

TOWN OF POWNAL

POWNAL, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2010

TOWN OF POWNAL
POWNAL, MAINE
JUNE 30, 2010

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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 basic financial statements, of the Town of Pownal, Maine as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Town's Management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 reasonably determinable.

In our opinion, because of the effects 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 governmental activities of the Town of Pownal, Maine, as of June 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and remaining fund information of the Town of Pownal and the respective changes in financial position and cash flows, where applicable, 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.

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 basic financial statements.

Smith & Associates

SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
March 25, 2011

Smith & Associates, CPAs
A Professional Association

Yarmouth, Maine 04096

**TOWN OF POWNAL
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash	\$ 551,369
Investments	69,844
Accounts Receivable	314
Taxes Receivable	95,857
Tax Liens Receivable	17,322
Capital Assets, Net of Accumulated Depreciation	<u>1,445,170</u>
Total Assets	<u>\$2,179,876</u>
Liabilities	
Accounts Payable	\$ 33,168
Accrued Expenses	15,038
Non-Current Liabilities	
Due Within One Year	69,416
Due in More than One Year	<u>1,274,252</u>
Total Liabilities	<u>\$1,391,874</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 101,502
Restricted for:	
Permanent Funds, Non-Expendable	51,895
Provision for Future Expenses	205,115
Reserved for Property Taxes	139,162
Unrestricted for:	
Special Revenue Funds	55,313
Capital Project Funds	1,073
Permanent Funds, Expendable	19,045
Unrestricted General Fund	<u>214,897</u>
Total Net Assets	<u>\$ 788,002</u>

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

**TOWN OF POWNAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Revenue & Changes in Net Assets</u>
				<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
General Government	\$ 194,091	\$ 73,618	\$ 0	\$ (120,473)
Public Works	599,632	6,029	55,300	(538,303)
Public Safety	81,566	0	794	(80,772)
Human Services & Welfare	8,379	0	1,437	(6,942)
Health & Sanitation	114,170	31,558	0	(82,612)
Education	1,773,522	0	129,021	(1,644,501)
County Tax & Overlay	108,581	0	0	(108,581)
Interest on LTD	59,165	0	0	(59,165)
Depreciation - Unallocated	<u>53,700</u>	<u>0</u>	<u>0</u>	<u>(53,700)</u>
Total Primary Government	\$ 2,992,806	\$ 111,205	\$ 186,552	<u>\$(2,695,049)</u>
General Revenues				
Property & Other Taxes				\$2,565,026
Grants & Contributions not Restricted to Special Programs				128,083
Unrestricted Investment Earnings				16,421
Miscellaneous				<u>10,528</u>
Total General Revenues				<u>\$2,720,058</u>
Changes in Net Assets				\$ 25,009
Net Assets – July 1, 2009				<u>762,993</u>
Net Assets – June 30, 2010				<u>\$ 788,002</u>

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

**TOWN OF POWNAL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Road Re- Construction	Provision for Future Expenses	Other Governmental Funds	Total
Assets					
Cash	\$ 549,367	\$ 0	\$ 0	\$ 2,002	\$ 551,369
Investments	0	0	0	69,844	69,844
Accounts Receivable	316	0	0	0	316
Taxes Receivable	95,857	0	0	0	95,857
Liens Receivable	17,322	0	0	0	17,322
Due From Other Funds	<u>1,869</u>	<u>0</u>	<u>205,115</u>	<u>57,349</u>	<u>264,333</u>
Total Assets	<u>\$ 664,731</u>	<u>\$ 0</u>	<u>\$ 205,115</u>	<u>\$ 129,195</u>	<u>\$ 999,041</u>
Liabilities					
Accounts Payable	\$ 33,168	\$ 0	\$ 0	\$ 0	\$ 33,168
Accrued Expenses	8,095	0	0	0	8,095
Deferred Revenues	48,815	0	0	0	48,815
Due to Other Funds	<u>262,464</u>	<u>0</u>	<u>0</u>	<u>1,869</u>	<u>264,333</u>
Total Liabilities	<u>\$ 352,542</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,869</u>	<u>\$ 354,411</u>
Fund Balance					
Reserved for:					
Permanent Fund, Non-Expendable	\$ 0	\$ 0	\$ 0	\$ 51,895	\$ 51,895
Property Taxes	139,162	0	0	0	139,162
Unreserved for:					
Special Revenue Funds	0	0	0	55,313	55,313
Capital Project Funds	0	0	205,115	1,073	206,188
Permanent Fund - Expendable	0	0	0	19,045	19,045
General Fund - Undesignated	<u>173,027</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>173,027</u>
Total Fund Balance	<u>\$ 312,189</u>	<u>\$ 0</u>	<u>\$ 205,115</u>	<u>\$ 127,326</u>	<u>\$ 644,630</u>
Total Liabilities & Fund Balance	<u>\$ 664,731</u>	<u>\$ 0</u>	<u>\$ 205,115</u>	<u>\$ 129,195</u>	<u>\$ 999,041</u>

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

**TOWN OF POWNAL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balance – Total Governmental Funds	\$ 644,630
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital Assets Used in Governmental Activities are Not Current Financial Resources and Therefore are Not Reported in the Governmental Funds Balance Sheet.	1,445,170
Property Tax Revenues are Reported in the Governmental Funds Balance Sheet Under NCGA Interpretation-3, <u>Revenue Recognition- Property Taxes</u> and Intergovernmental Revenues were Deferred.	48,815
Deferred Intergovernmental Revenues Reported in the Governmental Funds Meet the Criteria for Revenues Under Accrual Accounting.	(6,945)
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	\$ 69,416
Due in More than One Year	<u>1,274,252</u>
	(1,343,668)
Net Assets of Governmental Activities	<u>\$ 788,002</u>

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

TOWN OF POWNAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Road Re- Construction	Provision for Future Expenses	Other Governmental Funds	Total
Revenues					
Taxes	\$2,544,035	\$ 0	\$ 0	\$ 0	\$2,544,035
Intergovernmental	313,841	0	0	794	314,635
Licenses, Permits & Fees	21,246	0	0	0	21,246
Charges for Services	52,399	0	0	37,560	89,959
Investment Income	5,795	2,352	0	8,274	16,421
Miscellaneous	<u>10,528</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,528</u>
Total Revenues	<u>\$2,947,844</u>	<u>\$ 2,352</u>	<u>\$ 0</u>	<u>\$ 46,628</u>	<u>\$2,996,824</u>
Expenditures					
Current					
General Government	\$ 194,091	\$ 0	\$ 0	\$ 0	\$ 194,091
Public Works	589,876	0	0	9,756	599,632
Public Safety	81,566	0	0	0	81,566
Health & Sanitation	114,170	0	0	0	114,170
Human Services & Welfare	8,379	0	0	0	8,379
Education	1,773,522	0	0	0	1,773,522
Debt Service	132,063	0	0	0	132,063
Fixed Charges	108,581	0	0	0	108,581
Capital Outlay	<u>0</u>	<u>452,815</u>	<u>0</u>	<u>0</u>	<u>452,815</u>
Total Expenditures	<u>\$3,002,248</u>	<u>\$ 452,815</u>	<u>\$ 0</u>	<u>\$ 9,756</u>	<u>\$3,464,819</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (54,404)	\$ (450,463)	\$ 0	\$ 36,872	\$ (467,995)
Other Financing Resources (Uses)					
Transfers In (Out)	<u>(60,000)</u>	<u>0</u>	<u>60,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	\$ (114,404)	\$ (450,463)	\$ 60,000	\$ 36,872	\$ (467,995)
Fund Balance – July 1, 2009	<u>425,593</u>	<u>450,463</u>	<u>145,115</u>	<u>90,454</u>	<u>1,112,625</u>
Fund Balance – June 30, 2010	<u>\$ 312,189</u>	<u>\$ 0</u>	<u>\$ 205,115</u>	<u>\$ 127,326</u>	<u>\$ 644,630</u>

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

**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, 2010**

Net Change In Fund Balance – Total Governmental Funds \$ (467,995)

**Amounts Reported for Governmental Activities in the
Statement of Net Assets 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. 452,815

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Assets, But They Do Not Require the Use of Current Financial Resources. Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (53,700)

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. 20,991

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 Assets. 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. 69,416

Accrued Interest Expense on Long-Term Debt is Reported in the Government-Wide Statement of Activities and Changes in Net Assets, But Does Not Require the Use of Current Financial Resources; Therefore, Accrued Interest Expense is not Reported as Expenditures in Governmental Funds. 3,482

Change in Net Assets of Governmental Activities \$ 25,009

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

TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010

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 Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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, 2010

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 and the Provision for Future Expenses are major funds.

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 assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 & 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, 2010

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:

Land Improvements	20	Years
Buildings & Improvements	40	Years
Machinery & Equipment	10-20	Years
Vehicles	10-20	Years
Infrastructure	40	Years

At June 10, 2010, management believed it was 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, 2010

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 \$3,372 at June 30, 2010 would be recorded, however the Town deems this as immaterial and records the amount when expensed as time off.

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

- Invested in capital assets, net of related debt – 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 assets – consists of net assets 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 assets – all other net assets 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. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

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.

TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 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, 2010, all investments were considered either Category 1 (\$12,189) or Category 3 (\$57,655).

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, 2009, upon which the levy for the year ended June 30, 2010, was based, amounted to \$74,592,860. This assessed value was 100.0% of the estimated market value and 39.04% of the 2010 State valuation of \$191,050,000.

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 \$2,893 for the year ended June 30, 2010.

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.

TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – PROPERTY TAXES (CONTINUED)

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	\$	74,592,860
Less Homestead Exemption		<u>(1,237,860)</u>
Net Assessed Value	\$	73,355,000
Tax Rate		<u>31.65</u>
Commitment	\$	2,321,686
Supplemental Taxes Assessed		<u>0</u>
Sub Total	\$	2,321,686
Less:		
Abatements		8,334
Collections		<u>(2,234,163)</u>
Receivable at Year End	\$	<u>95,857</u>
Collection Rate		<u>96.2%</u>

Property taxes on personal and real property accounts were due quarterly on September 15, 2009, December 15, 2009, March 15, 2010 and June 15, 2010. Interest was charged at a rate of 11% on delinquent accounts after those dates.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance <u>7/1/09</u>	Additions/ Completions	Ending Retirement/ Adjustments	Balance <u>06/30/10</u>
Governmental Activities				
Capital Assets, Depreciated				
Vehicles	\$ 409,385	\$ 0	\$ 0	\$ 409,385
Infrastructure	<u>690,120</u>	<u>452,815</u>	<u>0</u>	<u>1,142,935</u>
Total Depreciated Capital Assets	<u>\$1,099,505</u>	<u>\$ 452,815</u>	<u>\$ 0</u>	<u>\$1,552,320</u>
Less: Accumulated Depreciation for:				
Vehicles	\$ 43,312	\$ 30,787	\$ 0	\$ 74,099
Infrastructure	<u>10,138</u>	<u>22,913</u>	<u>0</u>	<u>33,051</u>
Total Accumulated Depreciation	<u>\$ 53,450</u>	<u>\$ 53,700</u>	<u>\$ 0</u>	<u>\$ 107,150</u>
Governmental Activities Capital Assets, Net	<u>\$1,046,055</u>	<u>\$ 399,115</u>	<u>\$ 0</u>	<u>\$1,445,170</u>

Depreciation expense has not been charged as a direct expense.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 – INTERFUND ACTIVITY

Interfund balances at June 30, 2010 consisted of the following:

Due To	
General Fund	\$ 1,869
Major Governmental Funds:	
Capital Project Funds – Provision for Future Expenses	205,115
Non-Major Governmental Funds:	
Special Revenues	55,313
Capital Project Funds	1,073
Permanent Funds - Expendable	<u>963</u>
Total	<u>\$ 264,333</u>
 Due From	
General Fund	\$ 262,464
Non-Major Governmental Funds:	
Permanent Funds - Expendable	<u>1,869</u>
Total	<u>\$ 264,333</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, 2010 consisted of the following:

Transfer To	
Major Governmental Funds:	
Capital Project Funds – Provision for Future Expenses	<u>\$ 60,000</u>
 Transfer From	
General Fund	<u>\$ 60,000</u>

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.

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, the Town's share was approximately 12.6% (or \$453,760 of the District's outstanding debt of \$3,601,272.

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, 2010, the Town's share was 0.46% (or \$17,254) of the County's outstanding debt of \$3,772,625.

NOTE 8 – FUND BALANCE APPROPRIATIONS

At the annual Town meeting on June 9 and 15, 2009, the Townspeople voted appropriations of general fund balance totaling \$175,656 which are reflected as the excess of budgeted expenditures over budgeted revenues on Exhibit VII. These appropriations were for the following purposes:

Public Works Operations	\$128,000
Debt Service	27,758
Public Safety Operations	15,000
Public Works Compensation	<u>4,898</u>
Total	<u>\$175,656</u>

NOTE 9 – LONG-TERM DEBT

At June 30, 2010, bonds payable 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	\$ 240,000
Road Reconstruction Bond of 2007, Principal Payments of \$39,416, 25 Years, 2% - 6% Interest, Maturity on November 1, 2033.	<u>1,103,668</u>
Total Long-Term Debt	<u>\$1,343,668</u>

Changes in Outstanding Debt

Transactions for the year ended June 30, 2010 are summarized as follows:

	<u>Balance July 1, 2009</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities					
Note Payable	\$ 1,413,084	\$ 0	\$ 69,416	\$ 1,343,668	\$ 69,416

TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2010, are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010/2011	\$ 69,416	\$ 58,529	\$ 127,945
2011/2012	69,416	54,891	124,307
2012/2013	69,416	51,834	121,250
2013/2014	69,416	49,454	118,870
2014/2015	69,416	47,384	116,800
2015/2020	287,082	193,172	480,254
2020/2025	197,085	138,018	335,103
2025/2030	197,085	97,193	294,278
2030/2035	197,085	54,542	251,627
2035/2037	<u>118,251</u>	<u>9,568</u>	<u>127,819</u>
Total	<u>\$ 1,343,668</u>	<u>\$ 754,585</u>	<u>\$ 2,098,253</u>

In accordance with 30-A MRSA, 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, 2010, the amount of outstanding long-term debt was equal to 1.8% of property valuation for the year then ended.

NOTE 10 – FUND BALANCE - OTHER GOVERNMENTAL FUNDS

Appropriations for continuing projects not fully expended at fiscal year-end are carried forward as continued appropriations to the new fiscal year in which they supplement the appropriations of that year. At June 30, 2010, they are comprised of the following:

Special Revenue	
Impact Fees	\$ 28,586
Fire Station	6,841
Stewardship Fund for Town Owned Land	6,000
Snowmobile	5,422
Veteran's Memorial	4,604
Mallet Hall Improvements	<u>3,860</u>
Total	<u>\$ 55,313</u>
Capital Project Funds	
Fire Truck	<u>\$ 1,073</u>
Permanent Funds – Non-Expendable	
Cemetery – Non-Expendable	<u>\$ 51,895</u>

**TOWN OF POWNAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 – FUND BALANCE - OTHER GOVERNMENTAL FUNDS (CONTINUED)

Permanent Funds – Expendable	
Cemetery - Expendable	\$ 18,082
Scholarship Fund	<u>963</u>
Total	<u>\$ 19,045</u>
 Total of Other Governmental Funds	 <u>\$ 127,326</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.

The pension expense of the Town of Pownal:

<u>Year-Ended</u>	<u>Eligible Wages</u>	<u>Pension Expense</u>
6/30/2010	\$ 198,141	\$ 11,888
6/30/2009	\$ 212,600	\$ 12,756
6/30/2008	\$ 110,933	\$ 6,656

NOTE 12 – DATE OF MANAGEMENT REVIEW

Management has evaluated subsequent events through March 25, 2011 the date on which the financial statements were available to be issued.

**TOWN OF POWNAL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,521,686	\$ 2,521,686	\$ 2,544,035	\$ 22,349
Intergovernmental	318,240	318,240	313,841	(4,399)
Licenses, Permits & Fees	16,260	16,260	21,246	4,986
Charges for Services	51,459	51,459	52,399	940
Investment Income	0	0	5,795	5,795
Miscellaneous	<u>13,500</u>	<u>13,500</u>	<u>10,528</u>	<u>(2,972)</u>
Total Revenues	<u>\$ 2,921,145</u>	<u>\$ 2,921,145</u>	<u>\$ 2,947,844</u>	<u>\$ 26,699</u>
Expenditures				
Current:				
General Government	\$ 212,953	\$ 212,953	\$ 194,091	\$ 18,862
Public Works	606,868	606,868	589,876	16,992
Public Safety	81,335	81,335	81,566	(231)
Health & Sanitation	120,430	120,430	114,170	6,260
Human Services & Welfare	6,500	6,500	8,379	(1,879)
Education	1,773,522	1,773,522	1,773,522	0
Debt Service	132,053	132,053	132,063	(10)
Fixed Charges	<u>103,140</u>	<u>103,140</u>	<u>108,581</u>	<u>(5,441)</u>
Total Expenditures	<u>\$ 3,036,801</u>	<u>\$ 3,036,801</u>	<u>\$ 3,002,248</u>	<u>\$ 34,553</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ (115,656)</u>	<u>\$ (115,656)</u>	<u>\$ (54,404)</u>	<u>\$ 61,252</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>0</u>
Net Change in Fund Balances	<u>\$ (175,656)</u>	<u>\$ (175,656)</u>	<u>\$ (114,404)</u>	<u>\$ 61,252</u>
Fund Balance – July 1, 2009	<u>426,593</u>	<u>426,593</u>	<u>426,593</u>	<u>0</u>
Fund Balance – June 30, 2010	<u>\$ 250,937</u>	<u>\$ 250,937</u>	<u>\$ 312,189</u>	<u>\$ 61,252</u>

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