

Town of Skowhegan, Maine

REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2010

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Other Supplementary Information (Continued)

Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

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Independent Auditor's Report

Board of Selectmen
Town of Skowhegan, Maine

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Skowhegan, Maine, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Skowhegan, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Skowhegan Economic Development Corporation have been not audited, and we were not engaged to audit the Skowhegan Economic Development Corporation's financial statements as part of our audit of the Town's basic financial statements. Skowhegan Economic Development Corporation's financial activities are included in the Town's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, net assets and revenues of the Town's discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had Skowhegan Economic Development Corporation's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit for the Town of Skowhegan, Maine, as of June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Town of Skowhegan, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of the Town of Skowhegan, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 6 through 13); budgetary comparison information (page 40); and postretirement employee's healthcare plan schedule of funding progress (page 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Skowhegan, Maine's basic financial statements as a whole. The other supplementary information described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Renton Whipple & Associates

Bangor, Maine
December 30, 2011

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2010

As management of the Town of Skowhegan, Maine, we offer the citizens of the Town of Skowhegan this narrative overview and analysis of the financial activities of the Town of Skowhegan for the year ended June 30, 2010. We encourage the citizens to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Skowhegan, Maine (the Town) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and component units separately. These statements include all assets of the Town as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the two categories of activities – governmental and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The fiduciary activities are private purpose trust funds, which only report using the economic resources – measurement focus of accounting. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Assets and the Statement of Activities:

The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities. These statements include all assets and liabilities of the Town using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the Town's financial health or financial position. Over time, increases and decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating.

Other factors to consider are changes in the Town's property tax base and the condition of the Town's capital assets and other infrastructure.

In the Statement of Net Assets and the Statement of Activities, we separate the Town Activities as follows:

Governmental Activities – Most of the Town's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Planning and Economic Development, Parks and Recreation, Community services. Property taxes, user fees, interest income, state and federal grants finance these activities.

Component Unit – The Town discreetly presents the Skowhegan Economic Development Corporation as a component unit.

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Town, assets exceeded liabilities by \$16,242,370 for the year ended June 30, 2010. The current year's governmental activities and component unit financial statements are compared with prior year as follows:

	Governmental Activities		Component Unit	
	<u>06/30/10</u>	<u>06/30/09</u>	<u>12/31/09</u>	<u>12/31/08</u>
Current and other assets	\$ 9,380,704	\$ 9,103,564	\$ 173,769	\$ 323,450
Capital Assets, net	<u>19,562,997</u>	<u>19,946,644</u>	<u>1,779,201</u>	<u>1,852,019</u>
Total Assets	<u>28,943,701</u>	<u>29,050,208</u>	<u>1,952,970</u>	<u>2,175,469</u>
Current liabilities	690,613	486,204	52,944	52,944
Noncurrent liabilities	<u>12,010,718</u>	<u>13,055,395</u>	<u>378,979</u>	<u>403,004</u>
Total liabilities	<u>12,701,331</u>	<u>13,541,599</u>	<u>431,923</u>	<u>455,948</u>
Net Assets:				
Invested in capital assets, net of related debt	7,590,249	6,926,960	1,400,222	1,450,969
Restricted	3,721,890	3,097,838	-	131,570
Unrestricted	<u>4,930,231</u>	<u>5,483,811</u>	<u>120,825</u>	<u>136,982</u>
Total Net Assets	<u>\$16,242,370</u>	<u>\$15,508,609</u>	<u>\$ 1,521,047</u>	<u>\$ 1,719,521</u>

Our next analysis focuses on changes in net assets of the Town's governmental and component unit activities for the year ended June 30, 2010 and 2009 and December 31, 2009 and 2008, respectively.

	Governmental Activities		Component Unit	
	06/30/10	06/30/09	12/31/09	12/31/08
REVENUES:				
Program revenues:				
Charges for services	\$ 366,714	\$ 295,963	\$ 83,106	\$ 96,446
Operating grants and contributions	264,548	1,320,466	8,977	995,696
Capital grants and contributions	637,187	1,089,816	-	-
General revenues:				
Property taxes	17,723,842	18,270,512	-	-
Excise taxes, permits, licenses and other fess	1,205,419	1,194,403	-	-
Grants and contributions not restricted to specific programs	1,645,538	612,070	-	-
Investment earnings (loss)	213,299	349,397	5,035	(16,253)
Sale of assets	(632)	(1,280)	-	-
Miscellaneous	750	3,543	3,625	-
Total revenues	<u>22,056,665</u>	<u>23,134,890</u>	<u>100,743</u>	<u>1,075,889</u>
EXPENSES:				
General government	\$ 1,145,649	\$ 1,186,050	-	-
Public safety	2,027,125	1,989,460	-	-
Public works	1,083,356	1,155,138	-	-
Health, welfare and sanitation	1,385,860	1,411,040	-	-
Culture and recreation	609,276	631,916	-	151,035
Education	9,578,685	10,201,195	-	-
Grant and other special revenue program expense	551,477	646,236	124,713	112,290
County tax	2,494,881	2,547,839	-	-
Cemetery maintenance	20,791	43,443	-	-
Tax increment financing	917,981	901,170	-	-
Interest on long-term debt	264,395	60,451	-	-
Capital outlay	<u>1,364,680</u>	<u>1,997,270</u>	-	-
Total expenses	<u>21,444,156</u>	<u>22,771,208</u>	<u>124,713</u>	<u>263,325</u>
Change in net assets	612,509	363,682	(23,970)	(812,564)
Net assets-beginning of year	15,508,609	14,987,802	1,719,521	906,957
Restate beginning net assets	<u>121,252</u>	<u>157,125</u>	<u>(174,504)</u>	-
Net assets-beginning, restated	<u>15,629,861</u>	<u>15,144,927</u>	<u>1,545,017</u>	<u>906,957</u>
Net assets-end of year	<u>\$16,242,370</u>	<u>\$15,508,609</u>	<u>\$1,521,047</u>	<u>\$1,719,521</u>

The beginning governmental activities net assets were restated by \$121,252. \$42,282 of special revenue funds and \$32,424 of SEDC funds were reclassified to properly reflect Town funds and fixed assets were restated by \$78,970 to reflect the addition of fixed assets not previously accounted for. The beginning component unit net assets were restated by \$(142,080) to remove Lake George Corporation, which is no longer considered a component unit of the Town of Skowhegan.

GOVERNMENTAL ACTIVITIES

The cost of all Governmental activities this year was \$21,444,156. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$17,723,842, because some of the cost was paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs, capital grants and contributions. Overall, the Town's governmental program revenues, including intergovernmental aid and fees for services, were \$1,268,449. The Town paid for the remaining "public benefit" portion of governmental activities with taxes and with other revenues, such as interest, state revenue sharing, general contributions and other miscellaneous revenues.

The Town's programs include General Government, Public Safety, Public Works, Health, Welfare and Sanitation, Culture and Recreation, Education, grant and other special revenue program expense, County Tax, Cemetery Maintenance, Tax Increment Financing, Debt Service and Capital Outlay. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

	<u>2010 Net (Expense)</u>
Governmental Activities	
General government	\$ (1,035,257)
Public safety	(1,904,076)
Public works	(932,196)
Health, welfare and sanitation	(1,239,546)
Culture and recreation	(522,503)
Education	(9,578,685)
Grant and other special revenue program expense	29,012
County tax	(2,494,881)
Cemetery maintenance	(7,217)
Tax increment financing	(917,981)
Interest on long-term debt	(264,395)
Capital outlay	<u>(1,307,982)</u>
Total governmental activities	<u>\$ (20,175,707)</u>

Total resources available during the year to finance governmental operations consisted of beginning net assets of \$15,508,609, program revenues of \$1,268,449 and general revenues of \$20,788,216. Total governmental activities expenses during the year were \$21,444,156; thus net assets were increased by \$612,509 to \$16,242,370. Net assets were restated by \$121,252 to properly reflect Town funds and the addition of fixed assets not previously accounted for.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Governmental Funds-Most of the Town's basic services are reported in governmental funds, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement. The Town considers the General, Special Revenue, Capital Projects and Permanent Fund to be major governmental funds.

The information below shows total expenditures of the Town's major funds as of June 30, 2010.

	<u>2010</u>
General government	\$ 1,138,146
Cemeteries	70,427
Protection	1,947,860
Highways and streets	999,764
Pollution control	461,950
Solid waste facility	701,485
Health and human services	90,051
Education	9,578,685
Parks and recreation	387,880
County tax	2,494,881
Community services	148,021
Tax increment financing	917,981
Grant program expenses	607,828
Debt Service:	
Principal	1,052,721
Interest and other charges	319,634
Capital outlay	<u>1,089,083</u>
Total Expenditures	<u>\$22,006,397</u>

DEBT ADMINISTRATION

The governmental activities debt summary for the year ended June 30, 2010 is presented below:

	<u>2010</u>
Wastewater treatment facility upgrade	\$1,460,000
Wastewater treatment facility upgrade	3,360,000
Clean water revolving loan	5,989,500
Road project	1,080,000
Plow trucks	77,462
Capital lease – copier	<u>5,786</u>
Total debt	<u>\$11,972,748</u>

CAPITAL ASSETS

The capital assets of the Town are those assets which are used in the performance of the Town's functions. At June 30, 2010, net capital assets of the governmental activities decreased by \$383,647 including a restatement of \$78,970 to a total of \$19,562,997 and the net capital assets of the component units decreased by \$72,818 including a restatement of \$(32,492) to a total \$1,779,201. Depreciation on capital assets is recognized in the Government-Wide financial statements. Additional information is provided in Note 3 of this report.

BUDGETS AND BUDGETARY ACCOUNTING

A purchase order is issued for every purchase made. A purchase order can only be signed by the Department Head or authorized designee assigned by the Town Manager. All purchase orders are in three (3) part forms and issued as follows:

1. White copy (original) goes to the vendor.
2. Yellow copy is attached to the invoice and submitted for payment.
3. Pink copy is submitted to the accounts payable clerk at time of purchase and when the invoice is submitted for payment, the pink copy is matched to the yellow copy and stamped COPY with the date of payment written on the purchase order and given back to the Department Head for future reference. This process helps eliminate the potential for paying invoices twice while watching budget lines more closely.

The following is a discussion of the general fund budgetary activity during the fiscal year ended June 30, 2010:

During the year budgeted revenues exceeded actual revenues by \$72,679. Most of this variance resulted from over budgeted excise tax, intergovernmental, and property tax revenue.

Budgeted expenditures were higher than actual expenditures by \$454,828 with the utilization of designated carryover balances.

The major budget variances for the year ended June 30, 2010 were as follows:

1. Intergovernmental revenue (\$78,466) due to an unforeseen decline in state revenue sharing and general assistance state reimbursements and payouts.
2. Excise tax revenues (\$72,601) under budget due to over budgeting of this line item.
3. Property tax revenues (\$91,330) under budget due to property tax abatements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget assures the efficient, effective and economic uses of the Town's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the Board of Selectmen sets the direction of the Town, allocates its resources and establishes its priorities.

Historical Trend

As the Town enters fiscal year 2011, we are in solid financial shape with many years of higher than anticipated revenues. This has laid the foundation for a strong surplus at this time.

The Town has been able to stabilize the tax rate with consistent increases in property valuations and strong revenues.

Revenues/Surplus

During this period of time the budgeted revenues exceeded the actual revenues. This trend is starting to inch closer to the actual estimated revenues. A lot of this is due to projected revenue cuts at the state level and the slow economy. Surplus was helped by the departments cost saving methods, with left over appropriation monies being returned. Again, as revenues fall there will be less and less money put back into surplus.

Major Increases

The major increases in operational budgets are caused by the increase in the cost of operating. The economy is driving this. Fuel, utilities and replacement costs have increased, along with more repairs due to wear and tear on equipment. It does not look like these costs will decrease anytime soon, if at all.

Savings/Increased Demands

The Town's department heads are always looking for ways to save the Town money, whether through increased efficiencies or through the attainment of federal and state grants. The Town is participating in a number of joint collaborative purchasing efforts with neighboring towns, the County and the State; and is collaborating with large businesses in the "Maine Power Options" to reduce energy costs.

The fiscal year 2010 budget also includes revenue amounts for specific state, federal and private grants that have been applied for. There are also several other grant awards that will surface during the course of the fiscal year that were not known at the time of the budget process. These grants will be brought to the Board of Selectmen for consideration upon being awarded.

The Future

In terms of the future, we continue to be in good financial shape. With revenues starting to level off, revenue sharing cuts at the state level and uncertain economic growth; we need to be aware of the public benefit (reduced taxes) versus the costs of the services we provide. In short, as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues. We also need to be careful that we don't reduce our budget so much that we can no longer supply the services that the taxpayers expect.

Due to budget reductions in the reserve accounts, the Town has not replaced some of its older equipment for numerous years. These reductions help to keep taxes low in the short term, but eventually the equipment and infrastructure will fail and there will be no choice but to increase taxes. More emphasis needs to be placed on setting aside funds every year for future equipment replacement and projects.

Another area of concern for the future is the number of tax-exempt properties in Skowhegan. There is presently approximately \$66 million in tax-exempt property. This puts a large burden on the taxpayers. These tax-exempt properties Account for 1/3 of the sewer usage but pay no taxes or fees for this usage. The Town's Waste Treatment Facility and Infrastructure are funded through taxation. The Town needs to take a look at the sewer ordinance, and possibly come up with a sewer fee structure for these tax-exempt properties.

The Town also needs to look at a re-valuation of all property within the Town. Over time, the taxing system which the Town relies on for its principal source of revenue, develops inequities, and inequities create unfairness. This imbalance cannot be corrected by occasional tuning to the property tax base.

Summary

The Town needs to continue to work harder and smarter; doing as much as possible at the lowest possible cost. We will continue to review and update the successful collaborative activities as potential solutions to some of the budget challenges that we are facing. The Town will work toward a re-valuation, and possible sewer use fees for tax-exempt properties. As we will continue to change and work through these issues Skowhegan will become a better place for everyone.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Treasurer at 225 Water Street, Skowhegan, Maine, 04976, phone 207-474-6902, or e-mail skowtreas@skowhegan.org.

Town of Skowhegan, Maine
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Component Unit* Skowhegan Economic Development Corporation</u>
ASSETS		
Cash and cash equivalents	\$ 4,806,032	\$ 43,712
Investments	3,033,483	-
Taxes receivable	656,249	-
Loans receivables, net of allowance for doubtful accounts of \$20,912	500,706	130,057
Due from component units	52,944	-
Due from other governmental agencies	164,617	-
Due from Maine Bond Bank	166,673	-
Capital assets, net	<u>19,562,997</u>	<u>1,779,201</u>
Total assets	<u>28,943,701</u>	<u>1,952,970</u>
LIABILITIES		
Accounts payable and accrued expenses	514,115	-
Due to other governmental agencies	5,337	-
Due to fiduciary fund	4,133	-
Deferred revenues	10,684	-
Prepaid taxes receivable	19,171	-
Due to primary government	-	52,944
Accrued compensated absences	117,893	-
Accrued interest	19,280	-
Long-term liabilities		
Due within one year		
Capital lease obligations	1,328	-
Bonds and notes payable	905,212	20,183
Due in more than one year		
Capital lease obligations	4,458	-
Bonds and notes payable	11,061,750	358,796
Other postemployment benefit obligation	<u>37,970</u>	<u>-</u>
Total liabilities	<u>12,701,331</u>	<u>431,923</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,590,249	1,400,222
Restricted for		
Capital projects	3,090,982	-
Permanent funds - non-expendable	630,908	-
Permanent funds - expendable	449,150	-
Unrestricted	<u>4,481,081</u>	<u>120,825</u>
Total net assets	<u>\$ 16,242,370</u>	<u>\$ 1,521,047</u>

* component unit is presented as of December 31, 2009 as reviewed

See accompanying notes to the basic financial statements.

**Town of Skowhegan, Maine
Statement of Activities
For the Year Ended June 30, 2010**

Functions/Programs	Program Revenue			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions			
Primary government						Primary Government
Governmental activities						Skowhegan Economic Development Corporation
General government	\$ 1,145,649	\$ 90,815	\$ 19,577	\$ -	\$ (1,035,257)	
Public safety	2,027,125	49,590	73,459	-	(1,904,076)	
Public works	1,083,356	3,999	147,161	-	(932,196)	
Health, welfare and sanitation	1,385,660	121,963	24,351	-	(1,239,546)	
Culture and recreation	609,276	86,773	-	-	(522,503)	
Education	9,578,685	-	-	580,489	(9,578,685)	
Grant and other special revenue program expense	551,477	-	-	-	29,012	
County tax	2,494,881	-	-	-	(2,494,881)	
Cemetery maintenance and other	20,791	4,260	-	-	(16,531)	
Tax increment financing	917,981	-	-	-	(917,981)	
Interest on long-term debt	264,395	-	-	-	(264,395)	
Capital outlay	1,384,680	-	-	56,698	(1,307,982)	
Total primary government	\$ 21,444,156	\$ 357,400	\$ 264,548	\$ 637,187	(20,185,021)	
Component Unit						\$ (32,630)
Skowhegan Economic Development Corporation	\$ 124,713	\$ 83,106	\$ 8,977	\$ -		
General revenues						
Taxes						
Property taxes					17,723,842	
Excise taxes, permits, licenses and other fees					1,205,419	
Grants and contributions not restricted to specific programs					1,645,538	
Unrestricted investment earnings (loss) and interest					213,299	5,035
Miscellaneous					750	3,625
Special item - gain/(loss) on sale of assets					(632)	-
Total general revenues					20,788,216	8,660
Contributions to permanent fund principal					9,314	-
Change in net assets					612,509	(23,970)
NET ASSETS - BEGINNING					15,508,609	1,577,441
RESTATE BEGINNING NET ASSETS					121,252	(32,424)
NET ASSETS - BEGINNING, RESTATED					15,629,861	1,545,017
NET ASSETS - ENDING					16,242,370	1,521,047

* component unit is presented as of December 31, 2009 as reviewed

See accompanying notes to the basic financial statements.

Town of Skowhegan, Maine
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,093,649	\$ 315,054	\$ 1,072,856	\$ 324,473	\$ 4,806,032
Investments	-	-	2,264,491	768,992	3,033,483
Taxes receivable, net	656,249	-	-	-	656,249
Due from other funds	13,407	231,460	41,084	-	285,951
Due from Skowhegan Economic Development	52,944	-	-	-	52,944
Receivable from other governments	135,803	28,814	-	-	164,617
Due from Maine Bond Bank	-	-	166,673	-	166,673
Loans receivables, net of allowance for doubtful accounts of \$20,912	-	500,706	-	-	500,706
Total assets	<u>\$ 3,952,052</u>	<u>\$1,076,034</u>	<u>\$ 3,545,104</u>	<u>\$ 1,093,465</u>	<u>\$ 9,666,655</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 456,034	\$ 35,800	\$ -	\$ -	\$ 491,834
Due to other funds	178,239	-	98,438	13,407	290,084
Payable to other governments	5,337	-	-	-	5,337
Deferred revenue	-	10,684	-	-	10,684
Deferred property tax revenue	450,101	-	-	-	450,101
Other accrued expenses	22,281	-	-	-	22,281
Prepaid taxes	19,171	-	-	-	19,171
Total liabilities	<u>1,131,163</u>	<u>46,484</u>	<u>98,438</u>	<u>13,407</u>	<u>1,289,492</u>
Fund balances					
Reserved for					
Trust fund principal	-	-	-	630,908	630,908
Capital projects	-	-	3,090,982	-	3,090,982
Loans receivable	-	500,706	-	-	500,706
Unreserved					
Designated for capital projects and other purposes	64,016	-	355,684	-	419,700
Undesignated - reported in					
General fund	2,756,873	-	-	-	2,756,873
Special revenue fund	-	528,844	-	-	528,844
Permanent endowment fund	-	-	-	449,150	449,150
Total fund balances	<u>2,820,889</u>	<u>1,029,550</u>	<u>3,446,666</u>	<u>1,080,058</u>	<u>8,377,163</u>
Total liabilities and fund balances	<u>\$ 3,952,052</u>	<u>\$1,076,034</u>	<u>\$ 3,545,104</u>	<u>\$ 1,093,465</u>	<u>\$ 9,666,655</u>

**Town of Skowhegan, Maine
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2010**

Total fund balance, governmental funds	\$ 8,377,163
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	19,562,997
Deferred revenues - more specifically, deferred property taxes not reported in governmental activities of the Statement of Net Assets.	450,101
Some liabilities, (such as Accrued interest, Capital Lease Contract Payable, Accrued Compensated Absences, Other Postemployment Benefit Obligation and Bonds and Notes Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	<u>(12,147,891)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 16,242,370</u>

Town of Skowhegan, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 17,641,160	\$ -	\$ -	\$ -	\$ 17,641,160
Excise and miscellaneous taxes	1,205,419	-	-	-	1,205,419
Fees and fines	9,820	-	-	-	9,820
Licenses and permits	16,921	-	-	-	16,921
Intergovernmental	1,817,051	575,489	56,698	-	2,449,238
Charges for services	352,258	-	-	-	352,258
Investment and interest earnings	76,143	21,647	84,624	30,886	213,300
Contributions	3,394	-	-	-	3,394
Miscellaneous	67,921	-	-	13,574	81,495
Total revenues	21,190,087	597,136	141,322	44,460	21,973,005
EXPENDITURES					
Current					
General government	1,138,146	-	-	-	1,138,146
Cemeteries	70,427	-	-	-	70,427
Protection	1,947,860	-	-	-	1,947,860
Highways and streets	999,764	-	-	-	999,764
Pollution control	461,950	-	-	-	461,950
Solid waste facility	701,485	-	-	-	701,485
Health and human services	90,051	-	-	-	90,051
Education	9,578,685	-	-	-	9,578,685
Parks and Recreation	387,880	-	-	-	387,880
County tax	2,494,881	-	-	-	2,494,881
Community services	127,230	-	-	20,791	148,021
Tax increment financing	917,981	-	-	-	917,981
Grant program expenses	-	607,828	-	-	607,828
Debt service					
Principal	917,721	-	135,000	-	1,052,721
Interest and other charges	245,115	-	74,519	-	319,634
Capital outlay	7,445	-	1,081,638	-	1,089,083
Total expenditures	20,086,621	607,828	1,291,157	20,791	22,006,397
Excess (deficiency) of revenues over expenditures	1,103,466	(10,692)	(1,149,835)	23,669	(33,392)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	7,445	-	-	-	7,445
Transfers in	21,218	6,497	1,486,783	-	1,514,498
Transfers out	(1,486,783)	(1,650)	(6,497)	(19,568)	(1,514,498)
Total other financing sources and uses	(1,458,120)	4,847	1,480,286	(19,568)	7,445
Net change in fund balances	(354,654)	(5,845)	330,451	4,101	(25,947)
FUND BALANCES - BEGINNING	3,175,543	993,113	3,116,215	1,075,957	8,360,828
RECLASSIFICATION OF SPECIAL REVENUE FUNDS	-	42,282	-	-	42,282
FUND BALANCES - BEGINNING, RESTATED	3,175,543	1,035,395	3,116,215	1,075,957	8,403,110
FUND BALANCES - ENDING	\$ 2,820,889	\$ 1,029,550	\$ 3,446,666	\$ 1,080,058	\$ 8,377,163

Town of Skowhegan, Maine
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds: \$ (25,947)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	973,861	
Depreciation	<u>(1,435,846)</u>	(461,985)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain (loss) on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(632)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.

82,684

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

1,046,935

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

Change in accrued compensated absences	(7,007)	
Accrued interest	(19,280)	
Other postemployment benefit obligation	<u>(2,259)</u>	(22,546)

Change in net assets of governmental activities \$ 612,509

Town of Skowhegan, Maine
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Private Purpose</u> <u>Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 223,827
Due from other funds	4,133
Loans receivable	<u>326,661</u>
Total assets	<u>554,621</u>
NET ASSETS	
Held in trust for benefits and other purposes	<u>\$ 554,621</u>

Town of Skowhegan, Maine
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Income	
Interest	\$ 1,553
Contributions	24,239
	<hr/>
Total additions	25,792
	<hr/>
NET ASSETS - BEGINNING	528,829
	<hr/>
NET ASSETS - ENDING	<u>\$ 554,621</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Skowhegan, Maine was incorporated in 1823 under the laws of the State of Maine. The Town operates under a selectmen-manager-town meeting form of government and provides the following services: general government services, public safety, public works, health and welfare, library and recreation.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the Town are described below.

A. FINANCIAL REPORTING ENTITY

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

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

Based on the aforementioned criteria, it was determined that the Skowhegan Economic Development Corporation should be included in this report as a component unit and discreetly presented. Separate financial statements for Skowhegan Economic Development Corporation can be obtained by calling the office at 474-6905.

All amounts applicable to the component unit in the financial statements are for the year ended December 31, 2009.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information of all the activities of the Town, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

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

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and fiduciary activities. These statements present each major fund as a separate column on the fund financial statements.

1. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major governmental funds:

General Fund

The General fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. This fund includes federal and state grants for specific purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for all resources for the acquisition or construction of capital facilities or items by the Town.

Permanent Fund

The Permanent Fund accounts for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

2. Fiduciary Funds (not included in government-wide statements)

Private Purpose Trust Fund

Private Purpose Trust Funds are held by the Town in a trustee capacity and accounted for in essentially the same manner as a proprietary fund. Capital maintenance of private purpose funds is critical.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net assets and the operating statements present increases, revenues, and decreases, expenses, in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues and charges for services. All other governmental fund revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the Town's operations.

Generally, appropriations for the general fund lapse at year end, except for balances approved to be carried forward by the Town Selectmen.

Formal budgets are not adopted for the other funds. Grant procedures for many of the revenues included in the Special Revenue Funds require submission of a budget. However, such budgets are not subject to formal adoption procedures and are normally prepared based upon the grant period which does not necessarily correspond with the Town's fiscal year.

F. FINANCIAL STATEMENT AMOUNTS

1. Deposits and Investments

For purposes of the Statement of Net Assets, cash and cash equivalents includes all demand, savings accounts and certificates of deposits of the Town.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

1. Deposits and Investments (Continued)

Investments are carried at fair value. Fair value is based on quoted market price. Additional information, including the composition of cash and investments, is presented in Note 2.

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets except for amounts owed to fiduciary funds and component units. Any residual balances outstanding between the governmental activities and component units are reported in the governmental-wide financial statements as "internal balances". See Note 6 for details of interfund transactions, including receivables and payables at year end.

3. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

General fixed assets capitalized have an original cost of \$2,000 or more and a useful life of more than a year. General infrastructure assets capitalized have an original cost of \$25,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Sewer systems	50-100 years
Machinery and equipment	3-50 years
Vehicles	3-25 years
Infrastructure	20-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

5. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in government-wide statements. The long-term liabilities consist primarily of notes or bonds payable and compensated absences.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

6. Compensated Absences

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation until the end of the calendar year and unused sick time up to a maximum 26 weeks for certain employees. The liability for these governmental compensated absences is recorded on the government-wide financial statement.

7. Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserve listed in the balance sheet.

Government-wide Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

8. Recent Accounting Pronouncements

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intent of this statement is to provide clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The new statement is effective for financial statement periods beginning after June 15, 2010. The Town is currently assessing the impact of this statement on its financial statements.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

9. Revenue Recognition - Property Taxes

Property taxes were levied on assessed values of April 1, 2009 and were due on September 21, 2009 and March 15, 2010. Interest was charged at 9% annual percentage rate on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate. Liens are expected to be filed in November 2010.

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2010, and during the first sixty days of the fiscal year are recognized as revenue in 2010. Receivables estimated to be collectible after the sixty day period are recorded as deferred revenue.

The following summarizes the year ended June 30, 2010 levy:

Assessed value:	
Real estate	\$ 554,807,400
Personal property	<u>586,279,500</u>
	1,141,086,900
Tax rate (per \$1,000)	<u>15.54</u>
Commitment	17,732,490
Less: collections and abatements	<u>(17,287,474)</u>
Receivable at June 30, 2010	<u>\$ 445,016</u>
Collection rate	97%

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2010, the Town reported deposits of \$5,029,859 with bank balances of \$5,033,071. Of the Town's total bank balance of \$5,033,071, \$61,790 was exposed to custodial credit risk as this amount was not insured or collateralized and \$4,971,281 was collateralized by underlying securities held by the related bank, which were not in the Town's name.

Deposits in the primary government have been reported as follows:

Reported in governmental funds	\$4,806,032
Reported in fiduciary funds	<u>223,827</u>
Total deposits	<u>\$5,029,859</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Component unit

Custodial Credit Risk: The Town's component unit reported deposits of \$43,712 with bank balances of \$43,727. Of the Town's component units total bank balance of \$43,727, \$0 was exposed to custodial credit risk as this amount was insured or collateralized.

Investments

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The trust and agency fund is also authorized to invest in various instruments in accordance with laws of the State of Maine.

Governmental activities

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments. The Town does not have an investment policy for custodial credit risk. Of the Town's \$3,033,483 invested in U.S. Treasury notes and U.S. Agency notes, none are exposed to custodial credit risk as the investments are in the Town's name.

Concentration of Credit Risk: The Town does not have any investments that meet the criteria to be classified as a concentration of credit risk investment.

Interest Rate Risk: The Town does not have a policy related to investment rate risk. The Town is required to disclose the interest rate risk of its debt investments as follows:

	Due in less than one year	Due in 1-5 years	Due in more than five years
Governmental activities			
U.S. Agency notes	\$ 889,506	\$2,094,523	\$ -
U.S. Treasury notes	<u>-</u>	<u>-</u>	<u>49,454</u>
Total debt investments	<u>\$ 889,506</u>	<u>\$2,094,523</u>	<u>\$ 49,454</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 3. CAPITAL ASSETS

	Balance June 30, 2009	Restate- ment	Additions	Disposals	Balance June 30, 2010
Governmental activities:					
<i>Capital assets not being depreciated</i>					
Construction in progress	\$ 384,111	\$ -	\$ -	\$ (384,111)	\$ -
Land	<u>185,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,609</u>
Total	<u>569,720</u>	<u>-</u>	<u>-</u>	<u>(384,111)</u>	<u>185,609</u>
<i>Capital assets being depreciated</i>					
Buildings and improvements	5,189,629	-	42,895	-	5,232,524
Vehicles	2,799,446	-	22,895	-	2,822,341
Roads and bridge network	14,714,199	137,340	853,419	-	15,704,958
Distributions and collections	6,755,286	-	384,111	-	7,139,397
Machinery and equipment	<u>3,139,217</u>	<u>-</u>	<u>54,652</u>	<u>(19,006)</u>	<u>3,174,863</u>
Total	<u>32,597,777</u>	<u>137,340</u>	<u>1,357,972</u>	<u>(19,006)</u>	<u>34,074,083</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(3,153,222)	-	(140,010)	-	(3,293,232)
Vehicles	(2,289,595)	-	(92,259)	-	(2,381,854)
Roads and bridge network	(5,343,316)	(58,370)	(787,799)	-	(6,189,485)
Distributions and collections	(699,007)	-	(183,278)	-	(882,285)
Machinery and equipment	<u>(1,735,713)</u>	<u>-</u>	<u>(232,500)</u>	<u>18,374</u>	<u>(1,949,839)</u>
Total accumulated depreciation	<u>(13,220,853)</u>	<u>(58,370)</u>	<u>(1,435,846)</u>	<u>18,374</u>	<u>(14,696,695)</u>
Total capital assets being depreciated, net	<u>19,376,924</u>	<u>78,970</u>	<u>(77,874)</u>	<u>(632)</u>	<u>19,377,388</u>
Total governmental activities, net	<u>\$ 19,946,644</u>	<u>\$ 78,970</u>	<u>\$ (77,874)</u>	<u>\$ (384,743)</u>	<u>\$ 19,562,997</u>
Component unit:					
<i>Capital assets not being depreciated</i>					
Land	\$ 83,547	\$ -	\$ -	\$ -	\$ 83,547
<i>Capital assets being depreciated</i>					
Buildings and improvements	1,994,756	(35,475)	-	-	1,959,281
Equipment and fixtures	24,457	(15,431)	-	-	9,026
Vehicles	<u>5,074</u>	<u>(5,074)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>2,024,287</u>	<u>(55,980)</u>	<u>-</u>	<u>-</u>	<u>1,968,307</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(235,964)	5,150	(39,185)	-	(269,999)
Equipment and fixtures	(15,284)	13,771	(1,141)	-	(2,654)
Vehicles	<u>(4,567)</u>	<u>4,567</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>(255,815)</u>	<u>23,488</u>	<u>(40,326)</u>	<u>-</u>	<u>(272,653)</u>
Total capital assets being depreciated, net	<u>1,768,472</u>	<u>(32,492)</u>	<u>(40,326)</u>	<u>-</u>	<u>1,695,654</u>
Total component unit, net	<u>\$ 1,852,019</u>	<u>\$ (32,492)</u>	<u>\$ (40,326)</u>	<u>\$ -</u>	<u>\$ 1,779,201</u>

The fixed assets of the component unit were restated by \$(32,492) to remove Lake George Corporation, which is no longer considered a component unit of the Town of Skowhegan.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 3. CAPITAL ASSETS (CONTINUED)

Depreciation was charged to the following activities as follows:

Governmental activities:	
General government	\$ 8,193
Public safety	77,361
Public works	79,635
Health, welfare and sanitation	134,215
Culture and recreation	25,355
Capital outlay	<u>1,111,087</u>
Total	<u>\$1,435,846</u>

Component unit:

Skowhegan Economic Development	<u>\$ 40,326</u>
--------------------------------	------------------

NOTE 4. TAX INCREMENT FINANCING DISTRICTS

The Town currently has two approved tax increment financing (TIF) districts, both of which were active during the year ended June 30, 2010. The objective of these TIF districts is to stimulate new investment in the community by financing, through various tax increment financing projects, various public improvements. Taxes derived from increased assessed valuation within the districts can be "captured" for approved uses. The Town accounts for a portion of the activity of the TIF districts, including captured taxes and expenditures for approved purposes, in a capital reserve fund. The following is a brief description of each:

S.D. Warren (Sappi) – This TIF was established in 2001 and is for 20 years. The amount set aside for S.D. Warren is 65% of the captured assessed value in the District. The remaining 35% is retained by the Town for economic development within the Town and is maintained in a capital reserve fund.

Downtown District – This TIF was established in 2005 and is for 12 years. The District will capture up to \$6,000,000 of new valuation. 100% of this TIF is maintained in a capital reserve fund.

NOTE 5. LONG-TERM LIABILITIES

Capital leases payable

The Town is the lessee of a copier under capital leases expiring in fiscal year ended June 30, 2014. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

Minimum future lease payments under capital leases as of June 30, 2010 are:

2011	\$ 1,659
2012	1,659
2013	1,659
2014	<u>1,660</u>
	6,637
Less amount representing interest	<u>851</u>
Present value of minimum lease payments	<u>\$ 5,786</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds payable

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2010:

	Original Amount	Balance June 30, 2009	Bonds and Notes Issued (Retired)	Balance June 30, 2010
Primary Government				
General Obligation Bonds Payable				
Maine Municipal Bond Bank, Skowhegan Community Center, dated May 4, 1989, due 2009 interest varies from 7.25-7.3%	\$1,800,000	\$ 90,000	\$ (90,000)	\$ -
Maine Municipal Bond Bank, Wastewater Facility, dated April 16, 2005, due 2024, interest rate at 1.1%	4,800,000	3,600,000	(240,000)	3,360,000
Maine Municipal Bond Bank, Wastewater Facility, dated December 22, 2006, due 2020, interest varies from 4.75-5.0%	2,000,000	1,595,000	(135,000)	1,460,000
Maine Municipal Bond Bank, Clean Water Revolving, dated December 22, 2006, due 2020, interest varies from 4.75-5.0%	6,655,000	6,322,250	(332,750)	5,989,500
Skowhegan Savings Bank, Road Project Bond, dated June 13, 2009, due 2019, interest rate at 3.6%	1,200,000	1,200,000	(120,000)	1,080,000
Bangor Savings Bank, Plow Trucks Bond, dated November 20, 2007, due 2011, interest rate at 3.21%	232,386	<u>154,923</u>	<u>(77,461)</u>	<u>77,462</u>
Total primary government		<u>\$12,962,173</u>	<u>\$ (995,211)</u>	<u>\$11,966,962</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds payable (Continued)

The following is a summary of long-term debt transactions of the Town's component unit.

	Original Amount	Balance December 31, 2008	Bonds and Notes issued (Retired)	Balance December 31, 2009
Component Unit – Skowhegan				
Economic Development Corporation				
<i>Note Payable</i>				
<i>Richard Steams,</i>				
<i>Building note dated February</i>				
<i>10, 2006, due 2013,</i>				
<i>interest rate at 6%</i>				
	\$ 40,000	\$ 17,142	\$ (3,290)	\$ 13,852
<i>General Obligation Note Payable</i>				
<i>Skowhegan Savings Bank,</i>				
<i>Industrial Park dated September</i>				
<i>7, 1999, due 2025,</i>				
<i>interest rate at 5.11%</i>				
	500,000	<u>385,862</u>	<u>(20,735)</u>	<u>365,127</u>
<i>Total component unit</i>		<u>\$ 403,004</u>	<u>\$ (24,025)</u>	<u>\$ 378,979</u>

Future maturities of long-term debt are as follows:

Fiscal year ended	Governmental Activities		
	Principal	Interest	Total
2011	\$ 905,212	\$ 276,849	\$ 1,182,061
2012	827,750	255,023	1,082,773
2013	827,750	235,767	1,063,517
2014	827,750	216,345	1,044,095
2015	827,750	197,005	1,024,755
2016-2020	3,998,750	694,932	4,693,682
2021-2025	2,753,750	322,614	3,076,364
2026-2028	998,250	76,169	1,074,419
	<u>\$11,966,962</u>	<u>\$2,274,704</u>	<u>\$14,241,666</u>
Year ended	Component Unit		
	Principal	Interest	Total
2010	\$ 20,183	\$ 19,523	\$ 39,706
2011	21,586	18,120	39,706
2012	22,419	17,287	39,706
2013	22,235	16,133	38,368
2014	20,487	14,989	35,476
2015-2019	119,676	57,704	177,380
2020-2024	152,393	24,476	176,869
	<u>\$ 378,979</u>	<u>\$168,232</u>	<u>\$547,211</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

In accordance with Maine law, no municipality shall incur debt for specific purposes in excess of certain percentages of State valuation of such municipality. The Town was in compliance with these limitations.

Overlapping Debt

In addition to the bonds payable, the Town is contingently responsible for a proportionate share of the overlapping debt of Somerset County. At June 30, 2010, the County had debt outstanding of \$27,235,000 of which the Town share was 21.60% for a total of \$5,882,760.

Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. The Town has implemented the provisions of Statement 45 effective for the year ended June 30, 2009. Under Statement 45, the long term cost of retirement health care and obligations for other postemployment benefits are determined on an actuarial basis rather than a "pay-as-you-go" accounting approach. The Town is adopting this standard prospectively.

Plan Description

The Town of Skowhegan contributes to the Maine Municipal Employees Health Trust, a cost-sharing multiple-employer defined benefits postretirement healthcare plan. The benefits are provided in accordance with employment contracts or agreements between employees and the Town. The benefit is available to retirees meeting the eligibility criteria. The Maine Municipal Employees Health Trust issues a publicly available financial report that may be obtained by calling (207) 621-2645.

Funding Policy and Annual Other Postemployment Benefits (OPEB) Cost

The Town currently plans to fund these benefits on a "pay-as-you-go" basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

The following table represents the OPEB cost for the year and the annual required contribution, on an actuarial basis:

Normal cost	\$ 32,069
Amortization of unfunded liability	36,223
Interest	<u>1,366</u>
Annual required contribution (ARC)	<u>\$69,658</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Funding Status and Funding Progress

The Town's annual OPEB cost, the net OPEB obligation and the percentage of annual OPEB cost contributed to the plan for the year ended June 30, 2010 were as follows:

	<u>2010</u>	<u>2009</u>
Annual required contribution (annual OPEB cost)	\$ 69,658	\$ 69,658
Town contributions paid (ARC offset – implicit subsidy)	<u>(67,399)</u>	<u>(33,947)</u>
OPEB liability expense	\$ 2,259	\$ 35,711
Beginning OPEB obligation balance	<u>35,711</u>	<u>-</u>
Net OPEB obligation	<u>\$ 37,970</u>	<u>\$ 35,711</u>
Percentage of annual OPEB contributed	<u>96.76%</u>	<u>48.73%</u>

The unfunded actuarial accrued liability as a percentage of covered payroll for the year ended June 30, 2010 is as follows:

	<u>2010</u>	<u>2009</u>
Actuarial accrued liability (AAL)	\$ 651,420	\$ 651,420
Actuarial value of plan assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 651,420</u>	<u>\$ 651,420</u>
Covered payroll	<u>\$2,545,931</u>	<u>\$2,221,776</u>
UAAL as a percentage of covered payroll	<u>25.59%</u>	<u>29.32%</u>

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

Actuarial Methods and Assumptions

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

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Actuarial valuation date	January 1, 2009
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4%
Participation	81.86% of eligible employees
Increase in future medical costs	7.9% for pre-Medicare and 9.1% for Medicare eligible

NOTE 6. INTERFUND TRANSACTIONS

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers.

Individual fund interfund receivable and payable balances at June 30, 2010 arising from these transactions were as follows:

	Receivable	Payable	Transfers In	Transfers Out
General fund	\$ 13,407	\$ 178,239	\$ 21,218	\$1,486,783
Special revenue fund	231,460	-	6,497	1,650
Capital projects fund	41,084	98,438	1,486,783	6,497
Private purpose trust fund	-	13,407	-	19,568
Fiduciary fund	4,133	-	-	-
	<u>\$290,084</u>	<u>\$290,084</u>	<u>\$1,514,498</u>	<u>\$1,514,498</u>

Interfund transfers

Transfers are used to move revenues that are collected in accordance with the budget to the appropriate fund to expend and use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE 7. RESTATED BEGINNING NET ASSETS

The beginning governmental activities net assets were restated by \$121,252. \$42,282 of special revenue funds was reclassified to properly reflect Town funds and fixed assets were restated by \$78,970 to reflect the addition of fixed assets not previously accounted for.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 8. CAPITAL PROJECTS – RESTRICTED FOR CAPITAL EXPENDITURES

Capital projects – restricted for capital expenditures consist of the following at June 30, 2010:

Administration	\$	39,520
Capacity		169,571
Cemetery		1,175
Community & economic development		1,478
Creative playground maintenance		3,605
Dare program		14,207
Debe Park construction		2,565
Downtown TIF		88,170
Economic development Sappi TIF		1,637,545
Fire department		217,697
Municipal building renovation		45,120
Opera House renovations		1,538
Parks & recreation		9,477
Planning, ordinance administration		13,890
Police equipment repair/replace		20,696
Pollution control		122,981
Public works building		18,861
Public works equipment maintenance		85,785
Public works roads & sidewalks		205,131
Revaluation		194,805
Sale of town property		122,345
Second industrial park project		4,944
Solid waste disposal		7,306
Subdivisions		<u>62,570</u>
		<u>\$3,090,982</u>

NOTE 9. DESIGNATED FUND BALANCES

The general fund designated balances carried forward at June 30, 2010 consist of the following:

	<u>Balance June 30, 2009</u>	<u>Revenues</u>	<u>Expenses/ Transfers</u>	<u>Balance June 30, 2010</u>
General assistance donations	\$ 2,619	\$ 3,394	\$ (997)	\$ 5,016
Economic development	<u>52,944</u>	<u>-</u>	<u>6,056</u>	<u>59,000</u>
	<u>\$55,563</u>	<u>\$ 3,394</u>	<u>\$ 5,059</u>	<u>\$64,016</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 10. RESTRICTED FOR ENDOWMENTS – PERMANENT FUNDS

Permanent funds – restricted for endowments consist of the following at June 30, 2010:

Bradford-women's aid	\$ 5,497
Coburn-worthy poor	12,349
Coburn-woman's aid	11,484
McClellan-woman's aid	19,636
McClellan-Lecture	10,513
Benjamin Sawyer award	998
William and Emma Walker fund	9,840
Cemetery fund	359,477
Coburn fund	200,087
Whitmore fund	<u>1,027</u>
	<u>\$ 630,908</u>

NOTE 11. PENSION PLANS

Defined Benefit Pension Plan - Plan Description

The Town has contributed to the Maine Public Employees Retirement System (MainePERS) Participating Local Town Consolidated Retirement Plan, a cost-sharing multiple-employer defined benefit plan. The Town's payroll for the Year ended June 30, 2010 for employees covered by this plan was \$1,733,529.

Defined Benefit Pension Plan - Funding Status and Progress

Participating employees' benefits vest after five years of service. Prior to five years of service, should an employee terminate their participation in the system, they would receive their contribution plus interest. Beyond the five year period, the employee would receive a certain benefit upon reaching the normal retirement age; this benefit would be computed at that time. Police and fire employees may receive a certain benefit after 25 years of service.

A copy of the most recent financial report for the plan may be obtained from the MainePERS or by calling 1-800-451-9800.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 11. PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan - Funding Status and Progress (Continued)

All participating town employees, except police and fire, are required to contribute 6.5% of their annual salary to the Plan by State Statute. Police and fire employees are required to contribute 8.0% of their annual salary to the Plan.

	Year ended 6/30/10		Year ended 6/30/09		Eighteen months ended 6/30/08	
	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age
Employer	\$ 19,287	1.1%	\$ 14,484	.89%	\$ 23,428	.92%
Employee	123,445	7.1%	115,587	7.1%	179,185	7.1%

NOTE 12. SIGNIFICANT TAXPAYER

For the year ending June 30, 2010, the Town of Skowhegan received \$11,019,723 in property tax revenue from S.D. Warren, Inc. This amount represents 62.14% of total property taxes assessed.

NOTE 13. PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is a member of the Maine Municipal Association - Unemployment Compensation Fund ("Fund"). The fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for unemployment compensation coverage and develop a comprehensive loss control program. The Town contributes to the fund based on the first \$12,000 of wages for unemployment compensation. Each member has its reserve, which is determined by the actuary. The annual rate set by the Fund's actuary is based on the member's reserve and on estimated future claims. Each member is responsible for its' own excess of claims over reserve.

NOTE 14. LOANS RECEIVABLE

The Town has four revolving loan programs, which are accounted for within its Special Revenue Fund. Funding for these programs came from federal grants. Federal grants and program income continue to fund program loans, which are made to qualified borrowers for housing and economic development activities.

The Town annually determines the collectability of these loans and adjusts its reserve for uncollectible loans to the calculated amounts. At June 30, 2010, the Town had established a reserve for uncollectible loans of \$20,912.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2010

NOTE 15. CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 16. RELATED PARTY TRANSACTIONS

During the year ending June 30, 2010 the Town entered into a contract with Don Lowe Builders for various repairs at the Town office. The owner of the company, Don Lowe, is a member of the Town's Board of Selectmen. Total payments to Don Lowe Builders for the repairs during the year ended June 30, 2010 were \$46,885.

Town of Skowhegan, Maine
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Changes	Final*		
REVENUES					
Property Taxes	\$ 17,732,490	\$ -	\$ 17,732,490	\$ 17,641,160	\$ (91,330)
Excise and miscellaneous taxes	1,278,020	-	1,278,020	1,205,419	(72,601)
Fees and fines	7,800	-	7,800	9,820	2,020
Licenses and permits	13,405	-	13,405	16,921	3,516
Intergovernmental	1,895,517	-	1,895,517	1,817,051	(78,466)
Charges for services	220,588	-	220,588	352,258	131,670
Donations	-	3,394	3,394	3,394	-
Investment earnings	55,500	-	55,500	76,143	20,643
Miscellaneous	56,052	-	56,052	67,921	11,869
Total revenues	<u>21,259,372</u>	<u>3,394</u>	<u>21,262,766</u>	<u>21,190,087</u>	<u>(72,679)</u>
EXPENDITURES					
Current					
General government	1,249,414	-	1,249,414	1,138,146	111,268
Cemeteries	70,427	-	70,427	70,427	-
Protection	1,986,730	-	1,986,730	1,947,860	38,870
Public works	1,168,747	-	1,168,747	999,764	168,983
Waste water and pollution control	491,518	-	491,518	461,950	29,568
Solid waste management	740,915	-	740,915	701,485	39,430
Health and human services	128,819	998	129,817	90,051	39,766
Education	9,578,685	-	9,578,685	9,578,685	-
Recreation	397,070	-	397,070	387,880	9,190
County tax	2,494,881	-	2,494,881	2,494,881	-
Community services	127,230	-	127,230	127,230	-
Tax increment financing	1,719,064	(801,083)	917,981	917,981	-
Debt service					
Principal	917,721	-	917,721	917,721	-
Interest and other charges	270,313	-	270,313	245,115	25,198
Capital outlay	-	-	-	7,445	(7,445)
Total expenditures	<u>21,341,534</u>	<u>(800,085)</u>	<u>20,541,449</u>	<u>20,086,621</u>	<u>454,828</u>
Excess (deficiency) of revenues over expenditures	<u>(82,162)</u>	<u>803,479</u>	<u>721,317</u>	<u>1,103,466</u>	<u>382,149</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	-	-	-	7,445	7,445
Transfers in	20,000	-	20,000	21,218	1,218
Transfers out	(685,700)	(801,083)	(1,486,783)	(1,486,783)	-
Total other financing sources and uses	<u>(665,700)</u>	<u>(801,083)</u>	<u>(1,466,783)</u>	<u>(1,458,120)</u>	<u>8,663</u>
Net change in fund balances	<u>(747,862)</u>	<u>2,396</u>	<u>(745,466)</u>	<u>(354,654)</u>	<u>\$ 390,812</u>
FUND BALANCES - BEGINNING	<u>3,175,543</u>	<u>-</u>	<u>3,175,543</u>	<u>3,175,543</u>	
FUND BALANCES - ENDING	<u>\$ 2,427,681</u>	<u>\$ 2,396</u>	<u>\$ 2,430,077</u>	<u>\$ 2,820,889</u>	

* includes designated carryover accounts

**Town of Skowhegan, Maine
Postretirement Employee Healthcare Plan -
Schedule of Funding Progress
For the Year Ended June 30, 2010**

	Year Ended June 30, 2010 Actuarial Valuation Date <u>January 1, 2009</u>	Year Ended June 30, 2009 Actuarial Valuation Date <u>January 1, 2009</u>
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL)	<u>651,420</u>	<u>651,420</u>
Unfunded actuarial accrued liability	<u>\$ 651,420</u>	<u>\$ 651,420</u>
Funded ratio	<u>0.00%</u>	<u>0.00%</u>
Covered payroll	<u>\$ 2,545,931</u>	<u>\$ 2,221,776</u>
UAAL as a percentage of covered payroll	<u>25.59%</u>	<u>29.32%</u>

Town of Skowhegan, Maine
Combining Schedule of Revenues, Expenses and
Changes in Fund Balances - Permanent Fund
For the Year Ended June 30, 2010

	Mary Brainerd Unfortunate Poor Fund	Edith Paradis Elderly and Worthy Poor	Cemetery Trust Fund	Bradford Woman's Aid	Coburn Worthy Poor	Coburn Woman's Aid	McClellan Woman's Aid	McClellan Lecture Funds	Benjamin Sawyer Award	Coburn Fund	William & Emma Walker Fund	Shirley Stedman Whittemore Fund	Totals
PRINCIPAL													
Revenues													
Additional principal			9,314										9,314
Capital gains (losses)			(302)	(5)	(11)	(10)	(17)	(9)	(1)	(170)	(8)	(1)	(534)
Unrealized gain (losses)			1,985	28	62	56	96	48	3	986	48	4	3,316
Expenses								(220)	(35)				(255)
Net revenues			10,987	23	51	46	79	(181)	(33)	816	40	3	11,841
Fund balance, beginning			348,480	5,474	12,298	11,438	19,557	10,694	1,031	199,271	9,800	1,024	619,067
Fund balance, ending			359,477	5,497	12,349	11,484	19,636	10,513	998	200,087	9,840	1,027	630,908
UNDESIGNATED													
Revenues													
Investment income and other	594	361	18,288	139	407	288	494	254	26	4,920	281	36	26,088
Contributions	4,260	83	1,732	1	(30)	2	3	1	-	86	15	4	4,260
Unrealized gain (loss)	119	(85)	(28,412)	(154)	(2,562)	(319)	(547)	(289)	(4)	(2,749)	(43)	(6)	(40,104)
Expenses													
Excess (deficiency) of revenues over expenditures	9	389	(8,392)	(14)	(2,185)	(29)	(50)	(34)	22	2,257	253	34	(7,740)
Fund balance, beginning	24,662	14,893	401,480	338	5,815	590	1,040	261	10	5,551	1,772	478	456,890
Fund balance, ending	24,671	15,282	393,088	324	3,630	561	990	227	32	7,808	2,025	512	449,150
TOTAL PRINCIPAL AND UNDESIGNATED													
FUND BALANCE, ENDING	24,671	15,282	752,565	5,821	15,979	12,045	20,626	10,740	1,030	207,895	11,865	1,539	1,080,058

Town of Skowhegan, Maine
Taxes Receivable, Tax Liens and Tax Acquired Property
General Fund
June 30, 2010

Taxes receivable	
2010	\$ 445,016
2009	<u>7,017</u>
Total taxes receivable	<u>452,033</u>
Tax liens	
2009	184,463
2008	12,735
2007 and prior	<u>949</u>
Total tax liens	<u>198,147</u>
Tax acquired	<u>6,069</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 656,249</u>

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

Board of Selectmen
Town of Skowhegan, Maine

We have audited the financial statements of the governmental activities and each major fund of the Town of Skowhegan, Maine as of and for the year ended June 30, 2010, which collectively comprise the Town of Skowhegan, Maine's basic financial statements and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Skowhegan, Maine's financial statements will not be prevented, or detected and corrected on a timely basis. The Town has an ineffective system of internal control over financial reporting. We consider this deficiency to be a material weakness. The deficiency is described further in the communication letter to management.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of the Town of Skowhegan, Maine, in a separate letter dated December 30, 2011.

This report is intended solely for the information and use of the Town selectmen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christina Whitcomb, Associate

Bangor, Maine
December 30, 2011