

TOWN OF POWNAL

POWNAL, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2013

**TOWN OF POWNAL
POWNAL, MAINE
JUNE 30, 2013**

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Selectmen
TOWN OF POWNAL
Pownal, Maine

We have audited the accompanying financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the financial statements, of the Town of Pownal, Maine as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statements in order to design audit procedures that are appropriate in the circumstance, 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 opinion. We also believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions on the governmental activities, major funds, and the budgetary comparison for the general fund.

Basis for Adverse Opinion on the Government-Wide Financial Statements

As discussed in the notes to the financial statements, management has not recorded certain general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general capital assets, be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not significant.

Adverse Opinion on the Government-Wide Financial Statements

In our opinion, because of the significance of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Statement of Net Position of the Town of Pownal, Maine, as of June 30, 2013, or the Statement of Activities position thereof for the year then ended.

Basis for Qualified Opinion on the Governmental Funds

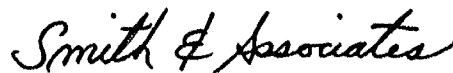
We were unable to obtain sufficient evidential source documentation to support the permanent funds because the relevant legal indentures could not be located.

Qualified Opinion on the Governmental Funds

In our opinion, except for the permanent funds, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and remaining fund information of the Town of Pownal and the changes in financial position of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The Town of Pownal, Maine has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.



SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
February 18, 2014

EXHIBIT I

**TOWN OF POWNAL
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash	\$ 982,192
Investments	81,572
Accounts Receivable	18,440
Taxes Receivable	126,886
Tax Liens Receivable	60,046
Capital Assets, Net of Accumulated Depreciation	<u>3,152,189</u>
Total Assets	\$4,421,325
Deferred Outflows of Resources	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$4,421,325</u>
Liabilities	
Accounts Payable	\$ 20,170
Accrued Expenses	27,572
Non-Current Liabilities	
Due Within One Year	166,900
Due in More than One Year	<u>2,523,630</u>
Total Liabilities	<u>\$2,738,272</u>
Deferred Inflows of Resources	<u>\$ 0</u>
Net Position	
<i>Net Investment in Capital Assets</i>	\$461,659
<i>Restricted for:</i>	
Permanent Funds, Non Expendable	51,895
Road Reconstruction	441,195
<i>Unrestricted</i>	<u>728,304</u>
Total Net Position	<u>\$1,683,053</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT II

**TOWN OF POWNAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
General Government	\$ 213,467	\$ 42,012	\$ 0	\$ (171,455)
Public Works	595,052	24,311	60,417	(510,324)
Public Safety	87,884	6,191	370	(81,323)
Human Services and Welfare	5,000	0	0	(5,000)
Health and Sanitation	109,319	44,928	0	(64,391)
Education	1,760,851	0	0	(1,760,851)
County Tax and Overlay	115,809	0	0	(115,809)
Interest on Long-Term Debt	120,627	0	0	(120,627)
Depreciation - Unallocated	<u>153,803</u>	<u>0</u>	<u>0</u>	<u>(153,803)</u>
Total Primary Government	<u>\$ 3,161,812</u>	<u>\$ 117,442</u>	<u>\$ 60,787</u>	<u>\$(2,983,583)</u>
General Revenues				
Property and Other Taxes				\$3,166,999
Grants and Contributions not Restricted to Special Programs				130,589
Unrestricted Investment Earnings				<u>14,867</u>
Total General Revenues				<u>\$3,312,455</u>
Changes in Net Position				\$ 328,872
Net Position – July 1, 2012				<u>1,354,181</u>
Net Position – June 30, 2013				<u>\$1,683,053</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT III

**TOWN OF POWNAL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Road Re- Construction	Other Governmental Funds	Total
Assets				
Cash	\$ 982,192	\$ 0	\$ 0	\$ 982,192
Investments	0	0	81,572	81,572
Accounts Receivable	18,440	0	0	18,440
Taxes Receivable	126,886	0	0	126,886
Liens Receivable	60,046	0	0	60,046
Due From Other Funds	<u>0</u>	<u>441,195</u>	<u>224,534</u>	<u>665,729</u>
Total Assets	\$ 1,187,564	\$ 441,195	\$ 306,106	\$ 1,934,865
Deferred Outflow of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 1,187,564</u>	<u>\$ 441,195</u>	<u>\$ 306,106</u>	<u>\$ 1,934,865</u>
Liabilities, Deferred Inflow of Resources, and Fund Balance				
Liabilities				
Accounts Payable	\$ 20,170	\$ 0	\$ 0	\$ 20,170
Accrued Expenses	162	0	0	162
Deferred Property Taxes	128,031	0	0	128,031
Due to Other Funds	<u>665,729</u>	<u>0</u>	<u>0</u>	<u>665,729</u>
Total Liabilities	\$ 814,092	\$ 0	\$ 0	\$ 814,092
Deferred Inflow of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balance				
<i>Reserved, Reported In:</i>				
<i>Nonspendable</i>				
Permanent Funds – Non Expendable	\$ 0	\$ 0	\$ 51,895	\$ 51,895
<i>Restricted</i>	0	0	0	0
<i>Committed</i>				
Reserved for Property Taxes	257,795	0	0	257,795
<i>Unreserved, Reported In:</i>				
<i>Assigned</i>				
Designated General Fund	25,809	0	0	25,809
Special Revenue Funds	0	0	111,350	111,350
Capital Projects	0	441,195	108,531	549,726
Permanent Funds, Expendable	0	0	34,330	34,330
<i>Unassigned</i>				
General Fund	<u>89,868</u>	<u>0</u>	<u>0</u>	<u>89,868</u>
Total Fund Balance	\$ 373,472	\$ 441,195	\$ 306,106	\$ 1,120,773
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,187,564</u>	<u>\$ 441,195</u>	<u>\$ 306,106</u>	<u>\$ 1,934,865</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT IV

**TOWN OF POWNAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Fund Balance – Total Governmental Funds \$ 1,120,773

**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 the Governmental Funds Balance Sheet. 3,152,189

Property Tax Revenues are Reported in the Governmental Funds
Balance Sheet Under NCGA Interpretation-3, Revenue Recognition-
Property Taxes and Intergovernmental Revenues were Deferred. 128,031

Deferred Intergovernmental Revenues Reported in the Governmental
Funds Meet the Criteria for Revenues Under Accrual Accounting. (12,312)

Long Term Debt Liabilities are not due and payable in the Current Period and
therefore are not reported in the Governmental Funds Balance Sheet:

Due in One Year	\$ 166,900	
Due in More than One Year	2,523,630	
Accrued Compensated Absence Pay	<u>15,098</u>	<u>(2,705,628)</u>

Net Position of Governmental Activities \$ 1,683,053

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT V

TOWN OF POWNAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Road Re- Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$3,168,094	\$ 0	\$ 0	\$3,168,094
Intergovernmental	178,025	0	13,351	191,376
Licenses, Permits and Fees	30,075	0	0	30,075
Charges for Services	45,874	0	14,320	60,194
Investment Income	8,537	81	6,249	14,867
Miscellaneous	<u>1,156</u>	<u>3,339</u>	<u>22,678</u>	<u>27,173</u>
Total Revenues	<u>\$3,431,761</u>	<u>\$ 3,420</u>	<u>\$ 56,598</u>	<u>\$3,491,779</u>
Expenditures				
<i>Current</i>				
General Government	\$ 210,717	\$ 0	\$ 500	\$ 211,217
Public Works	604,285	94,309	33,409	732,003
Public Safety	87,884	0	0	87,884
Health and Sanitation	109,319	0	0	109,319
Human Services and Welfare	5,000	0	0	5,000
Education	1,760,851	0	0	1,760,851
Debt Service	290,148	0	0	290,148
Fixed Charges	115,809	0	0	115,809
<i>Capital Outlay</i>	<u>40,000</u>	<u>0</u>	<u>8,963</u>	<u>48,963</u>
Total Expenditures	<u>\$3,224,013</u>	<u>\$ 94,309</u>	<u>\$ 42,872</u>	<u>\$3,361,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 207,748	\$ (90,889)	\$ 13,726	\$ 130,585
Other Financing Resources (Uses)				
Operating Transfers	<u>(120,000)</u>	<u>0</u>	<u>120,000</u>	<u>0</u>
Net Change in Fund Balance	\$ 87,748	\$ (90,889)	\$ 133,726	\$ 130,585
Fund Balance – July 1, 2012	<u>285,724</u>	<u>532,084</u>	<u>172,380</u>	<u>990,188</u>
Fund Balance – June 30, 2013	<u>\$ 373,472</u>	<u>\$ 441,195</u>	<u>\$ 306,106</u>	<u>\$1,120,773</u>

The Notes to the Financial Statements are an Integral Part of This Statement

EXHIBIT VI

**TOWN OF POWNAL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net Change In Fund Balance – Total Governmental Funds \$ 130,585

**Amounts Reported for Governmental Activities in the
Statement of Net Position are different because:**

Governmental Funds Report Capital Outlays as Expenditures. However, In the Statement of Activities the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount of Capital Assets Recorded in the Current Period. 374,423

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Position, But They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (153,803)

Some Property Tax will not be Collected for Several Months After the Town’s Fiscal Year End; They are not Considered “Available” Revenues in the Governmental Funds. This Amount is the Net Effect of the Differences. (1,095)

The Issuance of Long-Term Debt (e.g. Bonds and Accrued Compensated Absence Pay) Provides Current Financial Resources to Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of Governmental Funds. Neither Transaction, However, has Any Effect on Net Position. Also, Governmental Funds Report the Effect of Issuance Cost, Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas the Amounts are Deferred and Amortized in the Statement of Activities. This Amount is the Net Effect of These Differences in the Treatment of Long-Term Debt and Related Items. (28,623)

Accrued Interest Expense on Long-Term Debt is Reported in the Government-Wide Statement of Activities and Changes in Net Position, But Does Not Require the Use of Current Financial Resources; Therefore, Accrued Interest Expense is not Reported as Expenditures in Governmental Funds. 7,385

Change in Net Position of Governmental Activities \$ 328,872

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT VII

**TOWN OF POWNAL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,120,337	\$ 3,120,337	\$ 3,168,094	\$ 47,757
Intergovernmental	179,963	179,963	178,025	(1,938)
Licenses, Permits and Fees	24,000	24,000	30,075	6,075
Charges for Services	46,400	46,400	45,874	(526)
Investment Income	0	0	8,537	8,537
Miscellaneous	<u>0</u>	<u>0</u>	<u>1,156</u>	<u>1,156</u>
Total Revenues	<u>\$ 3,370,700</u>	<u>\$ 3,370,700</u>	<u>\$ 3,431,761</u>	<u>\$ 61,061</u>
Expenditures				
<i>Current</i>				
General Government	\$ 230,771	\$ 230,771	\$ 210,717	\$ 20,054
Public Works	602,432	602,432	604,285	(1,853)
Public Safety	88,948	88,948	87,884	1,064
Health and Sanitation	110,942	110,942	109,319	1,623
Human Services and Welfare	9,500	9,500	5,000	4,500
Education	1,760,851	1,760,851	1,760,851	0
Debt Service	287,330	287,330	290,148	(2,818)
Fixed Charges	119,926	119,926	115,809	4,117
<i>Capital Outlay</i>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Total Expenditures	<u>\$ 3,250,700</u>	<u>\$ 3,250,700</u>	<u>\$ 3,224,013</u>	<u>\$ 26,687</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 120,000	\$ 120,000	\$ 207,748	\$ 87,748
Other Financing Sources (Uses)				
Transfers Out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>0</u>
Net Change in Fund Balances	\$ 0	\$ 0	\$ 87,748	\$ 87,748
Fund Balance – July 1, 2012	<u>285,724</u>	<u>285,724</u>	<u>285,724</u>	<u>0</u>
Fund Balance – June 30, 2013	<u>\$ 285,724</u>	<u>\$ 285,724</u>	<u>\$ 373,472</u>	<u>\$ 87,748</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Town of Pownal, Maine was incorporated in 1808 under the laws of the State of Maine and currently operates under a Selectmen-Town Meeting Form of Government.

The accounting and reporting policies of the Town relating to the funds and account groups included in the accompanying basic financial statements conform to generally accepted accounting principles as 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 by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Town are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations. Management of the Town has elected to omit the MD&A as indicated in the Independent Auditors' Report.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

B. – Financial Reporting Entity

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

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. – Financial Reporting Entity (Continued)

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

Based on the aforementioned criteria, the Town of Pownal has no component units.

C. – Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

D. – Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Basic Financial Statements – Fund Financial Statements (Continued)

The following fund types are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Road Reconstruction Fund is a major fund.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements

E. – Measurement Focus/Basis of Accounting

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

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

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. – Measurement Focus/Basis of Accounting (Continued)

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. A one-year availability period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of the Town of Pownal.

The Town of Pownal's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The Town is currently preparing budgets under a net budgeting concept, which does not estimate total revenues of the Town. Budgets are not prepared annually for the special revenue funds.

During the fiscal year, the Town over-expended certain budget amounts, which will be raised through taxation in the next fiscal year.

G. – Cash and Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts, or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Investments are recorded at fair market value.

H. – Capital Assets

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, requires that governmental entities report all infrastructure assets on a prospective basis starting at the appropriate effective date of the standard. It does not require governmental entities with annual revenues of less than \$10 million to retroactively report infrastructure assets.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. – Capital Assets (Continued)

Accounting principles generally accepted in the United States of America require capital assets, which include land, buildings, vehicles, machinery and equipment, and infrastructure assets be reported in the applicable governmental activities in the government-wide financial statements.

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>	
Land Improvements	20	Years
Buildings and Improvements	40	Years
Machinery and Equipment	10-20	Years
Vehicles	10-20	Years
Infrastructure	40	Years

Management believes it is not cost effective to report general capital assets acquired before January 1, 2008, but may report them in the future.

I. – Compensated Absences

- A. The Town of Pownal recognizes accumulated sick and annual leave compensation during the period in which the related liability is incurred.

Level I – An employee who works (or is expected to work) on average at least thirty-six (36) hours per week for the town is eligible for “Level I” benefits. The term “work” means time spent on town business for which the individual receives monetary compensation. The hours worked will be based on the records of the town’s payroll system. The “average” will be based on a rolling full three (3) months average as determined at the end of each month. For this calculation, any Employee Benefit Time taken within these guidelines will be considered as “work” time.

Paid Time Off – Only Level I employees are eligible for paid time off based on the schedule below. The time off is to be used for Vacation, Illness, Bereavement, Doctor Visits, etc. If an employee terminates having taken time off prior to the accumulated accrual time, such employee will owe any such wages back to the Town.

<u>Time Worked for Town</u>	<u># of Annual Paid Days Off</u>	<u>Monthly Accrual Rate</u>
30 Days – 4 Years	15	1.25 Days
5 – 9 Years	20	1.66 Days
10+ Years	25	2.08 Days

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. – Compensated Absences (Continued)

B. To comply with the Town's personnel policies, a liability for accrued compensated absence pay of \$15,098 at June 30, 2013 is recorded.

J. – Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

K. – Equity Classifications

Government-Wide Statements

Net position represent the differences between assets and liabilities. Equity is classified as net assets and displayed in three components:

- Net Investment in Capital Assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen, such as an appropriation. Assigned fund balance is constrained by the Board's intent to be used for specific purposes by directive. See Note 10 for additional information about fund balances.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests such excess funds in checking accounts, savings accounts, or certificates of deposit.

Deposits

The Town's deposits are categorized as follows to give an indication of the level of risk assumed by the Town at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Town or by the Town's agent in the Town's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the Town's name; Category 3 includes uninsured and uncollateralized deposits.

At June 30, 2013 cash and cash equivalents were all considered Category 1.

Investments

Government Accounting Standards Board Statement No. 3 requires the investments to be classified into three categories. Category 1 includes investments which are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments, investments held by the financial institution's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent, but not in the Town's name.

At June 30, 2013, all investments were considered either Category 1 (\$21,618) or Category 3 (\$59,953).

NOTE 3 – PROPERTY TAXES

The Town is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The Town of Pownal's property tax is levied on the assessed value listed as of the prior April 1st for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2013, upon which the levy for the year ended June 30, 2013, was based, amounted to \$83,360,720. This assessed value was 100.0% of the estimated market value and 45.22% of the 2013 State valuation of \$184,350,000.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 – PROPERTY TAXES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$10,650 for the year ended June 30, 2013.

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. The following summarizes the tax levy:

Assessed Value	\$ 83,360,720
Less Homestead Exemption	<u>(1,028,120)</u>
Net Assessed Value	\$ 82,332,600
Tax Rate	<u>35.47</u>
Commitment	\$ 2,920,337
Supplemental Taxes Assessed	<u>0</u>
Sub Total	\$ 2,920,337
Less:	
Abatements	(651)
Transfer to Lien	(9,776)
Collections	<u>(2,777,723)</u>
Receivable at Year End	<u>\$ 132,187</u>
 Collection Rate	 <u>95.1%</u>

Property taxes on personal and real property accounts were due quarterly on September 15, 2012, December 15, 2012, March 15, 2013, and June 15, 2013. Interest was charged at a rate of 7% on delinquent accounts after those dates.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Ending Balance <u>June 30</u>
Governmental Activities				
Capital Assets, Depreciated				
Vehicles	\$ 1,406,983	\$ 272,319	\$ 0	\$ 1,679,302
Equipment	0	7,796	0	7,796
Infrastructure	<u>2,007,138</u>	<u>94,308</u>	<u>0</u>	<u>2,101,446</u>
Total Depreciated Capital Assets	<u>\$ 3,414,121</u>	<u>\$ 374,423</u>	<u>\$ 0</u>	<u>\$ 3,788,544</u>

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Ending Balance <u>June 30</u>
Less: Accumulated Depreciation for:				
Vehicles	\$ 382,745	\$ 103,495	\$ 0	\$ 486,240
Equipment	0	130	0	130
Infrastructure	<u>99,807</u>	<u>50,178</u>	<u>0</u>	<u>149,985</u>
Total Accumulated Depreciation	<u>\$ 482,552</u>	<u>\$ 153,803</u>	<u>\$ 0</u>	<u>\$ 636,355</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,931,569</u>	<u>\$ 220,620</u>	<u>\$ 0</u>	<u>\$ 3,152,189</u>

Depreciation expense has not been charged as a direct expense.

NOTE 5 – INTERFUND ACTIVITY

Interfund balances at June 30, 2013 consisted of the following:

Due To	
Major Governmental Funds:	
Road Reconstruction	\$ 441,195
Non-Major Governmental Funds:	
Special Revenues	111,350
Capital Project Funds	108,531
Permanent Funds - Expendable	<u>4,653</u>
Total	<u>\$ 665,729</u>
 Due From	
General Fund	<u>\$ 665,729</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Transfer To	
Non-Major Governmental Funds:	
Special Revenues	\$ 25,000
Capital Projects Funds	<u>95,000</u>
Total	<u>\$ 120,000</u>
 Transfer From	
General Fund	<u>\$ 120,000</u>

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – INTERFUND ACTIVITY (CONTINUED)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 7 – OVERLAPPING DEBT

The Town's proportionate share of RSU #5 debt is not reported in the Town of Pownal's financial statements. At June 30, 2013, the Town's share was approximately 12.6% (or \$325,080) of the District's outstanding debt of \$2,580,000.

The Town's proportionate share of Cumberland County's debt is not reported in the financial statements of the Town of Pownal. At June 30, 2013, the Town's share was 0.48% (or \$175,936) of the County's outstanding debt of \$36,925,000.

NOTE 8 – FUND BALANCE APPROPRIATIONS

At the annual Town meeting on June 12, and 18, 2012, the Townspeople voted no appropriations of general fund balance, which is reflected as the excess of budgeted expenditures over budgeted revenues on Exhibit VII.

NOTE 9 – LONG-TERM DEBT

At June 30, 2013, bonds and lease payables consisted of the following individual issues:

	<u>Governmental Activities</u>
Maine Bond Bank	
Fire Truck Bond of 2007, Principal Payments of \$30,000, 10 Years, 2% - 6% Interest, Maturity on November 1, 2017	\$ 150,000
Road Reconstruction Bond of 2007, Principal Payments of \$39,416, 25 Years, 2% - 6% Interest, Maturity on November 1, 2033.	985,420
Road Reconstruction Bond of 2011, Principal Payments of \$45,725, 30 Years, 2.02% - 5.52% Interest, Maturity on November 1, 2033.	1,280,275

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – LONG-TERM DEBT (CONTINUED)

	<u>Governmental Activities (Continued)</u>
Oshkosh Capital Leasing	
Lease Purchase Agreement for a 2011 Pierce Dryside Pumper Dated July 18, 2011, Amount Financed \$307,290. Five Payments of \$30,381 Due Thru 2017.	111,673
Androscoggin Bank Leasing	
Lease Purchase Agreement for a Grader Dated July 12, 2012, Amount Financed \$184,540. Ten Payments of \$21,378 Due Thru 2021.	<u>163,162</u>
Total Long-Term Debt	<u><u>\$2,690,530</u></u>

Changes in Outstanding Debt

Transactions for the year ended June 30, 2013 are summarized as follows:

	<u>Balance July 1</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable	\$ 2,530,836	\$ 0	\$ 115,141	\$ 2,415,695	\$ 115,141
Leases Payable	137,290	184,540	46,995	274,835	51,759
Accrued Compensated Absences	<u>8,879</u>	<u>6,219</u>	<u>0</u>	<u>15,098</u>	<u>0</u>
	<u>\$ 2,677,005</u>	<u>\$ 190,759</u>	<u>\$ 162,136</u>	<u>\$ 2,705,628</u>	<u>\$ 166,900</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013/2014	\$ 115,141	\$ 101,877	\$ 217,018
2014/2015	115,141	97,668	212,809
2015/2016	115,141	93,577	208,718
2016/2017	115,140	89,188	204,328
2017/2018	115,140	84,872	200,012
2018/2023	425,705	362,568	788,273
2023/2028	425,705	264,992	690,697
2028/2033	425,705	186,233	611,938
2033/2038	425,705	92,119	517,824
2038/2043	<u>137,172</u>	<u>11,358</u>	<u>148,530</u>
Total	<u>\$ 2,415,695</u>	<u>\$ 1,384,452</u>	<u>\$ 3,800,147</u>

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – LONG-TERM DEBT (CONTINUED)

In accordance with 30-A MRS.A, Section 5702, as amended, the amount of long-term debt that can be incurred by the Municipality is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 7.5%, with certain exceptions, of the state valuation of taxable property as of the beginning of the fiscal year. As of June 30, 2013, the amount of outstanding long-term debt was equal to 3.3% of property valuation for the year then ended.

The following is a schedule of future minimum lease payments for the capital leases together with the present value of net minimum lease payments as of June 30, 2013:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>
2013/2014	\$ 51,759
2014/2015	51,759
2015/2016	51,760
2016/2017	51,760
2017/2018	21,378
Thereafter 2018/2022	<u>85,511</u>
Total Minimum Lease Payments	\$ 313,927
Less Amount Representing Interest	<u>(39,092)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 274,835</u>

NOTE 10 – GOVERNMENTAL FUND BALANCES

Previously, the Town implemented the following accounting standard issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

GASB Statement 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, committed, restricted, assigned, and unassigned.

The Town's fund balances represent: **(1) Nonspendable Fund Balance**, resources that cannot be spent because of legal or contractual provisions that require they maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – GOVERNMENTAL FUND BALANCES (CONTINUED)

A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund, because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceeds the total net resources of the fund.

The Town of Pownal has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town's policy to use committed or assigned resources first, then unassigned resources as they are needed.

The General Fund unassigned fund balance total of \$89,868 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at June 30, 2013 follows.

Nonspendable

Permanent Funds – Non Expendable

Cemetery – Non Expendable	<u>\$ 51,895</u>
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Committed

Reserved for Property Taxes	<u>\$ 257,795</u>
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Assigned

Special Revenue Funds

Impact Fees	\$ 46,009
Revaluation Fund	20,000
Federal Emergency Management Agency (FEMA)	12,981
Snowmobile	7,216
Fire Station	6,881
Pownal Center Water Association (PCWA) - Maintenance Fund	5,000
Stewardship Fund for Town Owned Land	4,442
Veteran's Memorial	4,376
Formatted Ordinances	3,000
Mallett Hall Improvements	<u>1,445</u>

Total	<u>\$ 111,350</u>
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Capital Project – Major Funds

Road Reconstruction	<u>\$ 441,195</u>
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**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Capital Projects – Minor Funds	
Capital Reserve	\$ 86,276
Future Expenses	11,728
Communication Upgrades	5,037
Fire Truck	4,491
Highway Truck	<u>999</u>
Total	<u>\$ 108,531</u>
 Permanent Funds – Expendable	
Cemetery – Expendable	\$ 33,366
Scholarship Fund	<u>964</u>
Total	<u>\$ 34,330</u>
 General Fund - Designated	
Public Works Road Maintenance - Paving	\$ 25,000
Mallet Hall Maintenance - Painting	<u>809</u>
Total	<u>\$ 25,809</u>
 Unassigned	
General Fund	<u>\$ 89,868</u>
 Total Governmental Fund Balances	 <u>\$1,120,773</u>

NOTE 11 – PENSION PLAN

The Town provides a defined contribution plan for eligible employees through ICMA. The Town contributes 6% of the annual basic gross pay (including overtime pay) of employees who work an average of 36 hours per week (Level I employee). Employees are eligible to participate after 90 days of services as a Level I employee. Employee's interest in Town contribution vests 20% for each year of service. Employee is 100% vested after five (5) years of service. This applies to employees hired after 5/1/08. Any employees hired before 5/1/08 are grandfathered under earlier vesting schedule, which allows the employee's interest in the Town's contribution to vest at 1/3 each year of full-time employment service. If the employee terminates, non-vested portion reverts to the Town. The Town contributes at the end of the year based on the Town's payroll records.

Employees who work on average fewer than 36 hours, but more than 20 hours per week (Level II employee) are eligible to defer pay into the plan, but the Town does not contribute. An employee is eligible to participate after ninety (90) days of service as a Level II employee. Employees are fully vested in their deferred contribution.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 11 – PENSION PLAN (CONTINUED)

The pension expense of the Town of Pownal:

<u>Year-Ended</u>	<u>Eligible Wages</u>	<u>Pension Expense</u>
6/30/2013	\$ 222,115	\$ 13,327
6/30/2012	\$ 192,788	\$ 11,567
6/30/2011	\$ 170,690	\$ 10,241

NOTE 12 – JOINT VENTURE

Ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, Ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The town is a member community in Ecomaine. Interlocal (waste handling) agreements between Ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to Ecomaine for processing and to make service payments and pay tipping fees for such processing.

The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in Ecomaine. Ecomaine's liabilities include an accrual for landfill closure and post closure care amounting to \$15,951,872, unaudited as of June 30, 2013. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2012 and a projected closing date. The separate audited financial statements of Ecomaine may be obtained from the Town's Finance office.

NOTE 13 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Town of Pownal utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Board of Selectmen must be approved at the Annual Town Meeting.

B. - Excess of Expenditures over Appropriations

For the year ended June 30, 2013, expenditures did not exceed appropriations. Exhibit VII shows two overdrafts. The following overdrafts will be ratified at the next Town Meeting:

Public Works	\$ (1,853)
Debt Service	\$ (2,818)

C. - Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

At June 30, 2013, no individual funds held a deficit balance.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

All governments with periods beginning after December 15, 2012 were required to implement the following statements. The Town of Pownal has chosen early implementation.

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and GASB 65 amend GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. These terms are defined as follows:

Deferred Outflows of Resources - a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources - an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

The GASB emphasizes in GASB 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

GASB 65 clarifies which financial statement items should continue to be presented as assets and liabilities and which should be reclassified as deferred outflows and deferred inflows, and which items should be treated as current period expenditures (outflows) or current period inflows.

The term “Net Assets” has been replaced with the term “Net Position” on the face of the statements. For governmental, proprietary, and fiduciary statements, the residual amount remaining after the effects of assets plus deferred outflows less liabilities and deferred inflows has been referred as Net Position rather than Net Assets, Proprietary, or Fiduciary Fund Balance or equity.

The previously component of net assets title “Net Assets Invested in Capital Net of Related Debt” is now named “Net Investment in Capital Assets.” It also changed the calculation of that amount to include the effects of deferred outflows and inflows related to the acquisition, construction, or improvements of those related capital assets. Lastly, it removes the portion of debt or deferred inflows related to unspent proceeds of those capital related financing transactions from the calculation of Net Investment in Capital Assets.

There are no deferred outflows or inflows of resources listed at June 30, 2013 for the Town of Pownal.

NOTE 15 – DATE OF MANAGEMENT REVIEW

Management has evaluated subsequent events through February 18, 2014 the date on which the financial statements were available to be issued.