

Town of Skowhegan, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2014

CONTENTS

	Statement	Page
Independent Auditor's Report		4-5
Required Supplementary Information		
Management's Discussion and Analysis		6-13
Basic Financial Statements		
Government-wide Financial Statements		
Statement of net position	1	14
Statement of activities	2	15
Fund Financial Statements		
Balance sheet – governmental funds	3	16
Reconciliation of the governmental funds balance sheet to the statement of net position	3A	17
Statement of revenues, expenditures and changes in fund balances – governmental funds	4	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	4A	19
Statement of fiduciary net position – fiduciary funds	5	20
Statement of changes in fiduciary net position – fiduciary funds	6	21
Notes to basic financial statements		22-39
	Exhibit	
Required Supplementary Information		
Budget and actual (with variances) – general fund	1	40
Postretirement employees healthcare plan – schedule of funding progress	2	41
	Schedule	
Other Supplementary Information		
Combining schedule of revenues, expenses and changes in fund balances – permanent funds	1	42
Taxes receivable, tax liens and tax acquired property – general fund	2	43

CONTENTS

	Page
Other Reports and Schedules	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	44-45
Independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133	46-47
Schedule of expenditures of federal awards	48
Notes to the schedule of expenditures of federal awards	49
Schedule of findings and questioned costs	50-51
Schedule of prior findings and questioned costs	52

Independent Auditor's Report

Board of Selectmen
Town of Skowhegan, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Skowhegan, Maine as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Skowhegan, Maine, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and post-retirement plan schedule of funding progress on pages 6 through 13 and page 41 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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. The other supplementary information on Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information on Schedules 1 and 2 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 and 2 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Brantner Hibodan & Associates

March 31, 2015

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2014

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, 2014. 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 Position and the Statement of Activities:

The Statement of Net Position 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 position and changes in them. Net position is 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 position 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 Position 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 discretely presents the Skowhegan Economic Development Corporation as a component unit. Separate financial statements for Skowhegan Economic Development Corporation can be obtained by calling their office at 474-6905.

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Town, assets exceeded liabilities by \$23,327,989 for the year ended June 30, 2014. The current year's governmental activities and component unit financial statements are compared with prior year as follows:

	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>06/30/14</u>	<u>06/30/13</u>	<u>06/30/14</u>	<u>06/30/13</u>
Current and other assets	\$ 24,973,939	\$ 13,487,609	\$ 347,710	\$ 322,796
Capital Assets, net	<u>19,889,649</u>	<u>18,493,740</u>	<u>1,597,734</u>	<u>1,638,060</u>
Total Assets	<u>44,863,588</u>	<u>31,981,349</u>	<u>1,945,444</u>	<u>1,960,856</u>
Current liabilities	643,620	590,547	52,944	52,944
Noncurrent liabilities	<u>20,928,393</u>	<u>9,723,754</u>	<u>265,057</u>	<u>289,331</u>
Total liabilities	<u>21,572,013</u>	<u>10,314,301</u>	<u>318,001</u>	<u>342,275</u>
Deferred inflows of resources	<u>17,616</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:				
Investment in capital assets	9,949,072	8,792,813	1,332,677	1,348,729
Restricted	2,482,658	2,344,201	-	-
Unrestricted	<u>10,842,229</u>	<u>10,530,034</u>	<u>294,766</u>	<u>269,852</u>
Total Net Position	<u>\$ 23,273,959</u>	<u>\$ 21,667,048</u>	<u>\$ 1,627,443</u>	<u>\$ 1,618,581</u>

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2014 and 2013:

	Governmental Activities		Component Unit	
	06/30/14	06/30/13	06/30/14	06/30/13
REVENUES:				
Program revenues:				
Charges for services	\$ 358,750	\$ 338,079	\$ 126,751	\$ 121,125
Operating grants and contributions	274,134	251,070	-	-
Capital grants and contributions	798,842	416,144	-	-
General revenues:				
Property taxes	17,431,338	17,661,779	-	-
Excise and miscellaneous taxes	1,367,744	1,266,330	-	-
Interest and lien costs	60,647	65,825	-	-
Grants and contributions not restricted to specific programs	2,328,032	2,294,488	-	-
Investment earnings (loss)	96,544	(51,004)	3,594	4,193
Miscellaneous	21,905	20,794	-	-
Total revenues	<u>22,737,936</u>	<u>22,263,505</u>	<u>130,345</u>	<u>125,318</u>
EXPENSES:				
General government	\$ 1,238,668	\$ 1,182,312	-	-
Public safety	2,321,400	2,197,626	-	-
Public works	1,177,771	1,289,664	-	-
Pollution control	614,455	603,570	-	-
Solid waste facility	776,016	741,857	-	-
Health and human services	141,667	129,048	-	-
Education	9,614,652	9,301,320	-	-
Culture and recreation	547,126	553,651	-	-
County tax	2,520,397	2,617,822	-	-
Cemetery maintenance	86,533	84,734	-	-
Community services	146,867	126,867	-	-
Tax increment financing	-	34,673	-	-
Grant and other special revenue program expense	177,974	263,473	-	-
Community and economic development	-	-	121,483	118,752
Interest on long-term debt	272,234	223,651	-	-
Capital outlay	<u>1,299,011</u>	<u>1,133,146</u>	<u>-</u>	<u>-</u>
Total expenses	<u>20,934,771</u>	<u>20,483,414</u>	<u>121,483</u>	<u>118,752</u>
Excess (deficiency) before Contributions and special items	<u>1,803,165</u>	<u>20,483,414</u>	<u>8,862</u>	<u>118,752</u>
Contributions to permanent fund	5,200	4,500	-	-
Special item – donated assets	67,424	-	-	-
Special item – Gain(loss) on disposal of assets	(268,878)	88,067	-	-
Change in net position	1,606,911	1,872,658	8,862	6,566
Net position -beginning of year	<u>21,667,048</u>	<u>19,794,390</u>	<u>1,618,581</u>	<u>1,612,015</u>
Net position -end of year	<u>\$23,273,959</u>	<u>\$21,667,048</u>	<u>\$ 1,627,443</u>	<u>\$ 1,618,581</u>

GOVERNMENTAL ACTIVITIES

The cost of all Governmental activities this year was \$20,934,772. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$17,431,338, 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 \$1,431,726. 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 and Human Services, Pollution Control 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>2014 Net (Expense)</u>	<u>2013 Net (Expense)</u>
Governmental Activities		
General government	\$ (1,119,694)	\$ (1,073,294)
Public safety	(2,193,012)	(2,071,087)
Public works	(1,021,623)	(1,137,501)
Pollution control	(614,455)	(603,570)
Solid waste facility	(680,415)	(665,855)
Health and human services	(89,404)	(82,786)
Education	(9,614,652)	(9,301,320)
Culture and recreation	(472,876)	(480,066)
County tax	(2,520,397)	(2,617,822)
Cemetery maintenance	(79,273)	(79,154)
Community services	(146,867)	(126,867)
Tax increment financing	-	(34,673)
Grant and other special revenue program expense	477,199	87,793
Interest on long-term debt	(272,234)	(223,651)
Capital outlay	(1,155,342)	(1,068,268)
Total governmental activities	<u>\$ (19,503,045)</u>	<u>\$ (19,478,121)</u>

Total resources available during the year to finance governmental operations consisted of beginning net position of \$21,667,048, program revenues of \$1,431,726, general revenues of \$21,306,210, and contributions to permanent fund principal of \$5,200, decreased by the loss on disposal of capital assets (\$268,878) and increased by the proceeds from donated assets of \$67,424. Total governmental activities expenses during the year were \$20,934,771; thus net position was increased by \$1,606,911 to \$23,273,959.

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, 2014.

	2014
General government	\$ 1,164,511
Public safety	2,254,619
Public works	1,056,232
Pollution control	489,623
Solid waste facility	759,024
Health and human services	141,642
Education	9,614,652
Culture and recreation	409,354
County tax	2,520,397
Cemetery maintenance	86,533
Community services	146,867
Tax increment financing	-
Grant program expenses	531,127
Community and economic development	-
Debt Service:	
Principal	896,984
Interest and other charges	216,731
Capital outlay	<u>3,068,519</u>
Total Expenditures	<u>\$ 23,356,815</u>

DEBT ADMINISTRATION

The governmental activities debt summary for the year ended June 30, 2014 is presented below:

	<u>2014</u>
Wastewater treatment facility upgrade	\$ 920,000
Wastewater treatment facility upgrade	2,400,000
Wastewater treatment facility upgrade	11,880,000
Clean water revolving loan	4,658,500
Road project	599,920
Capital leases	<u>415,238</u>
Total debt	<u>\$ 20,873,658</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, 2014, net capital assets of the governmental activities increased by \$1,415,909 to a total of \$19,889,649 and the net capital assets of the component unit decreased by \$40,326 to a total \$1,597,734. 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

The following is a discussion of the general fund budgetary activity during the fiscal year ended June 30, 2014:

During the year actual revenues exceeded budgeted revenues by \$455,724. Most of this variance resulted from under budgeted excise tax, charges for services, and intergovernmental revenues.

Budgeted expenditures were higher than actual expenditures by \$580,080 with the utilization of designated carryover balances.

The major budget variances for the year ended June 30, 2014 were as follows:

1. General government expenditures \$99,354 under budget due to savings in personnel costs and contracted services.
2. Public Safety expenditures \$129,230 under budget due to savings in personnel costs and utilities expenses.
3. Public Works expenditures \$218,564 under budget due to savings in fuel, sand and salt, and personnel costs.
4. Solid Waste Facility expenditures \$45,857 under budget due to savings in disposal costs and personnel costs.
5. Excise tax revenues \$312,744 over budget due to conservative budgeting of this line item.

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 2015, 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.

Up to this point the Town has been able to stabilize the tax rate with consistent increases in property valuations and strong revenues. However this year the tax rate has increased because of a substantial reduction in the valuation of the paper mill due to the decline in the demand for paper products.

Revenues/Surplus

During this period of time actual revenues exceeded the budgeted revenues resulting in a surplus at the end of the year. This trend appears to be continuing within the Town of Skowhegan. However, as we move forward revenue estimates are starting to inch closer to the actual revenues. Again, as revenues fall there will be less and less money put back into surplus. Surplus was also increased by the departments' cost saving methods, with left over appropriation monies being returned.

At this time, the Town has a healthy fund balance due to surplus funds. However, the Town needs to guard against a downturn in the economy, resulting in diminishing revenues.

Major Increases

The town's investment upgrading our infrastructure has been the major factor of the increase this coming year. We are beginning to improve our over 100 year old sewer system that will result in the reduction of overflows into our streams and river. The added benefit will result in the improvement of several of our residential streets and help keep our river clean, as mandated by DEP.

Other major increases in operational budgets are caused by the increase in the costs of operating. The economy is driving this. Utilities and replacement costs have increased, along with more repairs due to wear and tear on equipment because equipment is kept longer. 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.

The fiscal year 2015 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 approval.

The Future

In terms of the future, we need to be more proactive at attracting other revenue streams. With declining revenues, the State's possible plan for discontinuing revenue sharing, proposed changes to homestead exemption and the BETR and BETE programs, continuous cuts in the SAD 54 state funding and the uncertain economic growth; we need to be aware of the public benefit (reduced taxes) versus the cost 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 budgets 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 or in some cases has had to lease equipment. 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 infrastructure projects and future equipment replacement in order to reduce repair costs.

Other areas of concern for the future are the number of tax-exempt properties in Skowhegan and the cost of the separation of storm water from our sewer system. There is presently approximately \$66 million in tax-

exempt property. This is not uncommon for a service center, such as Skowhegan. However, most towns charge sewer user fees to the user, including tax-exempt organizations. In Skowhegan, tax-exempt properties account for 1/3 of the sewer usage but pay no taxes or fees for this usage. The Town's Waste Water Treatment Facility and Infrastructure are funded through taxation. The Town needs to investigate the possibility of coming up with a sewer fee structure or creating a utility for storm water management. Utilizing sewer fees or storm water fees to help address these costs will lessen the large burden on the taxpayers.

We also need to look at completing a revaluation as our largest business continues to depreciate. This trend does not look as though it will be changing and will likely result in continuous reductions in valuation of the paper mill and decline in revenues. 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 government needs to continue to work harder and smarter; doing as much as possible to provide the best possible service 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 fee structure or storm water utility. 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 Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Component Unit Skowhegan Economic Development Corporation</u>
ASSETS		
Cash and cash equivalents	\$ 411,562	\$ 271,854
Investments	12,436,670	-
Taxes receivable, net	629,854	-
Due from other governmental agencies	142,574	-
Due from Maine Bond Bank	10,933,081	-
Due from fiduciary funds	35	-
Due from component units	52,944	-
Loans receivables, net of allowance for doubtful accounts of \$19,262	367,219	75,856
Capital assets, net of accumulated depreciation	19,933,490	1,597,734
Total assets	<u>44,907,429</u>	<u>1,945,444</u>
LIABILITIES		
Accounts payable and accrued expenses	369,311	-
Due to other governmental agencies	52,690	-
Unearned revenues	10,684	-
Due to primary government	-	52,944
Accrued compensated absences	103,381	-
Accrued interest	107,554	-
Long-term liabilities		
Due within one year		
Capital lease obligations	63,860	-
Bonds and notes payable	1,421,750	21,558
Due in more than one year		
Capital lease obligations	351,378	-
Bonds and notes payable	19,036,670	243,499
Other postemployment benefit obligation	54,735	-
Total liabilities	<u>21,572,013</u>	<u>318,001</u>
DEFERRED INFLOWS OF RESOURCES		
Prepaid taxes receivable	17,616	-
NET POSITION		
Net investment in capital assets	9,992,913	1,332,677
Restricted, non-expendable for		
Permanent funds principal	641,768	-
Restricted, expendable for		
Permanent funds income	392,989	-
Special revenue funds	1,447,901	-
Unrestricted	10,842,229	294,766
Total net position	<u>\$ 23,317,800</u>	<u>\$ 1,627,443</u>

See accompanying notes to the basic financial statements.

Town of Skowhegan, Maine
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Skowhegan Economic Development Corporation
Primary government						
Governmental activities						
General government	\$ 1,238,668	\$ 92,068	\$ 26,906	\$ -	\$ (1,119,694)	
Protection	2,321,400	86,435	41,953	-	(2,193,012)	
Public works	1,158,590	3,136	153,012	-	(1,002,442)	
Waste water and pollution contro	614,455	-	-	-	(614,455)	
Solid waste management	776,016	95,601	-	-	(680,415)	
Health and human services	141,667	-	52,263	-	(89,404)	
Education	9,614,652	-	-	-	(9,614,652)	
Parks and recreation	547,126	74,250	-	-	(472,876)	
County tax	2,520,397	-	-	-	(2,520,397)	
Cemeteries	86,533	7,260	-	-	(79,273)	
Community services	146,867	-	-	-	(146,867)	
Grant program expenses	147,335	-	-	655,173	507,838	
Interest and other charges on long-term deb	272,234	-	-	-	(272,234)	
Capital outlay	1,304,991	-	-	143,669	(1,161,322)	
Total governmental activities	<u>20,890,931</u>	<u>358,750</u>	<u>274,134</u>	<u>798,842</u>	<u>(19,459,205)</u>	
Total primary government	<u>\$ 20,890,931</u>	<u>\$ 358,750</u>	<u>\$ 274,134</u>	<u>\$ 798,842</u>	<u>(19,459,205)</u>	
Component Unit						
Skowhegan Economic Development Corporator	<u>\$ 121,483</u>	<u>\$ 126,751</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 5,268</u>
General revenues						
Taxes						
Property taxes					17,431,338	-
Excise taxes, permits, licenses and other fees					1,367,744	-
Interest and lien costs					60,647	-
Grants and contributions not restricted to specific programs					2,328,032	-
Unrestricted investment earnings and interes					96,544	3,594
Miscellaneous					21,906	-
Contributions to permanent fund principal					5,200	-
Special item - gain/(loss) on sale of assets					(268,878)	-
Special item - proceeds from donated assets					67,424	-
Total general revenues, contributions to permanent fund principal and special items					<u>21,109,957</u>	<u>3,594</u>
Change in net position					1,650,752	8,862
NET POSITION - BEGINNING					<u>21,667,048</u>	<u>1,618,581</u>
NET POSITION - ENDING					<u>\$ 23,317,800</u>	<u>\$ 1,627,443</u>

See accompanying notes to the basic financial statements.

Town of Skowhegan, Maine
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,800	\$ 260,349	\$ 149,413	\$ -	\$ 411,562
Investments	4,477,308	-	6,911,218	1,048,144	12,436,670
Taxes receivable, net	629,854	-	-	-	629,854
Due from other governmental agencies	112,915	29,659	-	-	142,574
Due from Maine Bond Bank	-	-	10,933,081	-	10,933,081
Due from other funds	-	834,733	-	-	834,733
Due from Skowhegan Economic Development	52,944	-	-	-	52,944
Loans receivable, net of allowance for doubtful accounts of \$19,262	-	367,219	-	-	367,219
	<u>5,274,821</u>	<u>1,491,960</u>	<u>17,993,712</u>	<u>1,048,144</u>	<u>25,808,637</u>
Total assets	<u>\$ 5,274,821</u>	<u>\$ 1,491,960</u>	<u>\$ 17,993,712</u>	<u>\$ 1,048,144</u>	<u>\$ 25,808,637</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 288,374	\$ 33,375	\$ 33,507	\$ -	\$ 355,256
Due to other funds	369,663	-	451,648	13,387	834,698
Payable to other governments	52,690	-	-	-	52,690
Unearned revenue	-	10,684	-	-	10,684
Other accrued expenses	14,055	-	-	-	14,055
	<u>724,782</u>	<u>44,059</u>	<u>485,155</u>	<u>13,387</u>	<u>1,267,383</u>
Total liabilities	<u>724,782</u>	<u>44,059</u>	<u>485,155</u>	<u>13,387</u>	<u>1,267,383</u>
Deferred inflows of resources					
Prepaid taxes	17,616	-	-	-	17,616
Unavailable property taxes	499,690	-	-	-	499,690
	<u>517,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517,306</u>
Total deferred inflows of resources	<u>517,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>517,306</u>
Fund balances					
Nonspendable for					
Trust fund principal	-	-	-	641,768	641,768
Loans receivable	-	367,219	-	-	367,219
Restricted for					
Trust fund income	-	-	-	392,989	392,989
Capital projects	-	-	10,896,978	-	10,896,978
Special revenue funds	-	1,080,682	-	-	1,080,682
Committed for					
Capital projects	-	-	6,611,579	-	6,611,579
Assigned for					
Other purposes	61,239	-	-	-	61,239
Next year's budget	1,000,000	-	-	-	1,000,000
Unassigned (deficit)	2,971,494	-	-	-	2,971,494
	<u>4,032,733</u>	<u>1,447,901</u>	<u>17,508,557</u>	<u>1,034,757</u>	<u>24,023,948</u>
Total fund balances	<u>4,032,733</u>	<u>1,447,901</u>	<u>17,508,557</u>	<u>1,034,757</u>	<u>24,023,948</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,274,821</u>	<u>\$ 1,491,960</u>	<u>\$ 17,993,712</u>	<u>\$ 1,048,144</u>	<u>\$ 25,808,637</u>

Town of Skowhegan, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014

Total fund balance, governmental funds	\$ 24,023,948
Amounts reported for governmental activities in the Statement of Net Position 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 Position.	19,933,490
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	
Deferred inflows related to property taxes	499,690
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 Position.	<u>(21,139,328)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 23,317,800</u></u>

Town of Skowhegan, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 17,453,144	\$ -	\$ -	\$ -	\$ 17,453,144
Excise and miscellaneous taxes	1,367,744	-	-	-	1,367,744
Fees and fines	10,382	-	-	-	10,382
Licenses and permits	37,037	-	-	-	37,037
Intergovernmental	2,533,318	655,173	171,076	-	3,359,567
Charges for services	316,531	-	-	5,200	321,731
Investment and interest earnings	61,175	15,488	68,973	11,180	156,816
Contributions and reimbursements	41,953	-	-	6,993	48,946
Miscellaneous	36,984	-	-	-	36,984
	<u>21,858,268</u>	<u>670,661</u>	<u>240,049</u>	<u>23,373</u>	<u>22,792,351</u>
EXPENDITURES					
Current					
General government	1,164,511	-	-	-	1,164,511
Protection	2,254,619	-	-	-	2,254,619
Public works	1,056,232	-	-	-	1,056,232
Waste water and pollution control	489,623	-	-	-	489,623
Solid waste management	759,024	-	-	-	759,024
Health and human services	141,642	-	-	-	141,642
Education	9,614,652	-	-	-	9,614,652
Parks and recreation	409,354	-	-	-	409,354
County tax	2,520,397	-	-	-	2,520,397
Cemeteries	76,726	-	-	9,807	86,533
Community services	146,867	-	-	-	146,867
Grant program expenses	-	531,127	-	-	531,127
Debt service					
Principal	697,484	-	199,500	-	896,984
Interest and other charges	159,787	-	56,944	-	216,731
Capital outlay	5,700	-	3,062,819	-	3,068,519
	<u>19,496,618</u>	<u>531,127</u>	<u>3,319,263</u>	<u>9,807</u>	<u>23,356,815</u>
Excess (deficiency) of revenues over expenditures	<u>2,361,650</u>	<u>139,534</u>	<u>(3,079,214)</u>	<u>13,566</u>	<u>(564,464)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	5,700	-	184,015	-	189,715
Proceeds from bond	-	-	11,852,591	-	11,852,591
Transfers in	14,643	-	2,268,815	-	2,283,458
Transfers out	(2,268,815)	-	-	(14,643)	(2,283,458)
	<u>(2,248,472)</u>	<u>-</u>	<u>14,305,421</u>	<u>(14,643)</u>	<u>12,042,306</u>
Net change in fund balances	113,178	139,534	11,226,207	(1,077)	11,477,842
FUND BALANCES - BEGINNING	<u>3,919,555</u>	<u>1,308,367</u>	<u>6,282,350</u>	<u>1,035,834</u>	<u>12,546,106</u>
FUND BALANCES - ENDING	<u>\$ 4,032,733</u>	<u>\$ 1,447,901</u>	<u>\$ 17,508,557</u>	<u>\$ 1,034,757</u>	<u>\$ 24,023,948</u>

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, 2014

Net change in fund balances - total governmental funds: \$ 11,477,842

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	3,313,076	
Depreciation	<u>(1,604,448)</u>	1,708,628

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 position differs from the change in fund balance by the cost of the asset sold.

(268,878)

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.

(21,806)

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.

Bond proceeds		(11,880,000)
Lease proceeds		(189,715)
Debt payments		896,984

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		14,574
Accrued interest		(54,969)
Other postemployment benefit obligation		<u>(31,908)</u>

Change in net position of governmental activities		<u>\$ 1,650,752</u>
---	--	---------------------

Town of Skowhegan, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 310,453
Loans receivable, net of allowance of \$19,517	302,845
Total assets	613,298
LIABILITIES AND NET POSITION	
Due to other funds	35
NET POSITION	
Held in trust for benefits and other purposes	\$ 613,263

Town of Skowhegan, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Income	
Interest	\$ 300
Other additions	
Contributions	<u>25,361</u>
Change in net position	25,661
NET POSITION - BEGINNING	<u>587,602</u>
NET POSITION - ENDING	<u><u>\$ 613,263</u></u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

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, 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

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Town. Additionally, the Town is required to consider other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, since the relationship with the Town is such that exclusion would cause the reporting entity's financial statements to be misleading, it was determined that the Skowhegan Economic Development Corporation should be included in this report as a component unit and discretely presented.

Separate financial statements for Skowhegan Economic Development Corporation can be obtained by calling the office at 474-6905. Skowhegan Economic Development Corporation is a non-profit corporation organized to foster economic development in the Town of Skowhegan and in the County of Somerset. The Corporation also leases and maintains buildings.

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, 2014

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. The governmental statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column, when applicable. The fiduciary statements aggregate and present each fund type 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 is 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. This fund accounts for the activities of the cemetery trust, and various scholarship and other assistance programs.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

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

The Town has presented the following fiduciary fund:

Private Purpose Trust Funds

Private purpose funds are funds held by the Town in a trustee capacity and are accounted for in essentially the same manner as a private entity. Capital maintenance of private purpose funds is critical. Private purpose funds of the Town account for the activities of the Higgins Loan program.

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 and the fund financial statements for fiduciary funds 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 position and the operating statements present increases, revenues, and decreases, expenses, in net total position. Under the accrual basis of accounting, revenues are recognized when earned. 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 and compensated absence expenditures 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.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 position, cash and cash equivalents includes all demand and savings accounts, and certificates of deposits of the Town.

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 government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as "due to/from fiduciary funds".

3. Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities have been eliminated.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities 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.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Capital Assets (Continued)

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. General infrastructure assets capitalized have an original cost of \$25,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	5-50 years
Sewer systems	30-100 years
Machinery and equipment	3-50 years
Vehicles	3-25 years
Infrastructure	15-50 years

The Town elected to utilize the infrastructure transition option in the implementation of GASB Statement #34 which does not require the Town to retroactively capitalize certain infrastructure assets.

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.

5. Long-term Debt

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

All long-term debt to be repaid from governmental resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes and bonds payable and capital leases.

Long-term debt for governmental funds is 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.

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation up to five weeks. Compensated absences liability is reported in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

6. Use of Estimates

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

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

7. Government-wide Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

8. Governmental Fund Balances

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

Nonspendable such as fund balances associated with inventories or prepaid expenses. The nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance classification includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority, which is the passage of a resolution by simple majority vote of the Board of Selectmen.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Finance Director is authorized to assign funds for a particular purpose, in an amount not to exceed \$20,000 per purpose or \$200,000 in total. The Board of Selectmen has the authority to modify or rescind fund balances assigned by the Finance Director, and is authorized to assign amounts for a particular purpose for the Town, usually in the form of fund balance carry-overs, through a simple majority vote. The authority to assign fund balances is granted through the passage of the Town's fund balance policy.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

8. Governmental Fund Balances (Continued)

The Town has formally adopted a fund balance policy that addresses the requirements of GASB 54. For expenditures that qualify for multiple categories, amounts will be first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance. The Town has adopted a minimum fund balance policy which requires that an amount equal to 10% of the Town's general fund expenditures be maintained as unassigned fund balance. In the event that the balance drops below the established minimum level, the Town's Board of Selectmen will develop a plan to replenish the fund balance to the established minimum level within two years.

9. Revenue Recognition - Property Taxes

Property taxes were levied on assessed values of April 1, 2012 and were due on September 17, 2012 and March 15, 2013. Interest was charged at 7% per annum 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.

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2014, and during the first sixty days of the next fiscal year are recognized as revenue in 2014. Receivables estimated to be collectible after the sixty day period are recorded as deferred inflows of resources in the general fund.

Assessed value	
Real estate	\$ 564,528,700
Personal property	<u>499,013,400</u>
	1,063,542,100
Tax rate (per \$1,000)	<u>16.40</u>
Commitment	17,442,090
Less: collections and abatements	<u>(17,035,563)</u>
Receivable at June 30, 2014	<u>\$ 406,527</u>
Collection rate	97.7%

10. New Governmental Accounting Standards

During the year ended June 30, 2014, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The intent of this statement is to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

11. Recent Accounting Pronouncements

In June, 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The statement is effective for periods beginning after June 15, 2014. The effect of this Statement on the Town's financial statements is not known at this time.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

Primary Government

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, 2014, the Town reported deposits of \$722,015 with bank balances of \$733,897. Of the Town's total bank balance of \$733,897, \$84,484 was exposed to custodial credit risk. The entire amount of \$84,484 was uncollateralized.

Deposits in the primary government have been reported as follows:

Reported in governmental funds	\$ 411,562
Reported in fiduciary funds	<u>310,453</u>
Total deposits	<u>\$ 722,015</u>

Component unit

Custodial Credit Risk: The Town's component unit reported deposits of \$271,854 with bank balances of \$271,854. Of the Town's component units total bank balance of \$271,854, \$13,460 was exposed to custodial credit risk. The entire amount of \$13,460 was uncollateralized.

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.

Investments of the Town as of June 30, 2014 are as follows:

Repurchase agreements	\$ 4,477,308
Money market mutual funds	3,095,741
Negotiable CDs	492,410
U.S. Agency debt securities	<u>4,371,211</u>
Total investments	<u>\$ 12,436,670</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 \$12,436,670 invested in repurchase agreements, money market mutual funds, negotiable CDs, and U.S. Agency debt securities, \$9,340,928 is exposed to custodial credit risk as the investments are held by the counterparty's trust department, in the name of the bank's custodian.

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:

	<u>Due in less than one year</u>	<u>Due in 1-5 years</u>	<u>Due in more than five years</u>
Governmental activities			
Repurchase agreements	\$ 4,477,308	\$ -	\$ -
Negotiable CDs	-	249,990	242,420
U.S. Agency debt securities	<u>760,950</u>	<u>2,837,029</u>	<u>773,232</u>
Total debt investments	<u>\$ 5,238,258</u>	<u>\$ 3,087,019</u>	<u>\$ 1,015,652</u>

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
Governmental activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 193,609	\$ -	\$ -	\$ 193,609
Construction in progress	<u>288,279</u>	<u>2,462,175</u>	<u>(246,537)</u>	<u>2,503,917</u>
Total	<u>481,888</u>	<u>2,462,175</u>	<u>(246,537)</u>	<u>2,697,526</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	5,783,366	240,154	(20,000)	6,003,520
Vehicles	3,053,305	326,806	(128,902)	3,251,209
Roads and bridge network	16,338,893	440,882	(15,000)	16,764,775
Distributions and collections	7,885,075	-	(404,334)	7,480,741
Machinery and equipment	<u>3,258,389</u>	<u>109,596</u>	<u>(157,274)</u>	<u>3,210,711</u>
Total	<u>36,319,028</u>	<u>1,117,438</u>	<u>(725,510)</u>	<u>36,710,956</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 3. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Governmental activities (cont.)				
<i>Less accumulated depreciation for</i>				
Buildings and improvements	(3,863,901)	(235,727)	20,000	(4,079,628)
Vehicles	(2,172,000)	(163,579)	128,902	(2,206,677)
Roads and bridge network	(8,519,161)	(865,702)	15,000	(9,369,863)
Distributions and collections	(1,485,858)	(180,152)	119,350	(1,546,660)
Machinery and equipment	<u>(2,266,256)</u>	<u>(159,288)</u>	<u>153,380</u>	<u>(2,272,164)</u>
Total accumulated depreciation	<u>(18,307,176)</u>	<u>(1,604,448)</u>	<u>436,632</u>	<u>(19,474,992)</u>
Total capital assets being depreciated, net	<u>18,011,852</u>	<u>(487,010)</u>	<u>(288,878)</u>	<u>17,235,964</u>
Total governmental activities, net	<u>\$ 18,493,740</u>	<u>\$ 1,975,165</u>	<u>\$ (535,415)</u>	<u>\$ 19,933,490</u>
Component unit:				
<i>Capital assets not being depreciated</i>				
Land	\$ 83,547	\$ -	\$ -	\$ 83,547
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,959,282	-	-	1,959,282
Equipment and fixtures	<u>9,026</u>	<u>-</u>	<u>-</u>	<u>9,026</u>
Total	<u>1,968,308</u>	<u>-</u>	<u>-</u>	<u>1,968,308</u>
<i>Less accumulated depreciation for</i>				
Buildings and improvements	(407,147)	(39,185)	-	(446,332)
Equipment and fixtures	<u>(6,648)</u>	<u>(1,141)</u>	<u>-</u>	<u>(7,789)</u>
Total accumulated depreciation	<u>(413,795)</u>	<u>(40,326)</u>	<u>-</u>	<u>(454,121)</u>
Total capital assets being depreciated, net	<u>1,554,513</u>	<u>(40,326)</u>	<u>-</u>	<u>1,514,187</u>
Total component unit, net	<u>\$ 1,638,060</u>	<u>\$ (40,326)</u>	<u>\$ -</u>	<u>\$ 1,597,734</u>

Depreciation was charged to the following activities as follows:

Governmental activities:	
General government	\$ 51,558
Public safety	72,961
Public works	154,677
Pollution control	123,028
Solid waste facility	16,668
Culture and recreation	139,702
Capital outlay	<u>1,045,854</u>
Total	<u>\$1,604,448</u>

Component unit:

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

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

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, 2014. 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 reported in a capital committed 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 reported in a capital committed fund.

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Portion due within one year
Primary Government					
General Obligation Bonds					
Maine Municipal Bond Bank, Wastewater Facility, dated April 16, 2005, due 2024, interest rate at 1.1%	\$ 2,640,000	\$ -	\$ (240,000)	\$ 2,400,000	\$ 240,000
Maine Municipal Bond Bank, Wastewater Facility, dated December 30, 2006, due 2020, interest varies from 4.75-5.0%	1,055,000	-	(135,000)	920,000	135,000
Maine Municipal Bond Bank, Clean Water Revolving, dated December 30, 2006, due 2020, interest varies from 4.75-5.0%	4,991,250	-	(332,750)	4,658,500	332,750
Maine Municipal Bond Bank, Clean Water Revolving, dated October 30, 2013, due 2033, interest rate at 1.44%	-	11,880,000	-	11,880,000	594,000
Skowhegan Savings Bank, Road Project Bond, dated October 4, 2011, due 2018, interest rate at 2.95%	719,988	-	(120,068)	599,920	120,000
Total general obligation bonds	9,406,238	11,880,000	(827,818)	20,458,420	1,421,750
Capital Leases Payable	294,689	189,715	(69,166)	415,238	63,860
OPEB Liability	22,827	31,908	-	54,735	N/A
Total primary government	<u>\$ 9,723,754</u>	<u>\$ 12,101,623</u>	<u>\$ (896,984)</u>	<u>\$ 20,928,393</u>	<u>\$ 1,485,610</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Portion due within one year
Component Unit – Skowhegan Economic Development Corporation					
<i>General Obligation Note Payable Skowhegan Savings Bank, Industrial Park dated September 7, 1999, due 2025, interest rate at 5.11%</i>	\$ 289,331	-	\$ (24,274)	\$ 265,057	\$ 21,558

General obligation bonds payable

Future maturities of long-term debt are as follows:

Governmental Activities			
Fiscal year ended	Principal	Interest	Total
2015	\$ 1,421,750	\$ 397,402	\$ 1,819,152
2016	1,421,750	459,545	1,881,295
2017	1,416,750	338,983	1,755,733
2018	1,416,750	311,366	1,728,116
2019	1,416,670	283,777	1,700,447
2020-2024	6,093,750	1,078,634	7,172,384
2025-2029	4,301,000	598,526	4,899,526
2030-2034	<u>2,970,000</u>	<u>260,766</u>	<u>3,230,766</u>
	<u>\$ 20,458,420</u>	<u>\$ 3,728,999</u>	<u>\$ 24,187,419</u>
Component Unit			
Year ended	Principal	Interest	Total
2015	\$ 21,558	\$ 13,918	\$ 35,476
2016	22,686	12,790	35,476
2017	23,873	11,603	35,476
2018	25,122	10,354	35,476
2019	26,436	9,040	35,476
2020-2024	<u>145,382</u>	<u>19,343</u>	<u>164,725</u>
	<u>\$ 265,057</u>	<u>\$ 77,048</u>	<u>\$ 342,105</u>

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.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Capital leases payable

The Town is the lessee of photocopiers under capital leases expiring in 2016 and 2017, as well as public works vehicles under capital leases expiring in 2019, 2020, and 2023. 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.

As of June 30, 2014, the Town had recorded \$12,691 in equipment and \$603,385 in vehicles related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2014 is \$78,127.

Minimum future lease payments under capital leases as of June 30, 2014 are:

2015	\$ 75,743
2016	75,486
2017	73,655
2018	72,574
2019	72,574
2020-2023	<u>90,773</u>
	460,805
Less amount representing interest	<u>(45,567)</u>
Present value of minimum lease payments	<u>\$ 415,238</u>

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, 2014, the County had debt outstanding of \$21,175,000 of which the Town share was 21.43% for a total of \$4,537,456.

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*. 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

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.

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

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	\$ 16,804
Amortization of unfunded liability	22,307
Interest	<u>775</u>
Annual required contribution (ARC)	<u>\$ 39,886</u>

Funding Status and Funding Progress - [RECHECK THIS FOR TOWN CONTRIBUTIONS]

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, 2014 were as follows:

Annual required contribution (annual OPEB cost)	\$ 39,479
Town contributions paid (ARC offset – implicit subsidy)	<u>(7,571)</u>
OPEB liability expense	\$ 31,908
Beginning OPEB obligation balance	<u>22,827</u>
Net OPEB obligation	<u>\$ 54,735</u>
Percentage of annual OPEB contributed	<u>19.2%</u>

The unfunded actuarial accrued liability as a percentage of covered payroll for the year ended June 30, 2014 is as follows:

Actuarial valuation date	Jan 1, 2014
Actuarial accrued liability (AAL)	\$ 401,171
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 401,171</u>
Covered payroll	<u>\$2,359,479</u>
UAAL as a percentage of covered payroll	<u>17.00%</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Funding Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. 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.

Actuarial valuation date	January 1, 2014
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4%
Rate of salary increases	3%
Participation	7.45% of eligible employees
Increase in future medical costs	6.38% for pre-Medicare and 6.75% 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, 2014 arising from these transactions were as follows:

	Receivable	Payable	Transfers In	Transfers Out
General fund	\$ -	\$ 369,663	\$ 14,643	\$ 2,268,815
Special revenue fund	834,733	-	-	-
Capital projects fund	-	451,648	2,268,815	-
Permanent fund	-	13,387	-	14,643
Private purpose trust fund	-	35	-	-
	<u>\$ 834,733</u>	<u>\$ 834,733</u>	<u>\$ 2,283,458</u>	<u>\$ 2,283,458</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 6. INTERFUND TRANSACTIONS (CONTINUED)

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. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and leases payable, adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2014:

Capital assets	\$39,408,482
Accumulated depreciation	(19,474,992)
Related capital leases	(415,238)
Related bonds payable	(20,458,420)
Unspent bond proceeds	10,933,081
Total balance	<u>\$ 9,992,913</u>

NOTE 8. COMMITTED FOR CAPITAL EXPENDITURES - CAPITAL PROJECTS FUND - \$18,437 VARIANCE

Capital projects – committed for capital expenditures consist of the following at June 30, 2014:

Administration	\$ 26,939
Capacity	147,884
Catastrophic wages	10,172
Cemetery	55,468
Community & economic development	1,512
Creative playground maintenance	3,687
Dare program	9,342
Downtown TIF	228,447
Economic development Sappi TIF	4,152,147
Emergency management	12,621
Fire department	430,581
Legal fees	15,104
Municipal building renovation	55,141
Opera House renovations	1,573
Parks & recreation	45,640
Planning, ordinance administration	13,382
Police equipment repair/replace	71,985
Pollution control	291,792
Public works building	3,723
Public works equipment maintenance	15,990
Revaluation	403,163
Road project	254,709
Sale of town property	89,655
Second industrial park project	189,925
Solid waste disposal	17,001
Subdivisions	<u>63,996</u>
Total	<u>\$ 6,611,579</u>

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 9. ASSIGNED FUND BALANCES FOR OTHER PURPOSES

The general fund assigned balances for other purposes carried forward at June 30, 2014 consist of the following:

General assistance donations	\$ 2,239
Economic development	<u>59,000</u>
Total	<u>\$ 61,239</u>

NOTE 10. SIGNIFICANT TAXPAYER

For the year ending June 30, 2014, the Town of Skowhegan received \$9,308,294 in property tax revenue from S.D. Warren, Inc. This amount represents 53.37% of total property taxes assessed.

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, 2014 for employees covered by this plan was \$2,110,567.

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.

Defined Benefit Pension Plan - Funding Status and Progress

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. The Town is required to pay contributions as determined on an annual basis by the Plan's actuaries. The contribution requirements of plan members and the Town are established by and may be amended by the State legislature.

	Year ended 6/30/14		Year ended 6/30/13		Year ended 6/30/12	
	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age
Employer	\$ 145,300	6.9%	\$ 110,761	5.7%	\$ 83,013	4.3%
Employee	152,258	7.2%	139,389	7.2%	137,886	7.2%

Town of Skowhegan, Maine
Notes to Basic Financial Statements
June 30, 2014

NOTE 12. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The Town maintains various commercial insurance policies to mitigate these risks to an acceptable level and to limit the Town's exposure to losses.

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 13. 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 collectibility of these loans and adjusts its reserve for uncollectible loans to the calculated amounts. At June 30, 2014, the Town had established a reserve for uncollectible loans of \$19,262.

NOTE 13. COMMITMENTS

At June 30, 2014, the Town was committed to remaining construction contracts totaling approximately \$11,287,665.

NOTE 14. 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.

Town of Skowhegan, Maine
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Changes**	Final*		
REVENUES					
Property taxes	\$ 17,442,090	\$ -	\$ 17,442,090	\$ 17,453,144	\$ 11,054
Excise and miscellaneous taxes	1,055,000	-	1,055,000	1,367,744	312,744
Fees and fines	7,550	-	7,550	10,382	2,832
Licenses and permits	21,475	-	21,475	37,037	15,562
Intergovernmental	2,475,348	27,415	2,502,763	2,533,318	30,555
Charges for services	273,965	-	273,965	316,531	42,566
Investment and interest earnings	47,000	-	47,000	61,175	14,175
Contributions and reimbursements	41,937	-	41,937	41,953	16
Miscellaneous	10,764	-	10,764	36,984	26,220
	<u>21,375,129</u>	<u>27,415</u>	<u>21,402,544</u>	<u>21,858,268</u>	<u>455,724</u>
EXPENDITURES					
Current					
General government	1,269,233	(5,368)	1,263,865	1,164,511	99,354
Protection	2,383,849	-	2,383,849	2,254,619	129,230
Public works	1,274,796	-	1,274,796	1,056,232	218,564
Waste water and pollution control	523,136	-	523,136	489,623	33,513
Solid waste management	804,881	-	804,881	759,024	45,857
Health and human services	114,227	27,415	141,642	141,642	-
Education	9,614,652	-	9,614,652	9,614,652	-
Parks and recreation	447,471	-	447,471	409,354	38,117
County tax	2,520,397	-	2,520,397	2,520,397	-
Cemeteries	77,869	-	77,869	76,726	1,143
Community services	146,867	-	146,867	146,867	-
Tax increment financing	1,313,003	(1,313,003)	-	-	-
Debt service					
Principal	692,750	4,666	697,416	697,484	(68)
Interest and other charges	179,155	702	179,857	159,787	20,070
Capital outlay	-	-	-	5,700	(5,700)
	<u>21,362,286</u>	<u>(1,285,588)</u>	<u>20,076,698</u>	<u>19,496,618</u>	<u>580,080</u>
Excess (deficiency) of revenues over expenditures	<u>12,843</u>	<u>1,313,003</u>	<u>1,325,846</u>	<u>2,361,650</u>	<u>1,035,804</u>
OTHER FINANCING SOURCES (USES)					
Use of carryover fund balances	700,000	314,000	1,014,000	-	(1,014,000)
Overlay	(76,411)	-	(76,411)	-	76,411
Proceeds from capital lease	-	-	-	5,700	5,700
Transfers in	15,000	-	15,000	14,643	(357)
Transfers out	(951,432)	(1,327,003)	(2,278,435)	(2,268,815)	9,620
	<u>(312,843)</u>	<u>(1,013,003)</u>	<u>(1,325,846)</u>	<u>(2,248,472)</u>	<u>(922,626)</u>
Net change in fund balances	<u>\$ (300,000)</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>113,178</u>	<u>\$ 113,178</u>
FUND BALANCES - BEGINNING				<u>3,919,555</u>	
FUND BALANCES - ENDING				<u>\$ 4,032,733</u>	

* includes assigned carryover accounts

** reclassification of budget and use of additional revenues

**Town of Skowhegan, Maine
Postretirement Employee Healthcare Plan -
Schedule of Funding Progress
For the Year Ended June 30, 2014**

	<u>Year Ended June 30, 2014 Actuarial Valuation Date January 1, 2014</u>	<u>Year Ended June 30, 2013 Actuarial Valuation Date January 1, 2011</u>	<u>Year Ended June 30, 2012 Actuarial Valuation Date January 1, 2011</u>	<u>Year Ended June 30, 2011 Actuarial Valuation Date January 1, 2011</u>	<u>Year Ended June 30, 2010 Actuarial Valuation Date January 1, 2009</u>
Actuarial value of assets	\$ -	\$ -	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	<u>401,171</u>	<u>316,310</u>	<u>316,310</u>	<u>316,310</u>	<u>651,420</u>
Unfunded actuarial accrued liability	<u>\$ 401,171</u>	<u>\$ 316,310</u>	<u>\$ 316,310</u>	<u>\$ 316,310</u>	<u>\$ 651,420</u>
Funded ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered payroll	<u>\$ 2,256,750</u>	<u>\$ 2,290,756</u>	<u>\$ 2,209,374</u>	<u>\$ 2,159,764</u>	<u>\$ 2,545,931</u>
UAAL as a percentage of covered payroll	<u>17.78%</u>	<u>13.81%</u>	<u>14.32%</u>	<u>14.65%</u>	<u>25.59%</u>

Town of Skowhegan, Maine
Combining Schedule of Revenues, Expenses and
Changes in Fund Balances - Permanent Fund
For the Year Ended June 30, 2014

	Mary Brainerd Worthy and 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	\$ -	\$ -	\$ 5,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,200
Capital gains (losses)	-	-	216	3	6	6	10	5	-	97	5	1	349
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized gain (losses)	-	-	(2,843)	(120)	(270)	(251)	(429)	(229)	(21)	(3,833)	(215)	(23)	(8,234)
Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Net revenues	-	-	2,573	(117)	(264)	(245)	(419)	(224)	(21)	(3,736)	(210)	(22)	(2,685)
Fund balance, beginning	-	-	376,356	5,460	12,267	11,408	19,506	10,443	992	197,227	9,774	1,020	644,453
Fund balance, ending	\$ -	\$ -	\$ 378,929	\$ 5,343	\$ 12,003	\$ 11,163	\$ 19,087	\$ 10,219	\$ 971	\$ 193,491	\$ 9,564	\$ 998	\$ 641,768
UNDESIGNATED													
Revenues													
Investment income and other	\$ 305	\$ 80	\$ 8,497	\$ 65	\$ 187	\$ 134	\$ 229	\$ 121	\$ 11	\$ 2,258	\$ 139	\$ 18	\$ 12,044
Contributions	6,992	-	-	-	-	-	-	-	-	-	-	-	6,992
Unrealized gain (loss)	4,138	(69)	(1,671)	(23)	91	(44)	(76)	(92)	(16)	585	81	5	2,909
Transfers	-	-	(28,101)	-	-	-	-	-	-	-	-	-	(28,101)
Expenses	(14,307)	(14)	(1,473)	(82)	(32)	(171)	(293)	(21)	(2)	(392)	(24)	(3)	(16,814)
Excess (deficiency) of revenues over expenditures	(2,872)	(3)	(22,748)	(40)	246	(81)	(140)	8	(7)	2,451	196	20	(22,970)
Fund balance, beginning	29,133	7,061	368,996	306	4,095	523	926	349	21	1,618	2,375	556	415,959
Fund balance, ending	\$ 26,261	\$ 7,058	\$ 346,248	\$ 266	\$ 4,341	\$ 442	\$ 786	\$ 357	\$ 14	\$ 4,069	\$ 2,571	\$ 576	\$ 392,989
TOTAL PRINCIPAL AND UNDESIGNATED FUND BALANCE, ENDING	\$ 26,261	\$ 7,058	\$ 725,177	\$ 5,609	\$ 16,344	\$ 11,605	\$ 19,873	\$ 10,576	\$ 985	\$ 197,560	\$ 12,135	\$ 1,574	\$ 1,034,757

Town of Skowhegan, Maine
Taxes Receivable, Tax Liens and Tax Acquired Property
General Fund
June 30, 2014

Taxes receivable	
2014	\$ 406,427
2013	5,957
2012 and prior	<u>18,970</u>
Total taxes receivable	<u>431,354</u>
Tax liens	
2013	160,481
2012	26,027
2011 and prior	<u>11,992</u>
Total tax liens	<u>198,500</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 629,854</u>

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

To the Board of Selectmen
Town of Skowhegan, Maine

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Skowhegan, Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Skowhegan, Maine's basic financial statements and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Skowhegan, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town of Skowhegan, Maine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questions costs, we identified a certain deficiency in internal control that we consider to be a material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2014-001).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 March 31, 2015.

Town of Skowhegan, Maine's Response to Findings

The Town of Skowhegan, Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Skowhegan, Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbara M. Bodian & Associates

March 31, 2015

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Selectmen
Town of Skowhegan, Maine

Report on Compliance for Each Major Federal Program

We have audited Town of Skowhegan, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Town of Skowhegan, Maine's major federal programs for the year ended June 30, 2014. Town of Skowhegan, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Skowhegan, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Skowhegan, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Town of Skowhegan, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Skowhegan, Maine, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Branthier Whibodian & Associates

March 31, 2015

Town of Skowhegan, Maine
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grant Number	Disburse- ments/ Expenditures
<i>U.S. Department of Agriculture</i>			
<i>Food and Nutrition Service</i>			
Summer Food Service for Children	10.559	013-05A-3018-05	\$ <u>23,591</u>
<i>U.S. Department of Justice</i>			
<i>Passed through State of Maine Department of Public Safety</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	VC1000084876	<u>12,619</u>
<i>U.S. Department of Transportation</i>			
<i>Passed through State of Maine Bureau of Highway Safety</i>			
State and Community Highway Safety	20.600	SCE-10-11	4,874
Alcohol traffic safety and drunk driving prevention	20.601	SCE-10-11	4,004
Occupant protection	20.602	SCE-10-11	<u>2,255</u>
<i>Total U.S. Department of Transportation</i>			<u>11,133</u>
<i>U.S. Development of Agriculture</i>			
<i>Direct</i>			
Rural Business Opportunity Grant	10.773	23-013-071-320-201	<u>17,032</u>
<i>U.S. Environmental Protection Agency</i>			
<i>Passed through State Department of Environmental Protection</i>			
Sec319 Grant	66.605	C 230065-05	53,721
Capitalization Grants for Clean Water State Revolving Funds - Recovery	66.458	C 230065-05	<u>955,612</u>
<i>Total U.S. Environmental Protection Agency</i>			<u>1,009,333</u>
Total expenditures of federal awards			\$ <u>1,073,708</u>

Town of Skowhegan, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of the Town for the fiscal year ended June 30, 2014. The reporting entity is defined in the Notes to the Basic Financial Statements of Town of Skowhegan, Maine.

2. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

- a. Pursuant to OMB Circular A-133, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. OMB Circular A-133 establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the Town have been identified in the Schedule of Findings and Questioned Costs.

3. BASIS OF ACCOUNTING

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the Town's general purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general purpose financial statements.

LOAN BALANCES

4. CSO BOND PAYABLE

The Town had \$11,880,000 in outstanding bonds payable which were funded by federal awards at June 30, 2014. Of this total, \$10,933,081 is unspent bond proceeds held by the Maine Municipal Bond Bank to be drawn down as the funds are expended.

**Town of Skowhegan, Maine
Schedule of Findings and Questioned Costs
Year ended June 30, 2014**

Section I — Summary of Auditor’s Results

Financial Statements

- Type of auditor’s report issued - *Unmodified opinion*
- Internal control over financial reporting
- Material weakness(es) identified? - X yes no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? - yes X none reported
- Noncompliance material to financial statements noted? - yes X no

Federal Awards

- Internal control over major programs
- Material weakness(es) identified? - yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? - yes X none reported
- Type of auditor’s report issued on compliance for major programs - *Unmodified opinion*
- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? - yes X no

Identification of major programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds - Recovery

- Dollar threshold used to distinguish between Type A and Type B programs - \$300,000
- Auditee qualified as low-risk auditee? - yes X no

Town of Skowhegan, Maine
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2014

Section II — Financial Statement Findings

	#2014-001
<i>Criteria or specific requirement</i>	Prevent or detect material misstatements as part of the Town's internal control process.
<i>Condition</i>	During the performance of our audit procedures, we noted that management had not adjusted all account balances to reflect appropriate year-end balances in conformance with generally accepted accounting principles. This is a necessary step to ensure the financial statements are fairly stated. The unadjusted and unrecorded amounts were, in our judgment, material to the financial statements. Management subsequently recorded the amounts.
<i>Context</i>	Management did not record prior year adjustments and financial closing entries completely and accurately, did not capitalize and depreciate assets appropriately, did not record capital projects and special revenues account balances or activity completely, including the amounts due to and from the individual funds of the Town, and did not record end of year accounts receivable and accounts payable accurately.
<i>Effect</i>	Management may not be able to identify an error or misstatement in the financial statements. Significant additional time was required to prepare or assist with preparation of schedules and reconciliations that should be prepared by management before the time of audit.
<i>Cause</i>	The Town's control policies and procedures did not prevent or detect the material misstatements of the financial statements, particularly in the areas of financial closing and adjusting entries, capital assets schedule maintenance, reconciliations of special revenues and capital projects funds activity, and proper recording and classification of interfund activity, accounts receivable, and accounts payable.
<i>Recommendation</i>	We recommend that management review its accounting procedures for financial closing, for capital assets tracking, and for accurately summarizing and reconciling activity of the various funds of the Town, and implement procedures to ensure that balances are complete and are reported using generally accepted accounting principles and misstatements are minimized.
<i>Management's response</i>	<i>The Town will work to limit the amount of involvement of the auditor in additional services and perform more of these functions on their own.</i>

Section III — Federal Award Findings and Questioned Costs

<i>Criteria or specific requirement (including statutory, regulatory, or other citation)</i>	None
<i>Condition</i>	
<i>Questioned costs</i>	
<i>Context</i>	
<i>Effect</i>	
<i>Cause</i>	
<i>Recommendation</i>	
<i>Management's response</i>	

Town of Skowhegan, Maine
Summary Schedule of Prior Findings and Questioned Costs
Year ended June 30, 2014

#2013-001

Condition

During the performance of our audit procedures, we noted that management had not adjusted all account balances to reflect appropriate year-end balances in conformance with generally accepted accounting principles. This is a necessary step to ensure the financial statements are fairly stated. The unadjusted and unrecorded amounts were, in our judgment, significant to the financial statements. Management subsequently recorded the amounts. The Town had an ineffective system of internal controls over financial reporting, particularly in the areas of financial closing and adjusting entries, capital assets schedule maintenance, reconciliations of special revenues and capital projects funds activity, and proper recording and classification of interfund activity, accounts receivable, and accounts payable.

Current Status

Management has not implemented corrections to effectively address the deficiencies, so the condition remains an issue in the year ended June 30, 2014.

Town Manager, Christine Almand

TELEPHONE: (207) 474-6907
FAX: (207) 474-9413

Town of Skowhegan

Town Manager

225 Water Street
Skowhegan, Maine 04976



March 31, 2015

Brantner, Thibodeau & Associates
674 Mt Hope Ave, Suite 1
Bangor, ME 04401

RE: Corrective Action Plan for Year Ended June 30, 2014

Financial Statement finding #2014-001

Criteria or specific requirement: Prevent or detect material misstatements as part of the Town's internal control process.

Condition: During the performance of the audit process, the auditor noted that management had not adjusted all account balances to reflect appropriate year-end balances in conformance with generally accepted accounting principles. This is a necessary step to ensure the financial statements are fairly stated. The unadjusted or unrecorded amounts were, in the auditor's judgment, material to the financial statements. Management subsequently recorded the amounts.

Management's response: The Town will work to limit the amount of involvement of the auditor in additional services and perform more of these functions on our own and will implement changes to our capital asset procedures as recommended.

Sincerely,

A handwritten signature in black ink, appearing to read "Christine Almand".

Christine Almand
Town Manager