary Funds (Exhibit 8)	11
Statement of Cash Flows – Proprietary Funds (Exhibit 9)	12
Statement of Fiduciary Net Assets – Fiduciary Funds (Exhibit 10)	13
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds (Exhibit 11)	14
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	15
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 12)	34
<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION</b>	35
<b>COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 13)	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 14)	37
Major General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 15)	38
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 16)	39
Schedule of Changes in Unreserved – Undesignated Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 17)	41
<b>STATISTICAL SECTION</b>	
Property Tax Levies and Collections (Table 1)	42
Computation of Statutory Debt Limit (Table 2)	43
<b>INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES</b>	44



# Roberts, Greene & Drolet, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Westbrook  
Westbrook, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Westbrook, Maine as of and for the year ended June 30, 2010, 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 Westbrook's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The City did not report its capital asset additions and disposals and the depreciation expense on those assets for the current year, nor its postemployment benefits other than pensions (OPEB) liabilities and expenses; and the financial statements present unknown variances from the previously reported beginning balances. The amounts by which these departures and variances would affect the assets, liabilities, net assets, revenues and expenses/expenditures of the City of Westbrook, Maine is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the general fund of the City of Westbrook, Maine as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, TIF districts fund and the aggregate remaining fund information of the City of Westbrook, Maine as of June 30, 2010, and the respective changes in financial position thereof, and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 34 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Westbrook has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

CITY OF WESTBROOK  
INDEPENDENT AUDITOR'S REPORT

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westbrook's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the combining nonmajor fund schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The individual general fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, because of the reasons stated in the third paragraph, are not fairly presented in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

February 2, 2011

*Roberts, Greene & Drolet, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Net Assets**  
**June 30, 2010**

	Primary Government			Component Unit		
	Governmental Activities		Business-type Activities	Total	School Department	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 15,437,994	\$ 614,290	\$ 16,052,284	\$ 182,165		
Investments	1,827,297	-	1,827,297			
Receivable from primary government	-	-	-			5,484,306
Intergovernmental receivable	85,363	-	85,363			638,967
Other receivables, net of allowances for uncollectible	2,340,325	396,654	2,736,979			170,897
Inventory	-	-	-			26,577
Loan forgiveness	311,272	-	311,272			-
Due from fiduciary fund	26,515	-	26,515			-
Capital assets, not being depreciated:						
Land	1,718,018	148,840	1,866,858			-
Capital assets, net of accumulated depreciation:						
Buildings and building improvements	8,925,144	9,598,415	18,523,559			-
Machinery and equipment	2,580,577	-	2,580,577			-
Vehicles	2,563,714	78,928	2,642,642			-
Infrastructure	52,715,981	46,444,323	99,160,304			-
Total assets	<u>88,532,200</u>	<u>57,281,450</u>	<u>145,813,650</u>			<u>6,502,912</u>
<b>LIABILITIES</b>						
Accounts payable	370,128	6,964	377,092	312,222		
Accrued payroll and benefits	240,361	-	240,361	2,289,201		
Contract payable	149	-	149	15,000		
Retainage payable	-	-	-	193,275		
Accrued interest payable	665,044	-	665,044			-
Intergovernmental payable	10,634	-	10,634			-
Due to school department	5,484,306	-	5,484,306			-
Unearned revenue	-	-	-	220,325		
Noncurrent obligations:						
Due within one year:						
Bonds and notes payable	4,841,565	154,265	4,995,830			-
Capital leases payable	156,288	-	156,288	136,875		
Accrued landfill postclosure care costs	25,000	-	25,000			-
Due in more than one year:						
Bonds and notes payable	62,502,164	307,796	62,809,960			-
Capital leases payable	202,398	-	202,398	123,035		
Compensated absences	1,209,904	-	1,209,904	823,563		
Accrued landfill postclosure care costs	425,000	-	425,000			-
Total liabilities	<u>76,132,941</u>	<u>469,025</u>	<u>76,601,966</u>			<u>4,113,496</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	14,560,822	55,953,001	70,513,823			-
Restricted for:						
Endowment	-	-	-			10,000
Perpetual care	414,472	-	414,472			-
Other purposes	-	-	-	701,713		
Unrestricted	<u>(2,576,035)</u>	<u>859,424</u>	<u>(1,716,611)</u>			<u>1,677,703</u>
Total net assets	<u>\$ 12,399,259</u>	<u>\$ 56,812,425</u>	<u>\$ 69,211,684</u>			<u>\$ 2,389,416</u>

The notes to the financial statements are an integral part of this statement

**EXHIBIT 2**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

					Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Program Revenues				Primary Government		Total	School Department	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities			
Primary government:									
Governmental activities:									
General government	\$ 3,196,631	\$ 114,417	\$ 15,806	\$ -	\$ (3,066,408)	\$ -	\$ (3,066,408)	\$ -	
Public safety	6,063,781	603,689	239,777	-	(5,220,315)	-	(5,220,315)	-	
Public works	5,534,690	-	197,679	-	(5,337,011)	-	(5,337,011)	-	
Human services	555,784	-	66,528	-	(489,256)	-	(489,256)	-	
Culture and recreation	1,469,602	437,767	-	-	(1,031,835)	-	(1,031,835)	-	
Employee benefits	2,898,362	-	-	-	(2,898,362)	-	(2,898,362)	-	
Unclassified	1,705,296	-	-	-	(1,705,296)	-	(1,705,296)	-	
Interest on long-term debt	1,074,218	-	-	-	(1,074,218)	-	(1,074,218)	-	
Capital outlay	462,976	-	-	-	(462,976)	-	(462,976)	-	
Unknown debits	192,919	-	-	-	(192,919)	-	(192,919)	-	
Total governmental activities	<u>23,154,259</u>	<u>1,155,873</u>	<u>519,790</u>	<u>-</u>	<u>(21,478,596)</u>	<u>-</u>	<u>(21,478,596)</u>	<u>-</u>	
Business-type activities:									
Sewer department	4,551,496	2,974,635	-	-	-	(1,576,861)	(1,576,861)	-	
Parking garage	253,659	166,314	-	-	-	(87,345)	(87,345)	-	
Total business-type activities	<u>4,805,155</u>	<u>3,140,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,664,206)</u>	<u>(1,664,206)</u>	<u>-</u>	
Total primary government	<u>\$ 27,959,414</u>	<u>\$ 4,296,822</u>	<u>\$ 519,790</u>	<u>\$ -</u>	<u>(21,478,596)</u>	<u>(1,664,206)</u>	<u>(23,142,802)</u>	<u>-</u>	
Component unit:									
School department	\$ 52,885,841	\$ 2,541,559	\$ 10,512,436	\$ 2,645,362				(37,186,484)	

(continued)

**EXHIBIT 2 (continued)**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit
			School	Department
Net expense	(21,478,596)	(1,664,206)	(23,142,802)	(37,186,484)
General revenues:				
Taxes:				
Real estate	25,148,630	-	25,148,630	-
Excise	2,429,474	-	2,429,474	-
Personal property	5,655,737	-	5,655,737	-
Other taxes	173,656	-	173,656	-
Licenses and permits	322,772	-	322,772	-
Grants and contributions not restricted to specific programs	2,448,729	-	2,448,729	11,850,694
Miscellaneous	439,094	-	439,094	142,989
Transfers	(12,829,727)	-	(12,829,727)	12,769,644
Total general revenues and transfers	23,788,365	-	23,788,365	24,763,327
Change in net assets	2,309,769	(1,664,206)	645,563	(12,423,157)
Net assets, beginning, as restated, see Note III.D.	10,089,490	58,476,631	68,566,121	14,812,573
Net assets, ending	<u>\$ 12,399,259</u>	<u>\$ 56,812,425</u>	<u>\$ 69,211,684</u>	<u>\$ 2,389,416</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 3**  
**CITY OF WESTBROOK, MAINE**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	General	TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,834,013	\$ 120,253	\$ 2,483,728	\$ 15,437,994
Investments	1,224,272	-	603,025	1,827,297
Receivables (net of allowances for uncollectible):				
Taxes	1,282,548	-	-	1,282,548
Accounts	308,236	313,703	112,497	734,436
Intergovernmental	44,719	-	40,644	85,363
Loans	-	-	323,341	323,341
Interfund receivable	1,302,829	-	-	1,302,829
Total assets	<u>\$ 16,996,617</u>	<u>\$ 433,956</u>	<u>\$ 3,563,235</u>	<u>\$ 20,993,808</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 246,633	\$ 110,390	\$ 13,105	\$ 370,128
Accrued salaries and benefits	240,361	-	-	240,361
Contract payable	-	149	-	149
Intergovernmental payable	10,634	-	-	10,634
Interfund payable	-	837,443	438,871	1,276,314
Due to School Department	5,484,306	-	-	5,484,306
Deferred revenue	970,000	-	-	970,000
Total liabilities	<u>6,951,934</u>	<u>947,982</u>	<u>451,976</u>	<u>8,351,892</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	194,004	-	-	194,004
Reserved for revolving loans	323,341	-	-	323,341
Reserved for special purposes	564,401	-	-	564,401
Reserved for TIF districts	722,733	-	-	722,733
Unreserved, undesignated, reported in:				
General fund	8,240,204	-	-	8,240,204
Capital projects funds	-	-	1,543,375	1,543,375
Special revenue funds	-	(514,026)	1,153,412	639,386
Permanent funds	-	-	414,472	414,472
Total fund balances	<u>10,044,683</u>	<u>(514,026)</u>	<u>3,111,259</u>	<u>12,641,916</u>
Total liabilities and fund balances	<u>\$ 16,996,617</u>	<u>\$ 433,956</u>	<u>\$ 3,563,235</u>	<u>\$ 20,993,808</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 4**  
**CITY OF WESTBROOK, MAINE**  
**Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Assets**  
**June 30, 2010**

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Total fund balances of governmental funds (Exhibit 3)	\$ 12,641,916
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.	
Cost	\$ 103,039,624
Less accumulated depreciation	<u>(34,536,190)</u>
	68,503,434
Interfund receivables and payables between governmental funds are eliminated on the statement of net assets.	
Receivables	\$ (1,276,314)
Payables	<u>1,276,314</u>
Long-term revenues are not available to pay for current period expenditures, and therefore, are deferred in governmental funds.	
Deferred tax revenue	970,000
Interest on long-term debt is not accrued in governmental funds.	
Accrued interest payable	(665,044)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Bonds and notes outstanding	\$ 67,343,729
Bond forgiveness	(311,272)
Capital leases outstanding	358,686
Compensated absences	1,209,904
Accrued landfill postclosure care costs	<u>450,000</u>
	<u>(69,051,047)</u>
Total net assets of governmental activities (Exhibit 1)	<u><u>\$ 12,399,259</u></u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 5**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2010**

	General	TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 31,724,276	\$ 1,683,222	\$ -	\$ 33,407,498
Licenses, permits and fees	322,775	-	-	322,775
Intergovernmental	2,767,696	-	189,458	2,957,154
Charges for services	664,141	-	429,959	1,094,100
Miscellaneous	444,308	-	67,921	512,229
<b>Total revenues</b>	<b>35,923,196</b>	<b>1,683,222</b>	<b>687,338</b>	<b>38,293,756</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,360,291	645,624	158,818	3,164,733
Public safety	5,552,918	-	206,586	5,759,504
Public works	3,474,373	-	-	3,474,373
Human services	551,811	-	3,050	554,861
Culture and recreation	1,074,569	-	240,311	1,314,880
Employee benefits	2,773,676	-	-	2,773,676
Unclassified	1,705,296	-	-	1,705,296
<b>Debt service:</b>				
Principal	1,526,336	298,089	-	1,824,425
Interest	739,766	433,030	-	1,172,796
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>462,975</b>	<b>462,975</b>
<b>Total expenditures</b>	<b>19,759,036</b>	<b>1,376,743</b>	<b>1,071,740</b>	<b>22,207,519</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>16,164,160</b>	<b>306,479</b>	<b>(384,402)</b>	<b>16,086,237</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	344,038	344,038
Transfers out	(2,449)	(341,589)	(60,083)	(404,121)
Inception of capital leases	216,583	-	-	216,583
Transfer to component unit	(15,630,090)	-	-	(15,630,090)
<b>Total other financing sources and uses</b>	<b>(15,415,956)</b>	<b>(341,589)</b>	<b>283,955</b>	<b>(15,473,590)</b>
<b>Unknown debits</b>	<b>(192,919)</b>	<b>-</b>	<b>-</b>	<b>(192,919)</b>
Net change in fund balances	555,285	(35,110)	(100,447)	419,728
Fund balances, beginning, as restated, see Note III.D.	9,489,398	(478,916)	3,211,706	12,222,188
<b>Fund balances, ending</b>	<b>\$ 10,044,683</b>	<b>\$ (514,026)</b>	<b>\$ 3,111,259</b>	<b>\$ 12,641,916</b>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 6**  
**CITY OF WESTBROOK, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

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Net change in fund balances of governmental funds (Exhibit 5) \$ 419,728

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. 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 expense exceeded capitalized capital outlay in the current period.

Capitalized capital outlay	\$ -
Depreciation expense	<u>(2,446,572)</u>
	(2,446,572)

Transfers in and out between governmental funds are eliminated  
on the operating statement.

Transfers in	\$ (344,038)
Transfers out	<u>344,038</u>
	-

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.

Inception of capital lease	\$ (216,583)
Repayment of bonds and notes principal	4,756,232
Repayment of capital lease principal	<u>152,433</u>
	4,692,082

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Decrease in accrued interest expense	\$ 27,217
Increase in compensated absences payable	(124,686)
Increase in accrued landfill postclosure care costs	<u>(258,000)</u>
	(355,469)

Change in net assets of governmental activities (Exhibit 2) \$ 2,309,769

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 7**  
**CITY OF WESTBROOK, MAINE**  
*Balance Sheet*  
*Proprietary Funds*  
*June 30, 2010*

Business-type Activities - Enterprise Funds			
	Sewer Department	Parking Garage	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 271,567	\$ 342,723	\$ 614,290
Accounts receivable, net of allowance for uncollectible	382,857	13,797	396,654
Total current assets	<u>654,424</u>	<u>356,520</u>	<u>1,010,944</u>
Noncurrent assets:			
Capital assets:			
Land	108,351	40,489	148,840
Buildings and building improvements	4,271,428	7,072,318	11,343,746
Machinery and equipment	263,469	31,102	294,571
Infrastructure	80,376,997	-	80,376,997
Less accumulated depreciation	(35,022,940)	(870,708)	(35,893,648)
Total noncurrent assets, net	<u>49,997,305</u>	<u>6,273,201</u>	<u>56,270,506</u>
Total assets	<u><u>\$ 50,651,729</u></u>	<u><u>\$ 6,629,721</u></u>	<u><u>\$ 57,281,450</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 6,964	\$ -	\$ 6,964
Bonds payable, current	154,265	-	154,265
Total current liabilities	<u>161,229</u>	<u>-</u>	<u>161,229</u>
Noncurrent liabilities:			
Bonds payable, noncurrent	307,796	-	307,796
Total liabilities	<u>469,025</u>	<u>-</u>	<u>469,025</u>
<b>FUND BALANCES</b>			
Invested in capital assets, net of related debt	49,535,244	6,273,201	55,808,445
Unrestricted	647,460	356,520	1,003,980
Total fund balances	<u>50,182,704</u>	<u>6,629,721</u>	<u>56,812,425</u>
Total liabilities and fund balances	<u><u>\$ 50,651,729</u></u>	<u><u>\$ 6,629,721</u></u>	<u><u>\$ 57,281,450</u></u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 8**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds		
	Sewer Department	Parking Garage	Total
Operating revenues:			
Sewer assessments	\$ 2,974,635	\$ -	\$ 2,974,635
Parking garage revenue	-	166,314	166,314
Total operating revenues	<u>2,974,635</u>	<u>166,314</u>	<u>3,140,949</u>
Operating expenses			
PWD assessment	2,272,764	-	2,272,764
Sewer operations	553,227	-	553,227
Parking garage	-	109,103	109,103
Depreciation expense	<u>1,704,213</u>	<u>144,556</u>	<u>1,848,769</u>
Total operating expenses	<u>4,530,204</u>	<u>253,659</u>	<u>4,783,863</u>
Operating loss	(1,555,569)	(87,345)	(1,642,914)
Nonoperating expense:			
Interest on bonds	<u>(21,292)</u>	<u>-</u>	<u>(21,292)</u>
Net change in fund balances	(1,576,861)	(87,345)	(1,664,206)
Fund balances, beginning, as restated, see Note III.D.	51,759,565	6,717,066	58,476,631
Fund balances, ending	<u>\$ 50,182,704</u>	<u>\$ 6,629,721</u>	<u>\$ 56,812,425</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 9**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds		
	Sewer Department	Parking Garage	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,819,873	\$ 152,517	\$ 2,972,390
Payments to suppliers and employees	<u>(2,852,775)</u>	<u>(109,103)</u>	<u>(2,961,878)</u>
Net cash provided (used) by operating activities	<u>(32,902)</u>	<u>43,414</u>	<u>10,512</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	34,132	364,913	399,045
Transfers to other funds	<u>-</u>	<u>(65,604)</u>	<u>(65,604)</u>
Net cash provided by non-capital financing activities	<u>34,132</u>	<u>299,309</u>	<u>333,441</u>
Cash flows from capital financing activities:			
Principal paid on bonds	(154,633)	-	(154,633)
Interest paid on bonds	<u>(21,292)</u>	<u>-</u>	<u>(21,292)</u>
Net cash used by non-capital financing activities	<u>(175,925)</u>	<u>-</u>	<u>(175,925)</u>
Increase (decrease) in cash	(174,695)	342,723	168,028
Cash and cash equivalents, beginning	446,262	-	446,262
Cash and cash equivalents, ending	<u>\$ 271,567</u>	<u>\$ 342,723</u>	<u>\$ 614,290</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating loss	\$ (1,555,569)	\$ (87,345)	\$ (1,642,914)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	1,704,213	144,556	1,848,769
Increase in accounts receivable	(154,762)	(13,797)	(168,559)
Decrease in accounts payable	<u>(26,784)</u>	<u>-</u>	<u>(26,784)</u>
Total adjustments	<u>1,522,667</u>	<u>130,759</u>	<u>1,653,426</u>
Net cash provided (used) by operating activities	<u>\$ (32,902)</u>	<u>\$ 43,414</u>	<u>\$ 10,512</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 10**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

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	Private Purpose Trust	Agency
<b>Assets:</b>		
Cash and cash equivalents	\$ 124,829	\$ 2,861
Investments	660,583	-
Total assets	<u>785,412</u>	<u>2,861</u>
<b>Liabilities:</b>		
Due to employees	-	2,861
Due to other funds	26,515	-
Total liabilities	<u>26,515</u>	<u>2,861</u>
<b>Net assets:</b>		
Held in trust for specific purposes	<u>\$ 758,897</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 11**  
**CITY OF WESTBROOK, MAINE**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2010**

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	Private Purpose Trust
Additions:	
Investment earnings:	
Interest	\$ 10,449
Net change in fair value of investments	75,659
Transfers from permanent fund	<u>60,083</u>
Total additions	<u>146,191</u>
Deductions:	
Trust distributions	<u>15,147</u>
Change in net assets	131,044
Net assets, beginning, as restated, see Note III.D.	<u>627,853</u>
Net assets, ending	<u><u>\$ 758,897</u></u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

## **I. Summary of Significant Accounting Principles**

### **I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Westbrook (the City) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2010.

### **I.B. Financial Reporting Entity – Basis of Presentation**

#### **I.B.1. *Entity Defined***

The City of Westbrook is a municipal corporation governed by an elected Mayor and seven-member City Council consisting of five members elected by ward and two elected at-large. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

*Blended component unit* – The **Westbrook Environmental Improvement Corporation** is a nonprofit corporation organized by the City of Westbrook for the purpose of coordinating the implementation of tax increment financing districts and undertaking various environmental improvement projects. Westbrook Environmental Improvement Corporation (WEIC) activity has been reported as a blended component unit in the Special Revenue Funds.

*Discretely presented component unit* – The **Westbrook School Department** is responsible for elementary and secondary education within the City's jurisdiction. The School Department is governed by a seven-member School Committee elected by the voters. However, the City is financially accountable for the School Department because the City Council approves the overall budget, levies taxes, and must approve any debt issuances. Complete financial statements for the School Department may be obtained at the School Department's business office.

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

Related organizations are excluded from the financial reporting entity because the city's accountability does not extend beyond making appointments. The City participates in the following related organization:

*Greater Portland Transit District* – The City, in conjunction with one other community, participates in the District. The District provides public transportation services to the residents of the participating communities. The District is managed by a Board of Directors selected by the elected municipal officers of each participating municipality. Except for members' proportional share of bonds payable, which are repaid through member assessments, no participant has any obligation or entitlement and the City's share of any residual interest has not been determined. Audited financial statements are available from the organization.

**I.B.2. *Government-Wide and Fund Financial Statements***

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and city general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the City's services; and (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual, governmental and proprietary funds are reported in separate columns with composite columns for the nonmajor governmental funds.

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

**I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), except as described below. The City's reporting entity applies most all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met. The agency funds are custodial in nature and do not measure results of operations.

The City has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its net OPEB obligation liability, if any, in the government-wide financial statements as required by GASB statement No. 45. Also, the City has not determined its current year additions and deletions to capital assets in the government-wide statement of net assets, and the depreciation expense for those assets in the government-wide statement of activities as required by GASB statement No. 34.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are real estate and personal property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

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 needed.

**CITY OF WESTBROOK, MAINE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2010**

**I.B.4. Fund Types and Major Funds**

*Governmental Funds*

The City reports the following major governmental funds:

*General Fund* – Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

*Tax Increment Financing (TIF) Districts* – The TIF Districts Fund is used to account for each tax increment financing district established by the City to assist in financing the acquisition of real estate and certain capital improvements for several Westbrook employers. Taxes levied are returned to the districts for capital improvements, remitted to the Westbrook Environmental Improvement Corporation (WEIC) to fund various environmental improvement projects, or paid to the City's general fund for debt payments.

*Proprietary Funds*

The City reports the following major enterprise funds:

*Sewer Department Fund* – Accounts for the operating activities of the City's sewer system.

*Parking Garage Fund* – Accounts for the operating activities of the City's parking garage.

*Fiduciary Funds*

The City reports the following fiduciary funds:

*Private Purpose Trust Funds* – Account for financial resources of the City used only for the benefit of other entities or individuals.

*Agency Funds* – Account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's agency funds are used to account for various minor city employee funds.

**I.C. Assets, Liabilities, and Net Assets or Fund Equity**

**I.C.1. Cash and Investments**

The laws of the State of Maine require that the City's treasurer have custody of all monies belonging to the City and pay out the same only upon orders of the Mayor and City Council. The treasurer shall deposit all monies in accordance with Maine State Statute 30-A §5706. Investments are stated at fair value based on quoted market prices.

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

**I.C.2. *Capital Assets and Depreciation***

Generally, the City's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Buildings and building improvements	25-120
Machinery and equipment	5-50
Vehicles	4-25
Infrastructure	50

**I.C.3. *Long-Term Debt***

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**I.C.4. *Fund Equity***

The governmental fund financial statements report reserved fund balance in the General Fund for amounts not available for appropriation or legally restricted for specific purposes beyond the restrictions applicable to the fund. Included in these are amounts for revolving loans, the deficit balance in the TIF districts, and special purposes (reservations of donations and other restricted funds).

**I.C.5 *Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**II. *Stewardship, Compliance and Accountability***

**II.A. *Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The City is allowed to use

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

beginning fund balance to balance the budget. In the fiscal year ended June 30, 2010, \$20,000 of the General Fund fund balance from fiscal year 2009 was used.

Each year the Mayor submits to the City Council a budget for the ensuing fiscal year. It provides a complete financial plan of the City's General Fund. It begins with a general summary of its contents and shows in detail all estimated income, indicating the proposed property tax levy affecting the General Fund, and all proposed expenditures, including debt service, for the ensuing fiscal year, arranged to show comparative figures for actual and estimated income and expenditures to the preceding fiscal year.

The Mayor, with City Council approval, may transfer budgeted amounts between departments. The City Council may, by resolution, appropriate additional amounts but only up to the amount of excess revenues and unencumbered budget surplus remaining after the purpose of the original appropriation has been satisfied. At the end of the fiscal year, all unencumbered appropriations lapse unless specifically continued by resolution of the City Council. No supplementary appropriations of the City's fund balance were made during the year ended June 30, 2010.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, public works, human services, culture and recreation, employee benefits, unclassified, debt service and capital outlay.

**II.B. Deficit Fund Balance**

The TIF District Fund has a deficit of \$514,026 at June 30, 2010. This is the result of the amount of tax recovered in the district being less than the annual debt payments. The City expects future tax amounts will be greater than the annual debt payments as the captured value increases with development.

**CITY OF WESTBROOK, MAINE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2010**

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Cash and Investments**

The cash appears in the financial statements as follows:

Fund reporting level:

Governmental funds - balance sheet (Exhibit 3)	\$ 15,437,994
Proprietary funds - balance sheet (Exhibit 7)	614,290
Fiduciary funds - statement of fiduciary net assets (Exhibit 10)	127,690
Total	<u><u>\$ 16,179,974</u></u>

*Custodial Credit Risk for Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$10,113 of the City of Westbrook's bank balances of \$16,293,324 was exposed to custodial credit risk as uninsured and uncollateralized.

*Investment Risks*

As of June 30, 2010, the City's reporting entity had the following investments:

Certificates of Deposit	\$ 1,911,790
Mutual Funds	576,090
	<u><u>\$ 2,487,880</u></u>

The investments appear in the financial statements as follow:

Fund reporting level:

Governmental funds - balance sheet (Exhibit 3)	\$ 1,827,297
Fiduciary funds - statement of fiduciary net assets (Exhibit 10)	660,583
Total	<u><u>\$ 2,487,880</u></u>

*Investment Risks*

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy that places any further restrictions on its investment choices.

**CITY OF WESTBROOK, MAINE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2010**

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have an investment policy that addresses limiting interest rate risk.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have an investment policy that addresses concentration of credit risk. As of June 30, 2010, the City had \$248,945 invested in the Russell Real Estate Securities Fund, representing 10% of its total investments. With the exception of investments in certificates of deposit held by TD Bank, which are fully collateralized by an irrevocable letter of credit, there are no other investments representing more than 5% of the total investments.

**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 in the possession of an outside party. Of the City's \$2,487,880 of investments, \$233,126 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

### **III.A.2. *Receivables, Uncollectible Accounts and Deferred Revenue***

#### *Property Taxes Receivable and Property Tax Calendar*

Property taxes for the current year were committed on July 15, 2009 on the assessed value listed as of the previous April 1 for all real and personal property located in the City. All real and personal property taxes were due in four installments, 25% on August 14, 2009, 25% on November 13, 2009, 25% on February 15, 2010, and 25% on May 14, 2010. Interest at the rate of 9% per annum was charged on any amounts remaining unpaid after these respective due dates. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. The assessed value was 100% of the estimated market value and 101% of the 2010 state valuation of \$1,880,300,000.

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 \$249,279 for the year ended June 30, 2010.

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.

The property taxes levied and collected by the City include amounts for Cumberland County and the Westbrook School Department (a component unit of the City). The City is responsible for the collection of these taxes.

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

The tax rates and amounts assessed for the year ended June 30, 2010 were as follow:

Valuation:

Real estate	\$ 1,505,224,200
Personal property	338,666,900
Total assessed valuation	<u><u>1,843,891,100</u></u>

Total assessed valuation	\$ 1,843,891,100
Tax rate (per \$1,000)	16.70
Total tax commitment	<u><u>30,792,981</u></u>

The following details the taxes receivable at year-end:

Real estate:

Levy of 2010	\$ 629,743
Tax liens:	
Levy of 2009	271,267
Levy of 2008	86,323
Levies of 2007 and prior	98,833

Personal property:

Levy of 2010	63,954
Levy of 2009	32,227
Levy of 2008	33,560
Levies of 2007 and prior	66,641
Taxes receivable	<u><u>\$ 1,282,548</u></u>

*Other Receivables and Uncollectible Accounts*

Significant receivables include charges for rescue services, parking fees, sewer system usage, parking garage tickets, revolving loans to local businesses, and FEMA and other federal grant reimbursements. These funds report accounts receivable net of any allowance for uncollectible amounts and revenues net of uncollectibles. The allowance amounts consist of balances of parking fees that are expected to be written off as bad debt, and the balance of sewer user charges that have been turned over to the City for collection. Related amounts are shown in the following table:

	Governmental Funds	Enterprise Funds
Accounts	\$ 787,767	\$ 525,862
Intergovernmental	85,363	-
Loans	323,341	-
Less: allowance for uncollectible amounts	(53,331)	(129,208)
Net total receivables	<u><u>\$ 1,143,140</u></u>	<u><u>\$ 396,654</u></u>

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

*Deferred Revenue*

Deferred revenue in the General Fund of \$970,000 at June 30, 2010 represents an amount of real estate and personal property taxes that are not expected to be collected within 60 days, and therefore, are deferred in accordance with generally accepted accounting principles.

**III.A.3. Capital Assets**

*Changes in Capital Assets*

The following table provides a summary of changes in capital assets:

	<u>Balance, beginning</u>	<u>Changes</u>	<u>Balance, ending</u>
Governmental activities:			
At cost:			
Not being depreciated:			
Land	\$ 1,718,018	\$ -	\$ 1,718,018
Being depreciated:			
Buildings and building improvements	11,783,129	-	11,783,129
Machinery and equipment	5,339,418	-	5,339,418
Vehicles	6,870,482	-	6,870,482
Infrastructure	77,328,577	-	77,328,577
Total capital assets being depreciated	<u>101,321,606</u>	<u>-</u>	<u>101,321,606</u>
Total all capital assets	<u>103,039,624</u>	<u>-</u>	<u>103,039,624</u>
Less accumulated depreciation:			
Buildings and building improvements	(2,642,883)	(215,102)	(2,857,985)
Machinery and equipment	(2,401,138)	(357,703)	(2,758,841)
Vehicles	(3,943,626)	(363,142)	(4,306,768)
Infrastructure	(23,101,971)	(1,510,625)	(24,612,596)
Total accumulated depreciation	<u>(32,089,618)</u>	<u>(2,446,572)</u>	<u>(34,536,190)</u>
Net book value, capital assets being depreciated	69,231,988	(2,446,572)	66,785,416
Net book value, total capital assets	<u>\$ 70,950,006</u>	<u>\$ (2,446,572)</u>	<u>\$ 68,503,434</u>

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

	<u>Balance, beginning</u>	<u>Changes</u>	<u>Balance, ending</u>
<b>Business-type activities:</b>			
At cost:			
Not being depreciated:			
Land	\$ 148,840	\$ -	\$ 148,840
Construction in progress	104,118	(104,118)	-
Total capital assets not being depreciated	<u>252,958</u>	<u>(104,118)</u>	<u>148,840</u>
Being depreciated:			
Buildings and building improvements	11,343,746	-	11,343,746
Vehicles	294,571	-	294,571
Infrastructure	80,272,879	104,118	80,376,997
Total capital assets being depreciated	<u>91,911,196</u>	<u>104,118</u>	<u>92,015,314</u>
Total all capital assets	<u>92,164,154</u>	<u>-</u>	<u>92,164,154</u>
Less accumulated depreciation:			
Buildings and building improvements	(1,507,956)	(237,375)	(1,745,331)
Vehicles	(189,945)	(25,698)	(215,643)
Infrastructure	(32,346,978)	(1,585,696)	(33,932,674)
Total accumulated depreciation	<u>(34,044,879)</u>	<u>(1,848,769)</u>	<u>(35,893,648)</u>
Net book value, capital assets being depreciated	<u>57,866,317</u>	<u>(1,744,651)</u>	<u>56,121,666</u>
Net book value, total capital assets	<u>\$ 58,119,275</u>	<u>\$ (1,848,769)</u>	<u>\$ 56,270,506</u>

***Depreciation Expense***

Depreciation expense was charged to functions or activities of the City as follows:

Governmental activities:	Business-type activities:		
General government	\$ 48,401	Sewer department	\$ 1,704,213
Public safety	413,468	Parking garage	144,556
Public works	1,829,058	Total depreciation expense	<u>\$ 1,848,769</u>
Human services	923		
Culture and recreation	154,722		
Total depreciation expense	<u>\$ 2,446,572</u>		

**III.A.4. Restricted Net Assets**

The government-wide statement of net assets includes restricted net assets of \$414,472 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures.

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

**III.B. Long-Term Debt**

General obligation bonds and notes are approved by the voters and repaid with general revenues (taxes). These notes are backed by the full faith and credit of the City.

Long-term liabilities currently outstanding in the governmental activities are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 6/30/2010	Current Portion
<b>General obligation bonds payable:</b>						
1990 Permanent Improvement	\$ 9,950,000	1991	2010	6.60-6.70	\$ 435,000	\$ 435,000
1999 General Obligation Bond	\$ 5,870,000	1999	2019	4.70-5.00	2,530,000	285,000
2000 General Obligation Bond	\$ 13,035,000	2000	2021	5.40	7,455,000	635,000
2002 SRRF	\$ 524,796	2002	2012	0.00	157,440	52,480
2002 SRRF Loan Forgiveness*	\$ (217,738)	2002	2012		(65,322)	(21,774)
2002 General Obligation Bond	\$ 1,856,966	2003	2022	2.50-4.50	1,222,939	90,735
2002 General Obligation Bond	\$ 450,000	2003	2012	4.85	165,000	50,000
2003 General Obligation Bond	\$ 9,730,000	2004	2023	4.21	8,400,000	205,000
2004 General Obligation Bond	\$ 11,745,000	2005	2024	2.50-3.75	8,775,000	585,000
2004 General Obligation Bond	\$ 500,000	2005	2014	4.50	285,000	50,000
2005 SRRF	\$ 1,650,000	2005	2015	0.00	825,000	165,000
2005 SRRF Loan Forgiveness*	\$ (491,900)	2005	2015		(245,950)	(49,190)
2006 General Obligation Bond	\$ 1,400,000	2006	2016	3.54	840,000	140,000
2009 General Obligation Bond	\$ 38,276,000	2009	2029	4.99	36,185,000	2,080,000
2009 Mortgage	\$ 186,700	2009	2011	0.00	68,350	68,350
					<u>67,032,457</u>	<u>4,770,601</u>
* These amounts (\$311,272) are show as an asset on the Statement of Net Assets (Exhibit 1)						
<b>Capital leases payable:</b>						
Ambulance	\$ 132,924	2006	2011	5.94	25,165	25,165
Photocopiers	\$ 25,552	2006	2011	5.75	4,295	4,295
Fire/Rescue Vehicles	\$ 75,261	2008	2011	4.65	20,117	20,117
Ambulance	\$ 149,948	2009	2015	4.42	122,495	28,667
Public Service Vehicles	\$ 51,346	2009	2011	4.90	17,940	17,940
Tractor	\$ 85,220	2010	2015	4.19	85,220	15,674
Lawn Mower	\$ 14,193	2010	2011	4.20	6,951	6,951
Police Cruisers	\$ 67,426	2010	2012	4.88	43,872	21,413
Police Cruisers	\$ 49,744	2010	2012	3.31	32,631	16,066
					<u>358,686</u>	<u>156,288</u>
<b>Compensated absences payable:</b>						
Vested sick leave					712,671	-
Accrued vacation leave					402,743	-
Vested leave benefits					94,490	-
					<u>1,209,904</u>	<u>-</u>
<b>Accrued landfill postclosure care costs</b>						
					450,000	25,000
					<u>\$ 69,051,047</u>	<u>\$ 4,951,889</u>

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

Long-term liabilities currently outstanding in the business-type activities are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 6/30/2010	Current Portion
General obligation bonds payable:						
2002 General Obligation Bond	\$ 1,546,034	2003	2013	2.50-4.50	\$ 462,061	\$ 154,265

*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	General Obligation Bonds and Notes	Capital Leases	Compensated Absences	Accrued Landfill Postclosure Care Costs	Total
Governmental activities:					
Balance, beginning,					
as restated	\$ 71,788,689	\$ 294,536	\$ 1,085,218	\$ 192,000	\$ 73,360,443
Additions	-	216,583	124,686	258,000	599,269
Reductions	<u>(4,756,232)</u>	<u>(152,433)</u>	<u>-</u>	<u>-</u>	<u>(4,908,665)</u>
Balance, ending	<u><u>\$ 67,032,457</u></u>	<u><u>\$ 358,686</u></u>	<u><u>\$ 1,209,904</u></u>	<u><u>\$ 450,000</u></u>	<u><u>\$ 69,051,047</u></u>
Business-type activities:					
Balance, beginning,					
as restated	\$ 616,694	\$ -	\$ -	\$ -	\$ 616,694
Reductions	<u>(154,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(154,633)</u>
Balance, ending	<u><u>\$ 462,061</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 462,061</u></u>

*The notes continue on the following page.*

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

*Debt Service Requirements to Maturity*

The annual debt service requirements to maturity for the bonds and notes outstanding as of year-end are as follow:

Fiscal Year Ending June 30,	Governmental Activities			
	Principal		Interest	Total
	Principal	Forgiven		
2011	\$ 4,841,565	\$ (70,964)	\$ 2,945,342	\$ 7,715,943
2012	4,393,215	(70,964)	2,760,318	7,082,569
2013	4,403,949	(70,964)	2,586,803	6,919,788
2014	4,315,000	(49,190)	2,433,103	6,698,913
2015	4,430,000	(49,190)	2,255,544	6,636,354
2016-2020	20,665,000	-	8,609,339	29,274,339
2021-2025	17,475,000	-	3,948,559	21,423,559
2026-2029	6,820,000	-	750,200	7,570,200
Totals	<u>\$ 67,343,729</u>	<u>\$ (311,272)</u>	<u>\$ 26,289,208</u>	<u>\$ 93,321,665</u>

  

Fiscal Year Ending June 30,	Business-type Activities		
	Principal		Interest
	Principal	Interest	
2011	\$ 154,265	\$ 13,002	\$ 167,267
2012	154,265	7,881	162,146
2013	153,531	2,708	156,239
Totals	<u>\$ 462,061</u>	<u>\$ 23,591</u>	<u>\$ 485,652</u>

The future minimum lease obligations for the capital lease are as follow:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal		Interest
	Principal	Interest	
2011	\$ 156,288	\$ 15,434	\$ 171,722
2012	85,288	8,705	93,993
2013	48,273	5,054	53,327
2014	50,366	2,960	53,326
2015	18,471	774	19,245
Totals	<u>\$ 358,686</u>	<u>\$ 32,927</u>	<u>\$ 391,613</u>

*Accrued Landfill Postclosure Care Costs*

The City presently has two landfills, both of which have been closed. Use of the Sandy Hill landfill ceased in 1987 and it has been covered with clay. The City ceased the use of the Rocky Hill Demolition Debris landfill in 1999. Federal and State laws and regulations require that the City continue to perform certain maintenance and monitoring functions at the landfill sites. A liability is being

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

recognized based on the postclosure care costs that will be incurred. The estimated total current cost of the landfill postclosure care has a balance of \$450,000 as of June 30, 2010, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2010. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The City annually appropriates an amount for postclosure care costs.

**III.C. Balances and Transfers – Payments Within the Reporting Entity**

**III.C.1. *Receivables and Payables***

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Receivable Fund	Payable Fund	Amount
General	TIF Districts	\$ 837,443
General	Nonmajor	438,871
General	Fiduciary - Private Purpose Trust	26,515
		<u>\$ 1,302,829</u>

The amount due to the General Fund from the TIF Districts Fund represents debt service payments made from the General Fund on behalf of the TIF Districts. The amount due to the General Fund from the nonmajor funds represents debt service payments made on behalf of the WEIC Fund, and an interfund loan to the revolving loan fund to be paid back as loan payments are received. The amount due to the General Fund from the Private Purpose Trust Funds represents reimbursements of trust distributions.

**III.C.2. *Transfers***

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income to the applicable fund, and other voted amounts. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

**CITY OF WESTBROOK, MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**JUNE 30, 2010**

The following schedule reports transfers within the reporting entity:

	Transfers In:				
	Governmental Funds	Fiduciary Funds	Private Purpose Trust		
	Nonmajor		Total		
<b>Transfers out:</b>					
<b>Governmental funds:</b>					
General	\$ 2,449	\$ -	\$ 2,449		
TIF District	341,589	-	341,589		
Nonmajor	-	60,083	60,083		
	<b>\$ 344,038</b>	<b>\$ 60,083</b>	<b>\$ 404,121</b>		

The amount transferred to the nonmajor funds from the General Fund represents the local share of various grants. The amount transferred from the TIF Districts Fund to the nonmajor funds represents a transfer of tax revenues to WEIC in accordance with the various District agreements. The amount transferred to the Private Purpose Trust Funds from the nonmajor funds represents funds previously held in the Permanent Funds that should be held as Private Purpose Trust Funds as the funds benefit individuals or private organizations, not the City's programs.

*The notes continue on the following page.*

### III.D. Restatement of Beginning Equity

Net assets and fund balances at July 1, 2009 were restated to reflect the following adjustments:

	Governmental Funds			Enterprise Funds			Fiduciary Funds	
	Governmental Activities	General Fund	TIF Districts	Nonmajor Funds	Sewer Fund	Parking Garage	Cemetery	Private Purpose Trusts
Net assets/fund balances, as previously reported	\$ 63,833,391	\$ 7,723,334	\$ -	\$ 4,969,094	\$ 59,252,431	\$ -	\$ (671)	\$ 622,680
<u>Restatements</u>								
To remove component unit balances	(55,522,832)	(1,769,350)	-	-	-	-	-	-
To remove compensated absences liability	965,191	965,191	-	-	-	-	-	-
To correct compensated absences liability	(111,671)	-	-	-	-	-	-	-
To record allowance for uncollectible accounts	(53,330)	(53,330)	-	-	-	-	-	-
To remove parking garage reserve funds	(364,913)	(364,913)	-	-	-	364,913	-	-
To reclass parking garage to separate fund	-	-	-	-	65,604	(65,604)	-	-
To reclass net assets of parking garage	-	-	-	-	(6,417,757)	6,417,757	-	-
To write-off prior year sewer charges receivables	-	-	-	-	(368,271)	-	-	-
To write-off prior year user fee receivables	-	-	-	-	(109,836)	-	-	-
To correct beginning project balances	-	645,021	-	(645,021)	-	-	-	-
To record accounts payable	(71,380)	-	-	(71,380)	-	-	-	-
To reclassify athletic field reserve	-	(46,580)	-	46,580	-	-	-	-
To remove unknown interfund balance	-	(65,273)	-	65,273	-	-	-	-
To record additional receivables	31,670	-	-	31,670	-	-	-	-
To reclassify balance in general fund	-	1,175,974	-	(1,175,974)	-	-	-	-
To move balance from general fund	-	478,916	(478,916)	-	-	-	-	-
To remove prior year interfund	(5,173)	(5,173)	-	-	-	-	-	5,173
To correct debt balances	(25,202)	-	-	-	-	-	-	-
To remove business-type activities debt	616,694	-	-	-	(616,694)	-	-	-
To remove unknown payable balance	(966)	-	-	(966)	-	-	-	-
Various unknown adjustments	798,011	805,581	-	(7,570)	(45,912)	-	671	-
Net assets/fund balances, as restated	<u>\$ 10,089,490</u>	<u>\$ 9,489,398</u>	<u>\$ (478,916)</u>	<u>\$ 3,211,706</u>	<u>\$ 51,759,565</u>	<u>\$ 6,717,066</u>	<u>\$ -</u>	<u>\$ 627,853</u>

**CITY OF WESTBROOK, MAINE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2010**

#### **IV. Other Information**

##### **IV.A. Risk Management**

The City is exposed to various risks of loss-related 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 self-insured. Currently, the City participates in the health insurance risk pool sponsored by the Maine Municipal Association.

As of the date of this report, there are no unpaid claims outstanding, nor is the City aware of any potential claims, which have been incurred yet remain unreported and which should be recorded at June 30, 2010.

##### **IV.B. Retirement Pensions**

The Maine Public Employees Retirement System (MainePERS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The MainePERS provides service, disability, death and vested retirement benefits for the members and their beneficiaries. The Maine Legislature establishes the provisions for benefits and contributions.

Plan members are required to contribute 6.5% of their annual covered salary and the City of Westbrook is required to contribute an actuarially determined rate. The contribution rates of plan members and the City of Westbrook are established and may be amended by the MainePERS Board of Trustees.

Effective July 1, 2006, the City joined the MainePERS Consolidated Plan. Upon entry, the City ceased to be an individual sponsor of PLD #122 and PLD #70 and instead became a participant in the Consolidated Plan. As a participant of the plan, the City is required to amortize its remaining unfunded unpooled actuarial asset over a period of 15 years for PLD #122 and 11 years for PLD #70.

The MainePERS issues a separate financial report that is available by contacting the MainePERS at 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

##### **IV.C. 457 Retirement Plan**

The City of Westbrook offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (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.

**CITY OF WESTBROOK, MAINE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2010**

Assets of the plan are placed in a trust held by a third party 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.

**IV.D. Contingent Liabilities**

There are various legal claims and suits pending against the City which arose in the normal course of the City's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 12**  
**CITY OF WESTBROOK, MAINE**  
**General Fund**  
*Schedule of Revenues, Expenditures and Changes in*  
**Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)**  
*For the Fiscal Year Ended June 30, 2010*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 33,354,381	\$ 31,671,160	\$ 31,724,276	\$ 53,116
Licenses, permits and fees	260,700	260,700	322,775	62,075
Intergovernmental	2,985,192	2,985,192	2,767,696	(217,496)
Charges for services	614,400	614,400	664,141	49,741
Miscellaneous	559,750	559,750	444,308	(115,442)
Total revenues	<u>37,774,423</u>	<u>36,091,202</u>	<u>35,923,196</u>	<u>(168,006)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,502,450	2,502,450	2,398,495	103,955
Public safety	5,401,125	5,401,125	5,435,748	(34,623)
Public works	3,957,132	3,957,132	3,388,460	568,672
Human services	508,351	508,351	551,811	(43,460)
Culture and recreation	1,274,062	1,274,062	1,074,569	199,493
Employee benefits	2,565,806	2,565,806	2,773,676	(207,870)
Unclassified	1,960,111	1,960,111	1,705,296	254,815
Debt service:				
Principal	2,477,304	1,526,336	1,526,336	-
Interest	774,192	774,192	739,766	34,426
Total expenditures	<u>21,420,533</u>	<u>20,469,565</u>	<u>19,594,157</u>	<u>875,408</u>
Excess of revenues over expenditures	<u>16,353,890</u>	<u>15,621,637</u>	<u>16,329,039</u>	<u>707,402</u>
Other financing sources (uses):				
Transfers in	18,499,596	163,453	-	(163,453)
Transfers out	(1,858,221)	(175,000)	(2,449)	172,551
Transfer to component unit	(33,015,265)	(15,630,090)	(15,630,090)	-
Total other financing sources and uses	<u>(16,373,890)</u>	<u>(15,641,637)</u>	<u>(15,632,539)</u>	<u>9,098</u>
Unknown debits	-	-	(192,919)	(192,919)
Net change in fund balance	\$ (20,000)	\$ (20,000)	503,581	\$ 523,581
Increase in reserve for revolving loans			(323,341)	
Decrease in reserve for special purposes			1,261,275	
Increase in reserve for TIF districts			(722,733)	
Unreserved fund balance, beginning, as restated, see Note III.D.			7,521,422	
Unreserved fund balance, ending			<u>\$ 8,240,204</u>	

The note to the required supplementary information is an integral part of this statement.

**CITY OF WESTBROOK, MAINE**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2010**

**Reconciliation of General Fund Budgetary Basis to GAAP**

**General Fund:**

Revenues and other financing sources:

Per Exhibit 12 (budgetary basis)	\$ 35,923,196
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Adjustment:

Basis difference:

Capital lease inception	216,583
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Per Exhibit 5 (GAAP basis)	<u>\$ 36,139,779</u>
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Expenditures and other financing uses:

Per Exhibit 12 (budgetary basis)	\$ 35,226,696
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Adjustments:

Basis difference:

Encumbrances, beginning	142,300
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Encumbrances, ending	(194,004)
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Capital lease inception	216,583
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Per Exhibit 5 (GAAP basis)	<u>\$ 35,391,575</u>
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The major TIF District Fund is not budgeted.

**COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 13**  
**CITY OF WESTBROOK, MAINE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

	Special Revenue Funds							Total	
	Reserve	Revolving		Special Revenue Funds	Westbrook Environmental Improvement Corporation	Capital Projects Funds	Permanent Funds		
		Loans							
<b>ASSETS</b>									
Cash and cash equivalents	\$ 217,914	\$ -		\$ 210,898	\$ 283,331	\$ 1,553,102	\$ 218,483	\$ 2,483,728	
Investments	-	-		-	407,036	-	195,989	603,025	
Receivables:									
Accounts	-	-		2,107	110,390	-	-	112,497	
Intergovernmental	-	-		40,644	-	-	-	40,644	
Loans	-	323,341		-	-	-	-	323,341	
Total assets	<u>\$ 217,914</u>	<u>\$ 323,341</u>		<u>\$ 253,649</u>	<u>\$ 800,757</u>	<u>\$ 1,553,102</u>	<u>\$ 414,472</u>	<u>\$ 3,563,235</u>	
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ -		\$ 3,378	\$ -	\$ 9,727	\$ -	\$ 13,105	
Interfund payable	-	323,341		-	115,530	-	-	438,871	
Total liabilities	-	323,341		3,378	115,530	9,727	-	451,976	
<b>FUND BALANCES</b>									
Unreserved, undesignated	217,914	-		250,271	685,227	1,543,375	414,472	3,111,259	
Total liabilities and fund balances	<u>\$ 217,914</u>	<u>\$ 323,341</u>		<u>\$ 253,649</u>	<u>\$ 800,757</u>	<u>\$ 1,553,102</u>	<u>\$ 414,472</u>	<u>\$ 3,563,235</u>	

**EXHIBIT 14**  
**CITY OF WESTBROOK, MAINE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2010**

	Special Revenue Funds								
	Reserve	Revolving Loans	Miscellaneous	Westbrook Environmental Improvement Corporation	Capital Projects Funds	Permanent Funds	Total		
			Special Revenue Funds						
<b>REVENUES</b>									
Intergovernmental	\$ -	\$ -	\$ 189,458	\$ -	\$ -	\$ -	\$ 189,458		
Charges for services	3,458	-	426,501	-	-	-	429,959		
Miscellaneous	18,493	-	25,504	7,033	5,524	11,367	67,921		
Total revenues	21,951	-	641,463	7,033	5,524	11,367	687,338		
<b>EXPENDITURES</b>									
Current:									
General government	24,673	-	-	115,550	-	18,595	158,818		
Public safety	40,950	-	165,636	-	-	-	206,586		
Human services	-	-	3,050	-	-	-	3,050		
Culture and recreation	19,602	-	220,709	-	-	-	240,311		
Capital outlay	-	-	83,192	-	379,783	-	462,975		
Total expenditures	85,225	-	472,587	115,550	379,783	18,595	1,071,740		
Excess (deficiency) of revenues over (under) expenditures	(63,274)	-	168,876	(108,517)	(374,259)	(7,228)	(384,402)		
Other financing sources (uses):									
Transfers in	-	-	2,449	341,589	-	-	344,038		
Transfers out	-	-	-	-	-	(60,083)	(60,083)		
Total other financing sources and uses	-	-	2,449	341,589	-	(60,083)	283,955		
Net change in fund balances	(63,274)	-	171,325	233,072	(374,259)	(67,311)	(100,447)		
Fund balance, beginning, as restated, see Note III.D.	281,188	-	78,946	452,155	1,917,634	481,783	3,211,706		
Fund balances, ending	<u>\$ 217,914</u>	<u>\$ -</u>	<u>\$ 250,271</u>	<u>\$ 685,227</u>	<u>\$ 1,543,375</u>	<u>\$ 414,472</u>	<u>\$ 3,111,259</u>		

**EXHIBIT 15**  
**CITY OF WESTBROOK, MAINE**  
**General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2010*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 23,454,023	\$ 23,465,409	\$ 11,386
Excise	2,400,000	2,429,474	29,474
Personal property	5,655,737	5,655,737	-
Boat	11,400	12,932	1,532
Payments in lieu of taxes	40,000	18,431	(21,569)
Interest and penalties on delinquent taxes	110,000	142,293	32,293
Total taxes	<u>31,671,160</u>	<u>31,724,276</u>	<u>53,116</u>
Licenses, permits and fees:			
Business licenses and permits	48,000	60,070	12,070
Motor vehicle registration and fees	35,350	44,559	9,209
Building permits	100,000	131,994	31,994
Other	77,350	86,152	8,802
Total licenses, permits and fees	<u>260,700</u>	<u>322,775</u>	<u>62,075</u>
Intergovernmental:			
State sources:			
Shared revenue	1,624,500	1,547,404	(77,096)
DOT block grant	239,000	194,135	(44,865)
Maine drug enforcement agency	54,000	50,319	(3,681)
Tree growth	4,500	3,544	(956)
Veterans reimbursement	7,000	4,441	(2,559)
Homestead revenue	901,177	901,325	148
Welfare reimbursement	151,015	66,528	(84,487)
Other government sources:			
ALS intercept revenue	4,000	-	(4,000)
Total intergovernmental	<u>2,985,192</u>	<u>2,767,696</u>	<u>(217,496)</u>
Charges for services:			
Income from departments	<u>614,400</u>	<u>664,141</u>	<u>49,741</u>
Miscellaneous:			
Sale of property	50,000	26,852	(23,148)
Interest on investments	70,000	17,506	(52,494)
Rents	43,000	34,920	(8,080)
Employee share of insurance	135,000	108,955	(26,045)
Contributions and donations	241,000	240,549	(451)
Other	20,750	15,526	(5,224)
Total miscellaneous	<u>559,750</u>	<u>444,308</u>	<u>(115,442)</u>
Other financing sources:			
Transfers in from component unit:			
School department	<u>163,453</u>	<u>-</u>	<u>(163,453)</u>
Total revenues and other financing sources	<u>36,254,655</u>	<u>\$ 35,923,196</u>	<u>\$ (331,459)</u>
Use of fund balance to reduce taxes	<u>20,000</u>		
Total revenues, other financing sources and use of fund balance	<u><u>\$ 36,274,655</u></u>		

**EXHIBIT 16**  
**CITY OF WESTBROOK, MAINE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Mayor-Council	\$ -	\$ 182,312	\$ 211,537	\$ -	\$ (29,225)
City Clerk	-	151,704	143,642	-	8,062
Assessor	-	241,452	240,566	-	886
Finance	-	356,720	384,422	-	(27,702)
City Hall	-	90,800	77,023	-	13,777
Legal	-	160,000	157,706	-	2,294
Human resources	-	172,580	115,441	-	57,139
Information technology	77,400	391,491	381,487	102,400	(14,996)
Building maintenance	17,900	331,939	238,165	17,900	93,774
Economic development	-	116,120	109,337	6,700	83
Planning	-	80,010	73,778	6,504	(272)
Engineering and code	-	227,322	227,187	-	135
Total general government	<u>95,300</u>	<u>2,502,450</u>	<u>2,360,291</u>	<u>133,504</u>	<u>103,955</u>
Public safety:					
Police	-	2,322,560	2,279,009	-	43,551
Fire, rescue, hydrants	-	2,406,573	2,524,693	-	(118,120)
Public safety building	-	140,881	119,893	-	20,988
Dispatch	-	531,111	512,153	-	18,958
Total public safety	<u>-</u>	<u>5,401,125</u>	<u>5,435,748</u>	<u>-</u>	<u>(34,623)</u>
Public works:					
Refuse disposal and collection	-	1,103,316	1,102,967	-	349
Administration	-	193,554	193,551	-	3
Maintenance	47,000	1,997,888	1,530,030	60,500	454,358
Vehicle maintenance	-	587,662	494,374	-	93,288
Buildings	-	74,712	54,038	-	20,674
Total public works	<u>47,000</u>	<u>3,957,132</u>	<u>3,374,960</u>	<u>60,500</u>	<u>568,672</u>
Human services:					
Administration	-	61,600	61,305	-	295
General assistance	-	296,531	292,101	-	4,430
Social services	-	150,220	198,405	-	(48,185)
Total human services	<u>-</u>	<u>508,351</u>	<u>551,811</u>	<u>-</u>	<u>(43,460)</u>
Culture and recreation:					
Library	-	497,681	487,228	-	10,453
Recreation	-	776,381	587,341	-	189,040
Total culture and recreation	<u>-</u>	<u>1,274,062</u>	<u>1,074,569</u>	<u>-</u>	<u>199,493</u>
Employee benefits	<u>-</u>	<u>2,565,806</u>	<u>2,773,676</u>	<u>-</u>	<u>(207,870)</u>

*(Continued)*

**EXHIBIT 16 (continued)**  
**CITY OF WESTBROOK, MAINE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2010**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Unclassified:					
Transit district	-	415,216	410,450	-	4,766
Insurance	-	251,423	291,644	-	(40,221)
Memberships	-	67,843	-	-	67,843
Overlay/abatements	-	249,279	26,852	-	222,427
County tax	-	976,350	976,350	-	-
Total unclassified	-	<u>1,960,111</u>	<u>1,705,296</u>	-	<u>254,815</u>
Debt service:					
Principal	-	1,526,336	1,526,336	-	(0)
Interest	-	774,192	739,766	-	34,426
Total debt service	-	<u>2,300,528</u>	<u>2,266,102</u>	-	<u>34,426</u>
Other financing uses:					
Transfers out:					
Enterprise funds	-	75,000	-	-	75,000
Nonmajor governmental funds	-	100,000	2,449	-	97,551
Transfer to component unit:					
School department	-	15,630,090	15,630,090	-	-
Total other financing uses	-	<u>15,805,090</u>	<u>15,632,539</u>	-	<u>172,551</u>
Unknown debits	-	-	192,919	-	(192,919)
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 142,300</u>	<u>\$ 36,274,655</u>	<u>\$ 35,367,911</u>	<u>\$ 194,004</u>	<u>\$ 855,040</u>

**EXHIBIT 17**  
**CITY OF WESTBROOK, MAINE**  
**General Fund**  
*Schedule of Changes in Unreserved - Undesignated Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2010*

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Unreserved, undesignated fund balance, beginning, as restated, see Note III.D.	\$ 7,521,422
<b>Changes:</b>	
Unreserved fund balance used to reduce tax rate	(20,000)
<b>Budget summary:</b>	
Revenue shortfall (Exhibit 15)	\$ (331,459)
Unexpended balance of appropriations (Exhibit 16)	<u>855,040</u>
Budget surplus	523,581
Increase in reserve for revolving loans	(323,341)
Decrease in reserve for special purposes	1,261,275
Increase in reserve for TIF districts	<u>(722,733)</u>
Unreserved, undesignated fund balance, ending	<u><u>\$ 8,240,204</u></u>

## **STATISTICAL SECTION**

**TABLE 1**  
**CITY OF WESTBROOK, MAINE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal year	Total levy	Current taxes collected or abated	Current taxes outstanding at end of fiscal year	Percent of current year levy collected	Outstanding at June 30, 2010	Percent of levy collected as of June 30, 2010
2001	\$ 22,213,908	\$ 21,760,717	\$ 453,191	97.96%	\$ 4,492	99.98%
2002	24,372,731	23,796,045	576,686	97.63%	3,110	99.99%
2003	25,084,020	24,581,870	502,150	98.00%	5,919	99.98%
2004	26,376,774	25,843,336	533,438	97.98%	21,370	99.92%
2005	28,083,287	27,509,808	573,479	97.96%	29,396	99.90%
2006	27,984,811	27,350,819	633,992	97.73%	31,917	99.89%
2007	29,436,977	28,752,498	684,479	97.67%	52,966	99.82%
2008	29,301,947	28,535,366	766,581	97.38%	118,550	99.60%
2009	29,555,275	28,809,521	745,754	97.48%	335,221	98.87%
2010	30,792,981	30,099,284	693,697	97.75%	1,323,440	95.70%

**TABLE 2**  
**CITY OF WESTBROOK, MAINE**  
**Computation of Statutory Debt Limit**  
**as of June 30, 2010**  
**In Accordance with 30-A MRSA, Section 5702**

	Outstanding bonds and notes	Percent of State assessed value of \$1,880,300,000	Amount	Margin
For school purposes	\$ 41,254,570	10.00%	\$ 188,030,000	\$ 146,775,430
For storm or sanitary sewer purposes	462,061	7.50%	141,022,500	140,560,439
For municipal airport, water, and special district purposes	-	3.00%	56,409,000	56,409,000
For all other purposes	<u>26,089,159</u>	7.50%	<u>141,022,500</u>	<u>114,933,341</u>
Total	<u><u>\$ 67,805,790</u></u>		<u><u>\$ 526,484,000</u></u>	<u><u>\$ 458,678,210</u></u>



# Roberts, Greene & Drolet, PLLC

## INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the Honorable Mayor and Members of the City Council  
City of Westbrook  
Westbrook, Maine

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Westbrook as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. For the material weaknesses and significant deficiencies of the discretely presented component unit, see the separately presented schedule of findings and questioned costs of the Westbrook School Department.

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 material weakness is a deficiency, or 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 the following deficiencies in the City of Westbrook's internal control to be material weaknesses:

### General Ledger

Balances on the City's accounting system were not easily reconciled to the supporting documentation. Beginning balances were not reconciled to prior audited figures. Some of the differences were identifiable, but many were not, including \$192,919 of unidentifiable debits in the General Fund. Although the activity could be audited, we were not able to verify many of the ending balances when we could not be certain that the beginning balances were correct. Ending balances were not always supported by sub-ledgers, lead sheets, or other clear sources of supporting documentation.

We recommend that the City continue with its plan to transition to a new accounting software program. Activity should be captured in the appropriate funds, as defined by generally accepted accounting principles. Also, as part of year-end closing practices, account balances should be reconciled to appropriate supporting documentation, and provided as part of the annual audit process. All audit adjustments should be posted to the general ledger, and any other adjustments made to beginning balances should be very clearly described as to their purpose.

**Management's response:** Management agrees with the Auditor's recommendation.

### Capital Projects

The beginning balances for the City's capital projects varied greatly from previously reported audited amounts. Reasons for these variances can be attributed to the fact that projects are not adequately tracked individually. Liabilities for road projects that are run through the State of Maine were not recorded on a timely basis. Projects that are funded through bonding are not properly closed and transferred. It was not apparent that contracts were entered for a number of projects.

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CITY OF WESTBROOK  
INDEPENDENT AUDITOR'S COMMUNICATION OF  
SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

We recommend that the City take steps to ensure that proper accounting and tracking be maintained for all City projects. Liabilities should be recorded for all activity as it occurs, revenue sources should be indicated, and projects should be closed when completed, with any funds remaining to be transferred appropriately, or used to pay back the corresponding bond issue, in accordance with City policies.

**Management's response:** Management agrees with the Auditor's recommendation.

Recording Capital Assets

The City did not determine its additions to, and disposals of, capital assets for its governmental activities for the current fiscal year. Also, the City does not maintain accessible and separate supporting documentation for capital assets recorded in prior years. We recommend that the City utilize its capital asset software capabilities to record and maintain additions and disposals of capital assets. In addition, we recommend that separate files be kept for historical records of capital assets that include documentation that supports the cost to acquire each asset.

**Management's response:** Management agrees with the Auditor's recommendation. To retrospectively report these amounts and obtain supporting documentation will require dedication of significant resources. The City intends to comply, but feels correcting basic accounting is the first priority.

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. We consider the following deficiencies in the City of Westbrook's internal control to be significant deficiencies:

Billings and Collections/Receivables for Sewer Usage

The City was unable to provide supporting documentation for sewer charges, collections or outstanding receivable balances. We recommend that the City obtain monthly accounts receivable aging reports from the Portland Water District so that the City may perform monthly reconciliations of charges and collections.

**Management's response:** Management agrees with the Auditor's recommendation.

Accounting for Long-term Debt in Enterprise Funds

Long-term debt liabilities whose principal and interest payments are being paid by the Sewer Enterprise Fund were not recorded on that fund's balance sheet. We recommend that debt associated with Enterprise Fund assets and repaid by Enterprise Fund income sources should be recorded on the Enterprise Fund's balance sheet in accordance with generally accepted accounting principles.

**Management's response:** Management agrees with the Auditor's recommendation.

Deposit and Investment Policy

There are no City policies for deposit and investment risk. We recommend that the City develop a policy for the Treasurer to follow that will identify the City's deposit and investment requirements. The policy should address acceptable deposit and investment instruments, as well as the City's investing goals and risk strategies.

**Management's response:** Management agrees with the Auditor's recommendation and further asserts additional finance and accounting policy should be adopted, including debt policy, electronic payments, capital projects and capacity, etc. Management intends to work on these over more than one year.

Accounting for Revolving Loan Funds

The City does not have a policy for its revolving loan funds. We recommend that the City develop a policy that would identify the terms and availability of revolving loans to businesses, as well as the proper accounting and recordkeeping of those loans. A policy should also include procedures for accounts that become delinquent, and acceptable methods to resolve such delinquent accounts.

**Management's response:** Management agrees with the Auditor's recommendation.

CITY OF WESTBROOK  
INDEPENDENT AUDITOR'S COMMUNICATION OF  
SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

*Accounting for Trust Funds*

Typically, funds bequeathed to the City from private trusts and estates have certain stipulations as to how the City can spend the funds. Usually, the principal amount received is to be held in perpetuity, with only the income generated available to be expended in accordance with the purpose of the gift. During the course of our audit, the City could not identify the breakdown of principal and interest on the Private Purpose Trust and Permanent funds. We recommend that the City identify the original intent and amount received, and properly segregate the amounts in its financial statements.

**Management's response:** Management agrees with the Auditor's recommendation, however, many instances simply have no record attached. Management will pursue legal advice regarding these instances.

*Sewer System Improvements*

An analysis of current year improvement projects in order to capture the value of the improvements as capital asset additions was not performed. Individual projects are not accounted for separately. Some sewer improvement projects may be accounted for in the City's Capital Project fund. Because the Sewer Fund is an enterprise fund, any capital improvements that benefit the sewer system should be accounted for in the fund as a capital improvement. We recommend that sub-ledgers be maintained for City capital improvement projects, including the identification of funding sources, in order to be properly captured in the City's accounting records.

**Management's response:** Management agrees with the Auditor's recommendation. As public officials are more comfortable with fund basis budget reports, a conversion fund will be established and maintained for the Wastewater Division.

This communication is intended solely for the information and use of management, the mayor and city council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

February 2, 2011

*Roberts, Greene & Drolet, PLLC*