

Memo

To: Perry Ellsworth, Town Manager
From: Craig H. Skelton, Assessing Agent
Date: 08/09/2012
Re: FY 2013 Commitment

Craig H. Skelton

Adjustments made to the real estate value based on property splits, new construction, alterations and additions totaled \$ 2,349,915. The total taxable value of business personal property saw an increase of \$ 1,478,700. The increase in valuation was largely attributed to upgrades by Central Maine Power for real estate and Comcast of Maine for personal property.

The valuation changes along with County, Municipal and School Assessments indicate a new tax rate falling within the range of \$16.00 to \$16.20.

Following is a calculation of the impact of the proposed tax rate within the above referenced range on the average home including condominiums, in South Berwick. The average value of \$237,000 has been adjusted by applying a Homestead Exemption amounting to \$10,000 for this year.

<u>Average Value</u>	<u>Tax Rate</u>	<u>Taxes</u>	<u>Change</u>
\$ 227,000	\$ 15.50	\$ 3,518.50	0
\$ 227,000	\$ 16.00	\$ 3,632.00	\$ 113.50
\$ 227,000	\$ 16.10	\$ 3,654.70	\$ 136.20
\$ 227,000	\$ 16.20	\$ 3,677.40	\$ 158.90

South Berwick Town Council July 24, 2012

The following was reported to the Clerk:

Chairman Gerald W. MacPherson, Sr. called the meeting to order at 6:00pm. Councilors present included, David Burke, Jean Demetracopoulos, David H. Webster, and John C. Kareckas. Town Manager Perry Ellsworth was also in attendance.

Executive Session

1. On a motion by Mrs. Demetracopoulos, seconded by Mr. Webster, it was unanimously voted to enter executive session at 6:04pm pursuant to 1MRSA §405.6A to conduct committee applicant interviews.

On a motion by Mrs. Demetracopoulos, seconded by Mr. Webster, it was unanimously voted to end the executive session at 6:27pm.

On a motion by Mr. Webster, seconded by Mr. Kareckas, it was unanimously voted to recess the meeting at 6:28pm.

The meeting reconvened at 6:32pm with the Clerk present.

Approval of Minutes

1. Council 7-10-12: On a motion by Mr. Webster, seconded by Mrs. Demetracopoulos, it was unanimously voted to adopt the minutes as written.

Treasurer's Warrant – July 24, 2012

On a motion by Mrs. Demetracopoulos, seconded by Mr. Kareckas, it was unanimously voted to sign the warrant in the amount of \$444,236.20.

Public Comment

No public comments received. Only the representative for Foster's was present.

Town Manager's Report

-A workshop with the Assessor's Agent has been scheduled for August 14th at 6:00pm to discuss setting the 2013/2014 tax rate.

-Stated that tax club applications are due August 15th. [Applications are due by Aug 31st, with monthly payments due by the 15th starting in September]

-Currently working to provide the opportunity for residents to pay their property taxes online.

-Received Council consensus to allow the Marshwood Ski Club to use Powderhouse Hill for practice and training. Note was **made that we do have the Club's insurance certificate on file.**

-Will be holding an informational meeting on July 25th with Matt Peters from Avesta for residents of **Young Street. Notices were sent to abutters within 250' of the property.**

-A workshop with representatives from Kittery & Eliot will be held in Kittery on July 31st to discuss regional collaboration. The initial topic for discussion is dispatching services.

-Received Council consensus for the Manager and Councilors MacPherson & Demetracopoulos to begin a review of the Personnel Policy.

-Commented that the DEP & EPA were here last week to review the Brownfields work completed at the Library. The library project (remediation of mold and asbestos) will be featured in an upcoming article on Brownfields success stories in New England.

-Vine Street: We were allocated \$260,000 from FEMA. Our share is 10% and the state share is **15%, however the state hasn't been paying. It is estimated that the \$260,000 won't even cover half of the cost.** The Manager and Public Works Director plan to meet with the neighbors to discuss the issues. The Manager and Council briefly discussed the issues with the road and ways to mitigate the problems.

-Road work is well underway; having used about half of the CIP funds. Completed work includes **the entire length of Boyd's Corner Road, Ogunquit Road from Emery's Bridge Road to Bennett Lot Road, and Emery's Bridge Road from Ogunquit Road 4000' south.**

-Stated that the School Board would like to meet with the Council on August 7th at 6:30pm to **discuss crossing guards, next year's budget, and the senior housing project.**

-Received a nice report back from Maine Municipal regarding our insurance rating, especially in regard to code related items. The top rating is an 8; we received a 6 for public housing and a 5 for commercial.

New Business

1. On a motion by Mrs. Demetracopoulos, seconded by Mr. Webster, it was unanimously voted to appoint Jeff Hoerth and Heather Holland to the Recreation Committee, both with terms to expire June 30, 2015.

2. On a motion by Mr. Burke, seconded by Mr. Webster, it was unanimously voted to accept the \$649 Byrne Grant for the Police Department. Comment was made that more funds are distributed to towns with the most crime. Most, if not all communities receive some funds, so the fact that South Berwick received a low amount means we have a lower crime rate.

3. The Council discussed the proposal to share the Code Enforcement Officer position with Berwick. The agreement includes the following: The CEO will work in Berwick an average of two days per week, primarily on Wednesdays & Thursdays, Berwick will be charged a rate of \$40 per hour (which covers wages & benefits), South Berwick will provide a vehicle, Berwick will be charged the IRS rate for mileage (currently \$.555 per mile), and Berwick will pay a \$25 monthly administration fee. The agreement is for a 6 month period beginning July 30th.

Mr. Ellsworth commented that he will be giving the CEO a slight pay increase because of the added duties. The budget may show a cost overrun, however the monies received from Berwick will show as revenue.

Council Member Comments

1. Mr. Burke:

-Asked that a workshop be scheduled to review the regional maintenance facility.

-Thanked Barbara Bennett for the pleasant experience re-registering his car in the Business Office.

-Thanked the Manager and other Councilors for their leadership.

2. Mr. Webster:

-Commented that he appreciates the Manager's notes on the Treasurer's Warrant.

-Expressed his pleasure at the Manager's proactive approach dealing with resident concerns after the special town meeting about the senior housing project.

3. Mrs. Demetracopoulos:

-Also commented on the Manager's handling of the issues brought up at the special town meeting. "It's small government at its finest, when we can ask to be heard and be there to listen".

4. Mr. Kareckas:

-Thanked the Manager and Councilors Demetracopoulos & MacPherson for willing to work on the Personnel Policy.

-Commented that it was nice to see the interchange with the public regarding the senior housing project with Avesta.

Adjournment

On a motion by Mr. Webster, seconded by Mrs. Demetracopoulos, it was unanimously voted to adjourn the meeting at 7:25pm.

Attested:

Barbara Bennett, CCM

TOWN OF SO. BERWICK
CHECK REGISTER

Check Number	Account	Date Paid	Amount
00030961	132525 SECRETARY OF STATE	08/14/2012	.00
00030981	230700 TOWN OF WELLS	08/14/2012	41.00
00030982	132500 SECRETARY OF STATE M/V	08/14/2012	13,227.54
00030983	141140 TREASURER, STATE OF NH	08/14/2012	236.00
00030984	189999 REFUNDS	08/14/2012	126.99
00030985	100870 KENNEBUNK SAVINGS BANK	08/14/2012	50.00
00030986	132500 SECRETARY OF STATE M/V	08/14/2012	11,844.95
00030987	090151 UNITED STATES TREASURY	08/14/2012	72.50
00030988	189999 REFUNDS	08/14/2012	18.20
00030989	189999 REFUNDS	08/14/2012	30.00
00030990	189999 REFUNDS	08/14/2012	200.00
00030991	010336 AGGREGATE RECYCLING CORP	08/14/2012	1,921.73
00030992	011250 TREASURER, STATE OF MAINE	08/14/2012	6.00
00030993	011330 AQUABOGGAN WATERPARK	08/14/2012	568.00
00030994	020225 BAKER & TAYLOR	08/14/2012	425.61
00030995	020450 BARNES & NOBLE	08/14/2012	300.00
00030996	022850 BUSINESS EQUIPMENT UNLIMITED	08/14/2012	1,045.26
00030997	021576 JANETTE BIRCH	08/14/2012	44.61
00030998	021668 BLOW BROS	08/14/2012	55.73
00030999	022240 GARY BOUCHER	08/14/2012	78.28
00031000	022244 VICTORIA BOURRET	08/14/2012	1,200.00
00031001	022503 SHARON BRASSARD	08/14/2012	26.10
00031002	022738 BUSHNELL PERFORMANCE OPTICS	08/14/2012	10.00
00031003	030028 CABELA'S MKTG& BRAND MGT	08/14/2012	96.94
00031004	030530 CENTRAL TIRE CO INC	08/14/2012	872.69
00031005	030500 CENTRAL MAINE POWER/CREDIT, COLL	08/14/2012	395.64
00031006	030510 CENTRAL MAINE POWER	08/14/2012	4,469.20
00031009	030565 CHEAPER THAN DIRT	08/14/2012	23.95
00031010	030725 CITIZENS BANK (CHG)	08/14/2012	1,562.36
00031011	030920 CLEAN-O-RAMA	08/14/2012	300.10
00031012	031096 COCHECO VALLEY HUMANE SOCIETY	08/14/2012	50.00
00031013	031425 COLONIAL LIFE & ACCIDENT INS.	08/14/2012	1,341.58
00031014	031430 COMCAST	08/14/2012	99.95
00031015	031579 CONSTELLATION NEW ENERGY	08/14/2012	2,922.67
00031017	032030 CUMMINS NORTHEAST INC	08/14/2012	579.00
00031018	050500 KAREN EGER	08/14/2012	133.87
00031019	050815 EMPLOYEE HEALTH & BENEFITS	08/14/2012	660.38
00031020	050990 ENOLA EVANS	08/14/2012	625.00
00031021	060100 HOWARD P FAIRFIELD INC	08/14/2012	109.34
00031022	141000 FAIR POINT COMM	08/14/2012	158.94
00031023	060300 FAVORITE FOODS INC	08/14/2012	770.70
00031024	060763 FISHER AUTO PARTS	08/14/2012	40.79
00031025	061500 FOSTER'S DAILY DEMOCRAT	08/14/2012	334.50
00031026	061675 FUNTOWN/SPLASHTOWN	08/14/2012	1,230.00
00031027	070200 P GAGNON & SON INC	08/14/2012	9.62
00031028	070210 GALL'S INC	08/14/2012	112.47
00031029	070565 GORHAM LEASING GROUP	08/14/2012	96.56
00031030	070600 GEORGE GORMAN	08/14/2012	120.24
00031031	071180 GROUP DYNAMIC INC	08/14/2012	154.00
00031032	071307 GULF/FLEET FUNDING	08/14/2012	46.00
00031033	191330 HANNAFORD'S	08/14/2012	404.58
00031034	080248 HANSCOM'S TRUCK STOP INC	08/14/2012	4,733.26
00031035	080450 HARVARD PILGRIM HEALTH CARE	08/14/2012	26,874.60
00031036	080504 TOM HASTY	08/14/2012	161.00
00031037	080635 HIGGINS	08/14/2012	7.34
00031038	080998 HOME DEPOT	08/14/2012	122.44

Check Number	Account	Date Paid	Amount
00031039	090124 INFORMATION MANAGEMENT CORP	08/14/2012	8,835.00
00031040	090120 INLAND FISHERIES & WILDLIFE	08/14/2012	3,595.20
00031041	090580 IRVING OIL	08/14/2012	51.43
00031042	100150 JANETOS MARKET	08/14/2012	112.39
00031043	100305 JOHN & MARLENE LLC	08/14/2012	243.00
00031044	100670 RAZEL KALLBERG	08/14/2012	995.00
00031045	141367 KONE INC	08/14/2012	461.98
00031046	120350 NORMAND LAUZE	08/14/2012	128.00
00031047	120510 LAWSON PRODUCTS INC.	08/14/2012	425.85
00031048	120535 LECO, LLC	08/14/2012	133.00
00031049	120970 LIBBY SCOTT INC.	08/14/2012	203,090.91
00031050	131660 MAINE ASSN/ASSESSORS	08/14/2012	199.00
00031051	133375 MAINE ENERGY RECOVERY CO.	08/14/2012	5,283.28
00031052	133225 MAINELY PRINTING	08/14/2012	79.00
00031053	132400 MAINE SAD #35	08/14/2012	548,800.67
00031054	133358 W.B.MASON	08/14/2012	213.46
00031055	133795 MICK BODYWORKS	08/14/2012	25.00
00031056	134200 MAINE MUNICIPAL ASSO (INS)	08/14/2012	2,205.00
00031057	134300 MAINE MUNICIPAL EMPLOYEES	08/14/2012	3,527.23
00031058	134663 MONTAGE ENTERPRISES INC	08/14/2012	127.82
00031059	127000 CORRINE J MAHONY	08/14/2012	1,612.50
00031060	134913 MOTOROLA	08/14/2012	3,005.79
00031061	133194 MAINE TOWN/CITY MGMT ASSN	08/14/2012	103.38
00031062	140105 NAPA OF SOMERSWORTH	08/14/2012	350.70
00031063	141370 NORTHEAST HYDRAULICS INC	08/14/2012	48.70
00031064	133378 NORTON STREET NRLP	08/14/2012	70.00
00031065	150930 M H PARSONS & SONS LUMBER CO	08/14/2012	740.00
00031066	159995 HL PATTEN CONSTRUCTION	08/14/2012	1,818.00
00031067	200700 PIKE INDUSTRIES INC	08/14/2012	2,677.92
00031068	160692 POLAND SPRING	08/14/2012	107.68
00031069	160900 PORTLAND NORTH TRUCK CENTER	08/14/2012	847.84
00031070	161265 PORTSMOUTH FORD	08/14/2012	118.75
00031071	180470 RICCI CONSTRUCTION INC	08/14/2012	44,772.28
00031072	180477 RICE'S AUTOMOTIVE CENTER	08/14/2012	115.95
00031073	181050 DENNIS ROBILLARD	08/14/2012	603.00
00031074	190030 SALMON FALLS LANDSCAPING	08/14/2012	1,000.00
00031075	190094 SANEL AUTO PARTS CO	08/14/2012	463.23
00031076	190900 SEBASCO HARBOR RESORT	08/14/2012	211.86
00031077	132500 SECRETARY OF STATE M/V	08/14/2012	17,737.63
00031078	191500 MAURICE ROBERGE	08/14/2012	300.00
00031079	191753 FOREST SMITH	08/14/2012	675.00
00031080	192600 SO BERWICK PHARMACY	08/14/2012	24.31
00031081	192900 SO BERWICK WATER DISTRICT	08/14/2012	52.00
00031082	192650 SO BERWICK SEWER DISTRICT	08/14/2012	1,184.00
00031083	193410 SO MAINE REGIONAL PLANNING CM	08/14/2012	3,415.27
00031084	193605 SOUTHWORTH-MILTON, INC	08/14/2012	301.39
00031085	193640 STAPLES	08/14/2012	578.27
00031086	193660 STARKEY FORD INC	08/14/2012	348.21
00031087	194570 SWAN ISLAND PRESS	08/14/2012	840.00
00031088	200100 TARASON ENTERPRISES INC	08/14/2012	200.00
00031089	133030 TREAS/STATE OF MAINE/DHHS	08/14/2012	30.00
00031090	133105 TREASURER OF STATE/C.WPNS	08/14/2012	55.00
00031091	201230 JILL TREMBLAY	08/14/2012	41.63
00031092	201233 TRI-CITY DODGE, INC.	08/14/2012	39.61
00031093	061380 KRISTINE TRULOCK	08/14/2012	16.65

Check Number	Account	Date Paid	Amount
00031094	201300 TWO-WAY COMMUNICATION SERV INC	08/14/2012	1,156.34
00031095	230300 WALMART COMMUNITY BRC	08/14/2012	897.07
00031096	231200 WILD CENTER & ZOO PARK OF NE	08/14/2012	434.80
00031097	231600 WORLD BOOK INC	08/14/2012	910.00
00031098	238000 XPRESS OF MAINE	08/14/2012	325.14
00031099	240900 YORK COUNTY REGISTRY OF DEEDS	08/14/2012	26.00
Total Not Prepaid			922,089.15
Total Prepaid			25,847.18
Grand Total			947,936.33

WARRANT NUMBER \$ 947,936.33 DATE 08/09/2012

* * * TREASURER'S WARRANT * * *

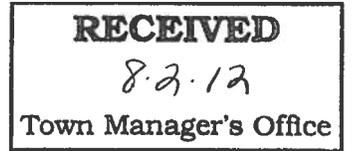
THIS IS TO CERTIFY THAT THERE IS DUE AND CHARGEABLE TO THE APPROPRIATIONS LISTED
 ABOVE THE SUM SET AGAINST EACH NAME AND YOU ARE DIRECTED TO PAY UNTO THE PARTIES
 NAMED IN THIS SCHEDULE.

TOWN COUNCIL:

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TOWN COUNCIL
Agenda Information Sheet

Meeting Date: August 14, 2012	Item # NB 1
Agenda Item: Transitional County Assessment options	
Town Manager's Recommendation	
<p>In order to comply with State law the County was required to move to a fiscal year for all corrections operations. They are currently maintaining two separate budgets with different year end dates. In order to gain cost efficiencies while maintaining sound financial policies, the County will be moving all operations to a fiscal year budget. The County will commit two taxes in January, 2013. This will result in two assessments during the Town of South Berwick's fiscal year 2014.</p> <p>The assessment for the six month budget will be due on December 31, 2013. The assessment for the full fiscal year 2014 will be due on September 1, 2013.</p> <p>State law offers the municipalities the option to pay the six month assessment (due 12/31/13) either in one lump sum or spread over five years plus interest. The current annual County assessment is \$363,010.34.</p> <p>The deadline to notify the County how we wish to proceed is February 15, 2013.</p>	
Requested Action	
Council wishes	
Vote	



CC: TC

*Sallie V. Chandler, Chair
District 1*

*Richard R. Dutremble
District 2*

*Daniel C. Cabral
District 3*

*David E. Bowles
District 4*

*Gary A. Sinden
District 5*

COUNTY OF YORK

45 Kennebunk Road

Alfred, Maine 04002

(207) 459-2313

Fax (207) 324-9494
YC-Commish@co.york.me.us

*Gregory T. Zinser
County Manager*

*Kathryn A. Dumont
Assistant to the Manager*

*Victoria C. Ridlon
Finance Director*

*Frank P. Wood
Treasurer*

*Rose M. Leeman
Deputy Treasurer*

August 1, 2012

Dear Councilors, Selectmen, Managers and Administrators:

York County Government is moving forward with changing our fiscal year. This letter is to keep you apprised of the progress for your own budgetary planning purposes. This change will affect your municipality.

Beginning January 1, 2013 and ending June 30, 2013, the County will be operating under a six (6) month transitional budget. The new fiscal year will commence July 1, 2013 and end June 30, 2014. We will refer to this twelve (12) month period as our fiscal year '14 budget.

The County Commissioners will commit two taxes during the month of January. The first commitment will be for the six (6) month budget. The second commitment will be for the full fiscal year '14 (July 1, 2013 to June 30, 2014) budget. The due date for the fiscal year '14 commitment will be September 1, 2013.

The due date for the six (6) month budget will be December 31, 2013, but your municipality has two different payment options: 1) Pay in full; or 2) pay over five (5) years. Payment of the municipality's portion of the six (6) month budget in full or 2) Payment of the municipality's portion of the six (6) month budget over two or more years up to a maximum of five (5) years, with equal annual payments plus interest based on any interest incurred by the County for borrowing.

Each municipality must notify the County of their choice of payment plan by February 15, 2013.

The timing of this notification is very important. In order to spread payment out over several years it will be necessary for the County to issue tax anticipation notes to cover the transitional six (6) month budget.

To further clarify this process, I offer the following hypothetical example. Assuming your town chooses the five (5) year repayment option: The County commits taxes in February 2013. Your town's portion amounts to \$1,000,000 for the fiscal year '14 budget. Your town's portion of the six (6) month transitional budget is \$500,000. The due date for the fiscal year '14 budget is September 1, 2013. The due date for the transitional budget is December 31, 2013. The municipality must pay in full, the fiscal year '14 tax commitment of \$1,000,000 by September 1, 2013. Your municipality would then be responsible for 1/5th or, \$100,000 of the \$500,000 transitional tax bill, plus applicable interest costs by December 31, 2013.

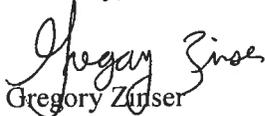
We recognize that this change impacts municipalities in different ways depending on your town's budgeting practices. We remain, however, committed to working with you through this transition.

For additional planning purposes, it is important to note that future tax commitments will most likely occur during the month of July.

The budgeting process is currently underway and is expected to be before the Commissioners during the month of October 2012 and budget committee during the months of November and December 2012.

We will keep you informed as the process unfolds. You may contact me at the number listed above or by e-mail at: gtzinser@co.york.me.us or our Finance Director, Vicki Ridlon at: vridlon@co.york.me.us.

Sincerely,



Gregory Zinser
York County Manager
GTZ/kad

Enclosure: March 13, 2012 letter



RECEIVED

3-14-12

Town Manager's Office

OC:TC

*Sallie V. Chandler, Chair
District 1*

*Richard R. Dutremble
District 2*

*Daniel C. Cabral
District 3*

*David E. Bowles
District 4*

*Gary A. Sinden
District 5*

**COUNTY COMMISSIONERS
COUNTY OF YORK**

45 Kennebunk Road
Alfred, Maine 04002

(207) 459-2313
Fax (207) 324-9494

commissioners@co.york.me.us

*Gregory T. Zinser
County Manager*

*Kathryn A. Dumont
Assistant to the Manager*

*Victoria C. Ridlon
Finance Director*

*Frank P. Wood
Treasurer*

*Rose M. Leeman
Deputy Treasurer*

March 12, 2012

Dear Councilors, Selectmen, Administrators and Managers:

In 2008, the Legislature passed Public Law 653, commonly referred to as the jail consolidation law. This particular law capped the amount of property tax each county may raise to support jail operations. York County's jail property assessment for jail operations is capped at \$8,667, 248. Through actions of our Commissioners and Legislative Delegation, the cap will be reduced to \$8,386,815 beginning with fiscal year 2013 (July 1, 2013 through June 30, 2014).

The jail consolidation has been challenging and continues to be so. It is gratifying to see that the property tax payer in York County is already receiving a benefit. This being said, we also question the future fiscal solvency of this law for funding from the State's general fund.

There remains one hurdle that we as a county have yet to face. Under PL653, we were required to develop a corrections budget that mirrors the State's July-June fiscal year. With the non-correctional, general fund side of the budget still on an annual January-December budget cycle, we find ourselves in an endless loop of managing two budgets and two audits.

For this and sound financial management reasons, the County is planning to move its entire budget to a July-June fiscal year in 2013. We will plan a six month budget for January-June 2013 and begin a twelve month budget in July of 2013. This will make budget planning more efficient and reduce the cost of TAN borrowing in the future.

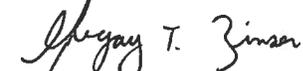
It is the County's desire to make the transfer as smooth as possible. Our goal is to construct a six month budget that is as lean as possible by postponing any capital expenditures and keeping a tight rein on discretionary spending.

To fund the six month transition budget, we have a couple of options, all of which are laid out in statute. The statute allows counties adopting a fiscal year budget to either collect two tax assessments in the eighteen month period or fund the six month period with an incremental assessment on top of the regular tax assessment in September and give municipalities the choice of paying the increment over a five year period.

We believe giving municipalities the choice of choosing how many incremental payments they want to make will be the best for budget planning and avoid a large tax assessment in a single budget year.

Rest assured, it is our desire to make this transition year as smooth as possible and will keep you informed as the process progresses.

Sincerely,


Gregory T. Zinser
York County Manager

GTZ/kad

TOWN COUNCIL
Agenda Information Sheet

Meeting Date: August 14, 2012	Item # NB 2
Agenda Item: Audit Engagement Letter	
Department Head Recommendation: Fern Houliares	
<p>In the past, the Town Manager (Treasurer) has signed the Engagement Letter for the annual audit. An article in MMA's Townsman Legal section, however, indicates that it is the responsibility of the Municipal Officers.</p> <p>The audit has been tentatively scheduled for November 13 and 14, 2012.</p>	
Requested Action	
Sign Audit Engagement letter for Smith & Associates, CPAs	
Vote	

Smith & Associates, CPAs

A Professional Association

50 Forest Falls Drive, Suite 3 • Yarmouth, Maine 04096
Ph (207) 846-8881 • Fax (207) 846-8882
www.smithassociatescpa.com

July 26, 2012

TOWN OF SOUTH BERWICK
180 Main Street
South Berwick, ME 03908

We are pleased to confirm our understanding of the services we are to provide the Town of South Berwick for the year ended June 30, 2012. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Town of South Berwick as of and for the year ended June 30, 2012. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the Town of South Berwick's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Town of South Berwick's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements.

We have also been engaged to report on supplementary information other than RSI that accompanies Town of South Berwick's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 and will provide an opinion on it in relation to the financial statements as a whole.

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

Additionally, management has chosen not to include the following RSI as required by generally accepted accounting principles, and such items will not be subjected to limited procedures or audit:

- Management's Discussion and Analysis

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of South Berwick and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Your responsibilities include acknowledging to us in the representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Time Limitations

Because there are inherent difficulties in recalling or preserving information as the period after the engagement increases, you agree that notwithstanding the statute of limitations of the State of Maine, any claim based on this engagement must be commenced within 24 months after performance of our service, unless you have previously provided us with a written notice of a specific defect in our services that form the basis of a claim.

Loss Limitation and Indemnification

During the course of our engagement, we will request information and explanations from management regarding the entity's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of false or misleading representations that are made to us by management.

If we incur legal fees as a result of our reliance on any false representation by you, you agree to reimburse us for all our legal fees and related costs of defense.

There is the risk that potential errors and fraud can occur that can result in damages that may be several times the amount of our audit fees. In order to induce us to accept this engagement, you hereby agree that our liability for any negligence, errors, or omissions committed by us will be limited to five (5) times the amount of our audit fees, provided such negligence, errors, or omissions are not a result of our failure to perform the audit in accordance with professional standards, in all material respects.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Audit Procedures – General (Continued)

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town of South Berwick's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Audit Procedures – Fraud

We will plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement due to error or fraud. Because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts, may exist and not be detected by us. Further, we have no responsibility to search for fraud and, our audit is not designed to detect any error or fraud that is immaterial to the financial statements.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

Engagement Administration, Fees, and Other (Continued)

We expect to begin our audit on mutually agreed upon date, and to issue our reports within a reasonable amount of time thereafter. Wayne C. Smith is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit.

We will do everything in our control to minimize the cost of these services. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you before we incur the additional costs.

You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Town of South Berwick and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



SMITH & ASSOCIATES, CPAs
A Professional Association

Response: This letter correctly sets forth the understanding of the Town of South Berwick.

By: _____

Title: _____

Date: _____

J. Harding & Company, PLLC

Certified Public Accountants

John C. Harding, CPA

John F. Fullerton

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System Review Report

December 8, 2009

To the Principal of Smith & Associates, CPA's
and the Peer Review Committee of the New England Peer Review, Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Smith & Associates, CPA's (the firm) in effect for the year ended June 30, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Smith & Associates, CPA's in effect for the year ended June 30, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Smith & Associates, CPA's has received a peer review rating of *pass*.

J. Harding & Company, PLLC