

**TOWN OF MILLINOCKET, MAINE**

**Annual Financial Report**

**For the Year Ended June 30, 2010**



**TOWN OF MILLINOCKET, MAINE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2010**

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Certified Public Accountants and Business Consultants

## Independent Auditor's Report

Town Council  
Town of Millinocket, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millinocket, Maine as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Millinocket, Maine'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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millinocket, Maine as of June 30, 2010, and the respective changes in financial position and cash flows where applicable, thereof 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of the Town of Millinocket, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



November 23, 2010  
South Portland, Maine

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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The Town of Millinocket's annual financial report is hereby submitted for Fiscal Year 2010, which covers the period of July 1, 2009 to June 30, 2010. The Town is the responsible party to ensure the accuracy, completeness, and fairness of the data and other information presented. It is the belief of management that all the information contained herein is accurate in all material respects and reflects fairly the financial position and operations of the Town. This Management's Discussion and Analysis is designed to offer further explanation of the information contained herein.

Fiscal Year 2010 marks the eighth year that the Town was required to comply with the accounting standard called GASB #34. GASB is the Governmental Accounting Standards Board that sets regulations by which audits are conducted. #34 refers to the accounting standard that requires municipalities to track capital assets and other items. It also requires the compilation of this report. This report includes all of the Town's equipment, buildings, land, and infrastructure investments (i.e., roads, sidewalks, storm drains, and sewers).

This year also features the second year of GASB 45, a new standard that addresses the long-term costs of retiree health benefits.

**FINANCIAL STATEMENTS**

The audit contains several major components. The Basic Financial Statements reflect the activities in the Town's general fund, its proprietary account for Wastewater, and its fiduciary (trust) funds. Other related accounts include reserve funds that are set aside for special, specific purposes. Notes to the Financial Statements offer explanations of various entries, policies, and obligations of the Town. These include items such as the tax commitment, long-term debt, etc. Finally, the Combining and Individual Fund Statements address balance sheets and statements of revenues, expenditures, and changes in fund balances for the various funds (general, special, reserve, and permanent). The Table of Contents in the front section of the audit provides the specific pages where the various statements and exhibits can be found.

Governmental fund accounts use the modified accrual basis of accounting. This method measures cash and all other financial assets that can be converted to cash in a quick manner. Governmental activities are reported in the Statement of Net Assets and the Statement of Activities, which both use the accrual method because the information is cast in a context similar to the method used by most private sector companies. Each of these statements report changes in the Town's net assets. Net assets are simply the difference between assets and liabilities and this difference becomes one way to measure the financial position of the Town. Other factors include changes in the property tax base and the condition of the Town's infrastructure. Proprietary funds are also maintained on an accrual accounting basis, as they are treated as business-type accounts.

Comparative figures between this year and last are used to add clarity to the Town's condition and to provide the reader with more information.

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis, Continued**

**CONDENSED PRESENTATION OF FINANCIAL INFORMATION**

The following information is condensed from Statement 1, Statement of Net Assets for Fiscal 2010 compared to Fiscal 2009. It distinguishes between capital and other assets, notes the Town's general liabilities and debt service, and shows the Town's net assets by restricted and unrestricted amounts. This information is for the Town's Governmental Activities and Business-type Activities.

	<u>2010 Govt Activities</u>	<u>2010 Bus-type Activities</u>	<u>2010 Total</u>	<u>2009 Govt Activities</u>	<u>2009 Bus-type Activities</u>	<u>2009 Total</u>
<b>Assets:</b>						
Current and other assets	\$ 4,988,453	1,520,617	6,509,070	\$ 5,018,485	1,604,344	6,622,829
Capital assets	9,008,096	4,813,776	13,821,872	8,054,190	4,914,276	12,968,466
<b>Total assets</b>	<b>13,996,549</b>	<b>6,334,393</b>	<b>20,330,942</b>	<b>13,072,675</b>	<b>6,518,620</b>	<b>19,591,295</b>
<b>Liabilities:</b>						
Long-term debt	4,073,814	2,045,092	6,118,906	4,012,480	2,159,497	6,171,977
Other liabilities	3,288,875	53,419	3,342,294	2,419,166	67,463	2,486,629
<b>Total liabilities</b>	<b>7,362,689</b>	<b>2,098,511</b>	<b>9,461,200</b>	<b>6,431,646</b>	<b>2,226,960</b>	<b>8,658,606</b>
<b>Net assets:</b>						
Invested in capital assets	4,934,282	2,768,684	7,702,966	4,041,710	2,774,387	6,816,097
Restricted	312,665	-	312,665	304,479	-	304,479
Unrestricted	1,386,913	1,467,198	2,854,111	2,294,840	1,517,273	3,812,113
<b>Total net assets</b>	<b>\$ 6,633,860</b>	<b>4,235,882</b>	<b>10,869,742</b>	<b>6,641,029</b>	<b>4,291,660</b>	<b>10,932,689</b>

**TYPES OF ACTIVITIES BY FISCAL YEAR**

The information in the following chart is drawn from Statement 2, Statement of Activities, in a reformulated presentation to show overall revenues, expenses, and net assets. While total expenses for all departments (including Wastewater) totaled \$16,340,112, other revenues contributed to make the net amount raised by property taxes \$7,113,980 (net of tax increment financing reimbursements). Put another way, property taxes financed 44% in FY10 compared to FY09's 48% of the total costs of providing municipal, school, county, and wastewater expenses. It should be noted that Wastewater is entirely self-financed through user fees and other related revenues and does not use any property taxes to support its budget. Under GASB #34, however, it is necessary to include its revenues and expenses in these totals.

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis, Continued**

**TYPES OF ACTIVITIES BY FISCAL YEAR**

	2010 Govt Activities	2010 Bus-type Activities	2010 Total	2009 Govt Activities	2009 Bus-type Activities	2009 Total
Revenues:						
Program revenues:						
Charges for services-						
Municipal	\$ 1,199,258	-	1,199,258	\$ 1,247,161	-	1,247,161
Wastewater	-	558,354	558,354	-	513,991	513,991
Operating contributions	944,010	-	944,010	802,460	-	802,460
Capital contributions	1,170,765	10,870	1,181,635	306,177	568,380	874,557
General revenues:						
Property taxes	7,113,980	-	7,113,980	7,691,468	-	7,691,468
Vehicle excise taxes	721,233	-	721,233	747,173	-	747,173
Interest and lien costs	48,122	-	48,122	50,004	-	50,004
State education subsidy	3,410,890	-	3,410,890	3,228,434	-	3,228,434
Homestead/BETE exemption	368,191	-	368,191	219,315	-	219,315
Other state aid	18,083	-	18,083	167,671	-	167,671
State revenue sharing	624,537	-	624,537	724,537	-	724,537
Investment earnings	12,331	26,427	38,758	30,920	44,648	75,568
Miscellaneous	50,114	-	50,114	149,342	-	149,342
<b>Total revenues</b>	<b>15,681,514</b>	<b>595,651</b>	<b>16,277,165</b>	<b>15,364,662</b>	<b>1,127,019</b>	<b>16,491,681</b>
Expenses:						
General government	551,763	-	551,763	820,389	-	820,389
Protection	1,661,835	-	1,661,835	1,639,193	-	1,639,193
Town services	1,232,734	-	1,232,734	1,218,874	-	1,218,874
Community services	775,903	-	775,903	706,793	-	706,793
Education	8,555,598	-	8,555,598	8,346,452	-	8,346,452
Maine PERS	564,084	-	564,084	567,612	-	567,612
Insurance/fringe benefits	1,341,974	-	1,341,974	1,049,402	-	1,049,402
County tax	339,562	-	339,562	328,139	-	328,139
Food service	323,314	-	323,314	324,559	-	324,559
Interest on Debt	205,500	-	205,500	208,140	-	208,140
Unclassified	-	-	-	8,155	-	8,155
Capital Maintenance exp.	144,816	-	144,816	62,497	-	62,497
Wastewater	-	643,029	643,029	-	621,357	621,357
<b>Total expenses</b>	<b>15,697,083</b>	<b>643,029</b>	<b>16,340,112</b>	<b>15,280,205</b>	<b>621,357</b>	<b>15,901,562</b>
Transfers	8,400	(8,400)	-	8,400	(8,400)	-
Change in net assets	(7,169)	(55,778)	(62,947)	92,857	497,262	590,119
Net assets beginning of year	6,641,029	4,291,660	10,932,689	6,548,172	3,794,398	10,342,570
<b>Net assets end of year</b>	<b>\$ 6,633,860</b>	<b>4,235,882</b>	<b>10,869,742</b>	<b>6,641,029</b>	<b>4,291,660</b>	<b>10,932,689</b>

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis, Continued**

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**ANALYSIS OF TOWN POSITION AND OPERATIONS**

In all material respects, the position and operations of the Town of Millinocket remained quite strong during Fiscal 2010. Revenues were above the budgeted amount by \$770,851. By line category, the range of revenues varied from a surplus of \$799,375 to a deficit of \$170,870. The \$770,851 property tax overage was primarily due to Katahdin Paper Company receiving a reduced TIF payment because the mill continues to be in shutdown mode. Therefore, instead of receiving a TIF of 85% on their investment, they received only 50%, which in dollar figures was a difference of \$702,960 that was retained by the Town. The Intergovernmental line was \$170,870 under, of which \$75,463 was due to the loss significant State Revenue Sharing funds because of State budget issues. The School was \$610,489 under budget. For the year, the Town ended with an overall operating surplus of \$162,468 and our Undesignated Fund Balance (UFB) increased from \$2,169,817 to \$2,332,285. The TIF surplus eliminated the planned budgetary need to use UFB monies to balance the FY2010 budget.

The mil rate for Fiscal 2010 decreased to 22.80 (\$22.80 per \$1,000 in valuation) from a 24.20 rate in Fiscal 2009. The primary driver of the decrease was the receipt of additional Business Equipment Tax Exemption program funds of almost \$130,000 over the amount received in FY2009.

Katahdin Paper Company (KPC) announced on May 29, 2008 that it planned to indefinitely shut its Millinocket mill down at the end of July due to extremely high oil prices. The company uses bunker C oil to furnish its heat and steam. Although the company had a full order book for the year, the cost of oil made the operation unprofitable. Subsequent to the original announcement, the mill actually did not close until September 2, 2008 which was followed by a significant time period to mothball the facility. KPC continues to study a biomass boiler to produce its needed heat and steam, but the process to study its options is a long road. If a decision is made to install a biomass boiler and then re-open, the re-opening may not occur until the fall of 2011 because it takes significant time to order and install such equipment. In meeting with company representatives, the Town has been told that the mill will not reopen without a biomass boiler, but construction of a biomass boiler does not guarantee the mill will reopen. The condition of the paper market will dictate that.

In 2008, the Town had two businesses that failed to meet their job creation benefit that was required by the Community Development Block Grant program for loans they each obtained from CDBG in previous years. Allagash Valve and Controls entered into a payment plan with the State and is currently maintaining its payment schedule. The other company, Brims Ness, is still in limbo and discussions with them have been sporadic. These funds are granted to communities and require the guarantee of job creation or face recall of the loaned funds to the State. The Town is vulnerable to the recall of the outstanding balances of each loan if they are not repaid by the recipients. No changes occurred in the status of either loan during FY2010.

The Katahdin Resorts project on Hammond Ridge just outside of Town now has completed phase 1 of its plans to construct some new guest cabins at its Twin Pines facility. When the total project is completed in the coming years, it may produce about 100 jobs and \$65 million in new investment. Efforts continue to promote other tourism-related businesses in the area.

Another major initiative is the construction of a multi-use recreation trail from the Timber Cruisers club house to the Seboeis area. Phase 1 involved constructing the new trail from the club house to South Twin and Phase 2 will extend that trail from South Twin to Seboeis. A parallel project was the construction of a new recreation bridge over the West Branch of the Penobscot. This work is designed to connect Millinocket to the wide-ranging State ATV trail system near Seboeis and to eventually expand that new multi-use trail system north to Aroostook County and east to East Millinocket and Medway. The State Department of Conservation has been very helpful and generous in supporting these efforts through grants.

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis, Continued**

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The Town is continuing its efforts to diversify the economic base in Millinocket and the surrounding area. While the forest products industry will continue to be a major player, it is important to develop new opportunities that are not as subject to worldwide competition. Good manufacturing facilities create full time, high paying jobs with benefits, but such opportunities continue to be difficult to find and bring to our Town. Such businesses, however, can have the impact of establishing a solid financial base for this area and allow us to also increase opportunities connected to retailing, services, and tourism. All of these elements are important building blocks in re-establishing Millinocket as a significant economic development engine for the region.

During FY2009, a new manufacturer announced plans to construct a plant in Millinocket to manufacture bio-mass boilers. RE-Gen expects to obtain the rights to an Italian-made boiler that uses wood chips and is highly efficient. Finding the necessary financing has delayed the project, but the developer is still optimistic that he will be successful in obtaining it. If financing and other details can be successfully negotiated, the plant may be on line in late 2011. It would employ up to 100 people within the first five years of operation.

Despite the economic circumstances, the level of property tax collections was 96.08%, compared to 96.00% a year ago. These figures are within the normal range of tax collections for Millinocket, but are remarkable given the challenges many of our property owners currently face.

**SIGNIFICANT CHANGES IN FUNDS**

There were no significant changes in funds during Fiscal 2010.

**SIGNIFICANT BUDGET VARIANCES**

Several budget amendments were made at the time taxes were committed in October, 2009. As usual, there were a number of variances between what was budgeted by functional area and what was actually received in revenues or spent in expenditures. The major ones are detailed below.

Total revenues, including the school, were budgeted at \$12,964,888 and the actual amount received was \$13,735,739, for an overage of \$770,851. The most significant reason for this was the \$702,960 not reimbursed to Katahdin Paper as explained above. The Town also received FAA airport grant funds of \$935,659 that were \$635,658 over budget due to when the projects were actually done. Other contributors to this increase included additional transfer station revenues of \$30,896 and an increase in vehicle excise taxes \$112,933. The excise tax increase was due to a reduction in the amount originally budgeted because of the excise tax referendum that would have reduced excise tax by up to 50%. The referendum did not pass. The major revenue decreases were drops of \$75,463 in State Revenue Sharing and \$44,647 in investment interest. The loss of investment interest is due to the total collapse in interest rates due to the economy.

Total expenses, including the school, were budgeted at \$14,691,261 while actual expenditures were \$13,978,413 or \$712,848 less than budgeted. The School Department accounted for most of the under-expenditures with \$610,489 unspent. Other savings in budgeted expenditures included \$77,214 in the capital investment account and a savings in planned fringe benefit costs of \$30,267. In other expenditure areas, the most significant over-expenditures for the municipal part of the budget included \$12,066 in the legal fees account and \$44,647 in the special capital improvements account due to the receipt of additional grant funds.

When all the above factors were taken into account, the Town's overall year-end surplus (including the school department) increased by a net of \$162,468 and increased the Town's total fund balance to \$2,332,285.

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis, Continued**

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**SUMMARY OF CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

**CAPITAL ASSETS**

For the past nine years, the Town has developed and maintained a five year Capital Improvement Plan (CIP). This plan is updated annually as part of the budget cycle. The plan is for equipment needs only and does not include buildings at this time. Also, street paving is a separate sub-account in the Public Works budget.

For Fiscal 2010, the Town Council appropriated \$587,431 for capital equipment needs. Major projects included, but were not limited to, energy efficiency improvements, a new ambulance, and a new police cruiser.

The Town continues to be challenged by the condition of its streets and sidewalks. In Fiscal 2010, the Town budgeted \$125,000 for street paving and sidewalks, compared to \$100,000 in Fiscal 2009. A study put together by the Town nine years ago demonstrated that the actual need is at least \$160,000 per year (based on 2001 dollars when the annual paving budget was \$80,000), if the Town were to adopt a schedule to ensure each street was repaved at least once every 12 years. This is a minimal paving goal if the streets are to be maintained. The competition for funds for other needed purposes limits the amount of money available for this area.

In Wastewater, the long-planned infrastructure in the Iron Bridge Road/Riverside area has been completed. The area received new water and sewer mains and greatly improved storm drainage. The bulk of the work was done in the summer and fall of 2008 with final finish work completed in the late spring of 2009. Financing for the \$1,850,000 project came from a CDBG Public Infrastructure grant of \$500,000, a State Revolving Loan fund loan of \$1,050,000, \$85,000 from Aqua Maine, and \$215,000 from our Wastewater reserve account. The infrastructure in this area had been identified as among the worst in the entire community and this project has corrected those deficiencies.

**LONG-TERM DEBT**

The State allows municipalities to borrow up to 15% of their total state valuation. Since the value of the Town was \$361,748,150 in FY10, the debt limit would be \$54,262,223. Our current bonded debt is \$6,030,312, or just 11% of our authorized limit. This debt includes \$2,683,866 in school projects, \$1,201,354 for municipal purposes (including the new pool and energy improvements), and \$2,045,092 for Wastewater. The Wastewater debt is repaid through user fees, not property tax revenues.

During FY03, the Town was invited to refinance its Wastewater debt through the Maine Municipal Bond Bank. This shortened the life of the loan by six months and will result in an overall savings of \$250,000 over the life of the loan, which expires in 2017. The last school loan will be repaid in 2018. The municipal loan is for the new pool that is a 15 year obligation and the first payment was made during Fiscal 2008.

The strategic use of debt may become more important for key projects in the future if a decision is made by the Town to constrain the use of tax dollars and use debt to spread out the costs of needed improvements of a capital nature as opposed to the current method of mostly paying as we go. Debt, however, becomes a fixed cost going forward and limits the flexibility that is sometimes needed to finance an operating budget.

**FUTURE SIGNIFICANT IMPACTS**

The Town of Millinocket continues to face many challenges. In addition to the need for new and expanded economic development opportunities, pressures from other corners continue to be felt.

The challenge presented by the indefinite shutdown of Katahdin Paper Company in September of 2008, as described above, is the most critical issue currently facing the Town.

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis, Continued**

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If RE-Gen, the biomass boiler manufacturer, is successful in arranging its financing, operations could begin in late 2011. Because the market place appears to be hungry for the type of product they will produce, chances of success are very good. The developer continues to be optimistic about this project.

Another significant issue is the school reorganization law enacted by the State in 2007. Discussions on an Alternative Organizational Structure (AOS) have essentially ended in this area since the January 2009 referendum was rejected by East Millinocket and Medway, although it was approved here in Millinocket. An AOS can best be described as a super-charged school union. It primarily would address the governance and management of area schools and also would determine the distribution of state Essential Program and Services (EPS) funding to the local schools. While penalties for non-conforming school units were suspended for Fiscal 2009, Fiscal 2010, and again for Fiscal 2011 by the Legislature, there is no certainty that they will be waived again looking ahead to Fiscal 2012 (July 1, 2011 to June 30, 2012). If enforced, the penalty could cost Millinocket about \$110,000 in Fiscal 2012.

The School Board and Superintendent are continuing their efforts to find a willing partner or partners to form a new educational structure that will comply with the State law, but they have not been successful to date. The new Superintendent who officially assumed his duties on July 1, 2010 has already identified the possible recruitment of international students to help increase the numbers of students in our school department. This could be a partial answer going forward to our declining enrollments and continuing budget problems caused in large part by the corresponding decline in State education funding.

The State continues to face financial hardships. For Fiscal 2010, the State reduced EPS funding significantly, which resulted in an increase in local property taxes to make up the shortfall. In addition to the impact on local taxpayers, a major concern with the EPS reduction is the continuing lack of commitment by the State to fund 55% of the cost of Kindergarten through Grade 12 public education in the State that was originally mandated in a 2004 school funding and tax reform referendum. This successful effort by voters was overturned by the subsequent passage in 2005 of LD 1 that changed the ramp up time of the 55% funding formula and totally dismantled the tax reform piece. As long as the State continues to shirk its responsibilities to fund K – 12 education, the burden of those decisions will continue to fall on local property taxpayers. There is no indication that the State has any intention of meeting the 55% requirement and, in fact, State funding for education is again approaching the historic lows that generated the reform effort initially. The State level of support is currently back down in the range of 43% and it is expected to drop further over the next year.

Another financial pressure was also implemented a year ago. In 2006, the State repealed the property tax on personal property. Personal property is generally all the equipment and machinery owned by businesses. Most categories of personal property purchased between April 1, 2007 and March 31, 2008 and beyond will be exempted from local taxation as of April 1, 2008 which means that the taxes assessed here in Millinocket will not include most new personal property additions to the tax roll. The State has obligated itself to reimburse most affected communities 50% of the lost tax revenue. Because of Millinocket's heavy dependence on personal property, our town (and others like us) will initially receive 100% reimbursement for these lost taxes, but the amount will decrease to the 50% level in coming years. This new reimbursement program is called the Business Equipment Tax Exemption (BETE) program. It is now beginning to demonstrate the expected tax shift from those making investment to all other taxpayers – retirees, working families, small businesses, etc. The fear is that the State, like it has in many other instances, will renege on this obligation and leave many municipalities in the lurch. There is a history of this happening in other states that repealed personal property taxes in favor of a state reimbursement program, only to see the state reimbursements end a few years later as other budgetary pressures arose.

**TOWN OF MILLINOCKET, MAINE**  
**Management's Discussion and Analysis, Continued**

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Because of the continuing State budget problems, the Governor and Legislature also made a new and significant reduction in the State Revenue Sharing program and to the Homestead Exemption program as well as several other minor revenues streams that affect municipalities. The short term concern is that these reductions will almost certainly result in property tax increases, but the longer term concern is that these reductions will become permanent and could even be increased as the State continues to struggle with huge budget deficits.

Despite these significant challenges, Millinocket Municipal Government continues to be on a sound financial footing. There have been no major changes in tax collections or other similar revenues.

As the fiscal year came to a close, the Town finished its fifth year of an agreement with the Town of East Millinocket to provide contracted management services of the Town's Recreation Department by East. The Town of Medway is also served under this contract. This arrangement continues to work well. The Town recently renewed this agreement for three more years. This is another example of progress in the sharing and/or regionalizing of municipal services in the area. It also follows previous efforts in the last few years that have provided for shared tax assessor and code enforcement services and a shared School Superintendent's office between the two area school systems, although as of July 1, 2010, Millinocket and School Union 113 will again employ their own individual superintendents of schools. This separation is due in large part to the lack of success in implementing a new school organization as required by the 2007 law. These efforts recognize the shrinking population base and affiliated dynamics that come from it such as fewer students in the area schools and the need to develop new employment opportunities.

Another positive development is the creation of the Katahdin Area Recovery and Expansion Committee. This group is composed of the 17 elected municipal officers of Millinocket, East Millinocket, and Medway. They initially agreed to form in December 2008 after Millinocket received a \$75,000 payment from Brookfield Power to help with economic development efforts due to the mill shutdown. This payment will repeat each year until the mill reopens. The funds are being used to assist economic development and job creation in the Katahdin Region.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Millinocket's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Millinocket, Maine, 197 Penobscot Avenue, Millinocket, Maine 04462.

Respectfully submitted,

Eugene J. Conlogue  
Millinocket Town Manager

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF MILLINOCKET, MAINE**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,831,263	105,557	1,936,820
Investments	1,918,759	988,359	2,907,118
Receivables:			
Accounts, net of allowance of \$27,000	202,784	364,962	567,746
Intergovernmental	160,247	-	160,247
Taxes receivable	478,825	-	478,825
Tax liens	151,374	-	151,374
Notes, net of allowance of \$43,253	260,424	-	260,424
Internal balances	(51,063)	51,063	-
Inventory	35,840	-	35,840
Other	-	10,676	10,676
Capital assets, not being depreciated	1,682,600	-	1,682,600
Capital assets, net of accumulated depreciation	7,325,496	4,813,776	12,139,272
Total assets	13,996,549	6,334,393	20,330,942
<b>LIABILITIES</b>			
Cash overdraft	155,035	-	155,035
Accounts payable and other current liabilities	116,144	5,833	121,977
Accrued wages and benefits payable	510,096	3,617	513,713
Accrued compensated absences	449,846	43,969	493,815
Other post employment benefits	2,012,938	-	2,012,938
Accrued interest	44,816	-	44,816
Noncurrent liabilities:			
Due within one year	404,920	179,723	584,643
Due in more than one year	3,668,894	1,865,369	5,534,263
Total liabilities	7,362,689	2,098,511	9,461,200
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,934,282	2,768,684	7,702,966
Restricted for:			
Nonexpendable trust principal	16,401	-	16,401
Other purposes	296,264	-	296,264
Unrestricted	1,386,913	1,467,198	2,854,111
Total net assets	\$ 6,633,860	4,235,882	10,869,742

*See accompanying notes to financial statements.*

TOWN OF MILLINOCKET, MAINE  
Statement of Activities  
For the Year Ended June 30, 2010

Functions/programs	Net (expense) revenue and changes in net assets					
	Expenses	Program revenues			Primary Government	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
Primary government:						
Governmental activities:						
General government	\$					
Protection	551,763	84,976	-	-	(466,787)	(466,787)
Town services	1,661,835	353,580	13,100	-	(1,295,155)	(1,295,155)
Community services	1,232,734	173,413	45,380	168,103	(845,838)	(845,838)
Education	775,903	101,393	98,365	1,002,662	426,517	426,517
On-behalf payments - Maine PERS	8,555,598	368,595	3,410,890	-	(4,776,113)	(4,776,113)
Insurance and fringe benefits	564,084	-	564,084	-	-	-
County tax	1,341,974	-	-	-	(1,341,974)	(1,341,974)
Food service	339,562	-	-	-	(339,562)	(339,562)
Capital maintenance expenses	323,314	117,301	223,081	-	17,068	17,068
Interest on debt	144,816	-	-	-	(144,816)	(144,816)
Total governmental activities	205,500	-	-	-	(205,500)	(205,500)
Total governmental activities	15,697,083	1,199,258	4,354,900	1,170,765	(8,972,160)	(8,972,160)
Business-type activities:						
Wastewater treatment plant	643,029	558,354	-	10,870	-	(73,805)
Total business-type activities	643,029	558,354	-	10,870	-	(73,805)
<b>Total primary government</b>	<b>\$ 16,340,112</b>	<b>1,757,612</b>	<b>4,354,900</b>	<b>1,181,635</b>	<b>(8,972,160)</b>	<b>(9,045,965)</b>
General revenues:						
Property taxes, levied for general purposes				\$	7,113,980	7,113,980
Motor vehicle excise taxes					721,233	721,233
Interest and lien costs					48,122	48,122
Grants and contributions not restricted to specific programs:						
Homestead and BETE exemptions					368,191	368,191
Other State aid					18,083	18,083
State Revenue Sharing					624,537	624,537
Unrestricted investment earnings					12,331	12,331
Miscellaneous revenues					154,299	154,299
Loss on disposal of assets					(104,185)	(104,185)
Transfers					8,400	8,400
Total general revenues and transfers					8,964,991	8,964,991
Change in net assets					(7,169)	(7,169)
Net assets - beginning					6,641,029	6,641,029
<b>Net assets - ending</b>				<b>\$</b>	<b>6,633,860</b>	<b>6,633,860</b>
					4,291,660	4,291,660
				<b>\$</b>	<b>4,235,882</b>	<b>4,235,882</b>

See accompanying notes to financial statements.

**TOWN OF MILLINOCKET, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Capital Reserve Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,718,982	-	112,281	1,831,263
Investments	1,377,957	501,862	38,940	1,918,759
Receivables:				
Accounts, net of allowance of \$27,000	202,784	-	-	202,784
Intergovernmental	-	-	160,247	160,247
Taxes receivable	478,825	-	-	478,825
Tax liens	151,374	-	-	151,374
Notes, net of allowance of \$43,253	-	-	260,424	260,424
Interfund loans receivable	-	183,957	171,515	355,472
Inventory	18,746	-	17,094	35,840
<b>Total assets</b>	<b>\$ 3,948,668</b>	<b>685,819</b>	<b>760,501</b>	<b>5,394,988</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Cash overdraft	155,035	-	-	155,035
Accounts payable	116,144	-	-	116,144
Accrued wages and benefits	483,511	-	26,585	510,096
Interfund loans payable	330,693	48,275	27,567	406,535
Deferred tax revenues	531,000	-	-	531,000
<b>Total liabilities</b>	<b>1,616,383</b>	<b>48,275</b>	<b>54,152</b>	<b>1,718,810</b>
Fund balances:				
Reserved for:				
Noncurrent receivables	-	-	260,424	260,424
Nonexpendable trust principal	-	-	16,401	16,401
Inventory	18,746	-	17,094	35,840
Unreserved, reported in:				
General fund - designated	57,451	-	-	57,451
General fund - undesignated	2,256,088	-	-	2,256,088
Special revenue funds	-	637,544	390,308	1,027,852
Permanent funds	-	-	22,122	22,122
<b>Total fund balances</b>	<b>2,332,285</b>	<b>637,544</b>	<b>706,349</b>	<b>3,676,178</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,948,668</b>	<b>685,819</b>	<b>760,501</b>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				9,008,096
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				531,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:				
Compensated absences payable				(449,846)
Other post employment benefits				(2,012,938)
Accrued interest				(44,816)
Capital leases payable				(88,594)
Bonds payable				(3,985,220)
<b>Net assets of governmental activities</b>				<b>\$ 6,633,860</b>

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2010**

	General	Capital Reserve Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 7,895,335	-	-	7,895,335
Licenses and permits	48,367	-	-	48,367
Intergovernmental	4,716,170	-	1,256,222	5,972,392
Intergovernmental on-behalf payments	564,084	-	-	564,084
Tuition and other charges for services - education	261,602	-	-	261,602
Charges for services	345,265	-	224,294	569,559
Fees and fines	3,001	-	-	3,001
Unclassified	462,255	-	8,773	471,028
Investment earnings	3,744	51	8,536	12,331
Total revenues	14,299,823	51	1,497,825	15,797,699
Expenditures:				
Current:				
General government	519,574	-	-	519,574
Protection	1,578,705	-	8,207	1,586,912
Town services	1,087,188	-	-	1,087,188
Community services	690,726	-	-	690,726
Education	6,468,290	-	1,092,687	7,560,977
Maine Public Employees Retirement on-behalf payments	564,084	-	-	564,084
Insurance and fringe benefits	1,052,308	-	-	1,052,308
County tax	339,562	-	-	339,562
Food services	-	-	323,314	323,314
Unclassified	-	-	-	-
Capital outlay	1,795,190	-	-	1,795,190
Debt service	532,365	-	-	532,365
Total expenditures	14,627,992	-	1,424,208	16,052,200
Excess (deficiency) of revenues over (under) expenditures	(328,169)	51	73,617	(254,501)
Other financing sources (uses):				
Proceeds from capital leases	76,481	-	-	76,481
Issuance of debt	341,354	-	-	341,354
Transfers from other funds	223,488	90,166	69,003	382,657
Transfers to other funds	(150,686)	(84,580)	(138,991)	(374,257)
Total other financing sources (uses)	490,637	5,586	(69,988)	426,235
Net change in fund balances	162,468	5,637	3,629	171,734
Fund balances, beginning of year	2,169,817	631,907	702,720	3,504,444
<b>Fund balances, end of year</b>	<b>\$ 2,332,285</b>	<b>637,544</b>	<b>706,349</b>	<b>3,676,178</b>

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2010**

Net change in fund balances - total governmental funds (from Statement 4)	\$	171,734
Amounts reported for governmental activities in the statement of activities (Statement 2) 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 as depreciation expense. This is the amount by which capital outlays (\$1,650,373) exceeded loss on disposal of capital assets (\$104,184) and depreciation expense (\$592,283) in the current period.		953,906
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue.		(12,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences (\$62,020), other post employment benefits (\$984,683) and accrued interest (\$12,772).		(1,059,475)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$76,481) exceeded repayments (\$16,864).		(59,617)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$341,354) exceeded repayments (\$339,637).		(1,717)
Change in net assets of governmental activities (see Statement 2)	\$	(7,169)

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2010**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 7,095,960	7,095,960	7,895,335	799,375
Licenses and permits	43,300	43,300	48,367	5,067
Intergovernmental	4,848,195	4,887,040	4,716,170	(170,870)
Tuition and other charges for services - education	241,768	241,768	261,602	19,834
Charges for services	323,776	323,776	345,265	21,489
Fees and fines	6,116	6,116	3,001	(3,115)
Unclassified	316,928	316,928	462,255	145,327
Investment earnings	50,000	50,000	3,744	(46,256)
Total revenues	12,926,043	12,964,888	13,735,739	770,851
<b>Expenditures:</b>				
<b>Current:</b>				
General government	520,069	539,469	519,574	19,895
Protection	1,605,126	1,605,126	1,578,705	26,421
Town services	1,108,943	1,108,943	1,087,188	21,755
Community services	659,392	659,392	690,726	(31,334)
Education	7,069,765	7,069,765	6,459,276	610,489
Insurance and fringe benefits	1,082,575	1,082,575	1,052,308	30,267
County tax	339,562	339,562	339,562	-
Capital outlay	1,296,000	1,751,276	1,718,709	32,567
Debt service	535,153	535,153	532,365	2,788
Total expenditures	14,216,585	14,691,261	13,978,413	712,848
Deficiency of revenues under expenditures	(1,290,542)	(1,726,373)	(242,674)	1,483,699
<b>Other financing sources (uses):</b>				
Use of undesignated fund balance - Town	550,000	566,431	-	(566,431)
Use of undesignated fund balance - School	742,148	742,148	-	(742,148)
Issuance of debt	-	400,000	341,354	(58,646)
Overlay	(44,728)	(44,728)	-	44,728
Transfers from other funds	191,340	210,740	223,488	12,748
Transfers to other funds	(148,218)	(148,218)	(150,686)	(2,468)
Total other financing sources	1,290,542	1,726,373	414,156	(1,312,217)
Net change in fund balance - budgetary basis	-	-	171,482	171,482
<b>Reconciliation to GAAP basis:</b>				
Change in accrued teacher summer salaries			(9,014)	
Net change in fund balance - GAAP basis			162,468	
Fund balance, beginning of year			2,169,817	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>2,332,285</b>	

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

<b>Business-type Activities - Enterprise Funds</b>		<b>Wastewater Treatment Plant</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$	105,557
Investments		988,359
Accounts receivable		364,962
Interfund loans receivable		51,063
Loan origination fees - net		10,676
Total current assets		1,520,617
Noncurrent assets:		
Capital assets		12,718,739
Less accumulated depreciation		(7,904,963)
Total noncurrent assets		4,813,776
Total assets		6,334,393
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		5,833
Accrued wages		3,617
Accrued compensated absences		43,969
Bonds payable, current		179,723
Total current liabilities		233,142
Noncurrent liabilities:		
Bonds payable		1,865,369
Total noncurrent liabilities		1,865,369
Total liabilities		2,098,511
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		2,768,684
Unrestricted		1,467,198
Total net assets	\$	4,235,882

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2010**

<b>Business-type Activities - Enterprise Funds</b>		<b>Wastewater Treatment Plant</b>
Operating revenues:		
Charges for services	\$	544,932
Other		13,422
Total operating revenues		558,354
Operating expenses:		
Administration		105,198
Operations		270,977
Depreciation and amortization		240,256
Total operating expenses		616,431
Operating loss		(58,077)
Nonoperating revenue (expense):		
Interest income		26,427
Grant income		10,870
Interest expense		(26,598)
Total nonoperating revenue		10,699
Loss before transfers		(47,378)
Transfers out		(8,400)
Change in net assets		(55,778)
Total net assets, beginning of year		4,291,660
<b>Total net assets, end of year</b>	<b>\$</b>	<b>4,235,882</b>

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the year ended June 30, 2010**

Business-type Activities - Enterprise Funds	Wastewater Treatment Plant
Cash flows from operating activities:	
Receipts from customers and users	\$ 566,446
Payments to suppliers	(201,030)
Payments to employees	(189,189)
Net cash provided by operating activities	176,227
Cash flows from noncapital financing activities:	
Transfer to other funds	(8,400)
Net cash used in noncapital financing activities	(8,400)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(138,422)
Bond proceeds	78,254
Principal payments on bonds	(173,051)
Grant revenue	10,870
Interest paid	(26,598)
Net cash used in capital and relating financing activities	(248,947)
Cash flows from investing activities:	
Sale of investments	23,573
Investment income	26,427
Net cash provided by investing activities	50,000
Decrease in cash	(31,120)
Cash, beginning of year	136,677
<b>Cash, end of year</b>	<b>\$ 105,557</b>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (58,077)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	240,256
Decrease in operating assets:	
Accounts receivable	8,092
Increase (decrease) in operating liabilities:	
Accounts payable	(21,872)
Accrued wages and benefits payable	1,164
Accrued compensated absences	6,664
Net cash provided by operating activities	176,227

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2010**

		Agency Fund School Activity Fund
<b>ASSETS</b>		
Cash	\$	85,349
<b>Total assets</b>		<b>85,349</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Due to student groups		85,349
Total liabilities		85,349
Net assets:		
Held in trust	\$	-

*See accompanying notes to financial statements.*

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The Town of Millinocket, Maine was incorporated as a Town in 1901 under the laws of the State of Maine. The Town operates under a council-manager form of government.

**A. Reporting Entity**

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14 "The Financial Reporting Entity" as amended by GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Additionally, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or component unit. Based on the application of these criteria, there were no potential component units required to be included in this report.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and one year for all other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Funds are used to account for transactions related to capital reserves held by the Town.

The Town reports the following major proprietary fund:

The Wastewater Treatment Plant Fund accounts for the operation of a sewer system in Millinocket.

Additionally, the Town reports the following fund type:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund is charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**D. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits as well as time deposits and certificates of deposit owned by the Town. State statutes authorize the Town to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments are stated at fair value, unless otherwise indicated. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments of the Permanent Funds, Wastewater Treatment Plant Fund and Capital Reserve Funds are pooled on a cost basis, with each individual fund subscribing to or disposing of interest in the investment pool on the basis of cost value at the beginning of the fiscal year. As such, investment income, investment expense, and gains and losses on sales of investments are allocated to each fund based on its proportionate interest in the investment pool.

**E. Inventory**

Inventory consists of airport fuel and supplies and School Lunch Program food, supplies and donated commodities and is recorded at the lower of cost or market on the first-in, first-out basis.

**F. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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For the primary government, the following estimated useful lives are used to compute depreciation:

Buildings and improvements	10-50 years
Interceptors	35 years
Sewer lines	35-100 years
Equipment and vehicles	5-50 years
Infrastructure	40 years

**G. Compensated Absences**

Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

**H. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**I. Interfund Transactions**

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets and service debt. These transactions are reported as transfers.

**J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

**K. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed by the School Department. Encumbrances, if any, have been shown as a reservation of fund balances at year-end.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**L. Use of Estimates**

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

**M. Comparative Data/Reclassifications**

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

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STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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**Budgetary vs. GAAP Basis of Accounting**

Through June 30, 2010, the Town did not budget for revenues and expenditures related to teachers' summer pay on an accrual basis.

As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine Public Employees Retirement contributions made by the State of Maine on behalf of the Town of Millinocket School Department. These amounts have not been budgeted and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$564,084. These amounts have been included as an intergovernmental revenue and an education expenditure in the General Fund on Statement 4 (GAAP basis) and on the Statement of Activities (Statement 2). There is no effect on the fund balance at the end of the year.

**Budget Information**

The Town utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. These budgets are established in accordance with the various laws of the State of Maine which govern the Town's operations. The budget has been prepared consistent with the modified accrual basis of accounting. Generally, all unexpended appropriations lapse at the close of the fiscal year.

**Excess of Expenditures over Appropriations**

For the year ended June 30, 2010, expenditures exceeded appropriations in the following departments:

Town Manager and Council	\$ 575	Environmental services	631
Elections and registration	755	Public works administration	1,314
Legal services	12,066	KARE	45,965*
DARE Program – donations	2,739*	Holiday observation	1,280
Ambulance	480	Human resources/assistance	155
Community services	48	Recreation	5,282
Insurances	1,455	Cemeteries	1,537
Dog constable	3,348*	Special capital improvements	44,647

• The Town used designated fund balances for DARE, dog constable and KARE to cover the overages.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**DEPOSITS AND INVESTMENTS**

As of June 30, 2010, the Town had the following investments:

	<u>Fair value</u>	<u>Weighted average maturity (years)</u>	<u>Credit rating</u>
Mutual Funds	\$ 1,377,957	N/A	N/A

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town currently does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$1,563,328 of the Town’s bank balance of \$2,054,956 was uninsured and/or uncollateralized.

*Custodial credit risk - investments* – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town currently does not have an investment policy for custodial credit risk. Of the Town’s \$1,529,161 investment in money market, cash management and certificates of deposit, \$290,803 was uninsured and/or uncollateralized.

*Credit risk* – 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. The Town currently does not have an investment policy for credit risk.

*Interest rate risk* – The Town does not have a deposit policy for interest rate risk.

As of June 30, 2010, the Town had the following cash and investments:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash	\$ 1,831,263	105,557	85,349	2,022,169
Investments	1,918,759	988,359	-	2,907,118
Cash overdraft	(155,035)	-	-	(155,035)
<b>Total</b>	<b>\$ 3,594,987</b>	<b>1,093,916</b>	<b>85,349</b>	<b>4,774,252</b>

**PROPERTY TAX**

Property taxes for the current period were committed on October 27, 2009, on the assessed value listed as of April 1, 2009, for all real and personal property located in the Town. Payments of taxes were due in equal installments on November 20, 2009 and April 16, 2010. Interest at the rate of 9% per annum was charged on any amounts remaining unpaid after these dates. Assessed values are periodically established by the Assessor's agent at 100% of assumed market value. The 2010 assessed value was 100% of the estimated market value and 113% of the 2010 state valuation of \$320,700,000.

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 \$44,728 for the period ended June 30, 2010.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**PROPERTY TAX, 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.

Property taxes levied during the period were recorded as receivables at the time the levy was made. The receivables collected during the period and in the first sixty days following the end of the fiscal period have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the tax levies:

	<u>2010</u>	<u>2009</u>
Assessed value	\$ 361,748,150	367,677,568
<u>Tax rate (per \$1,000)</u>	<u>22.80</u>	<u>24.20</u>
Commitment	8,247,858	8,897,797
<u>Supplemental taxes assessed</u>	<u>7,405</u>	<u>7,181</u>
	8,255,263	8,904,978
Less:		
<u>Collections and abatements</u>	<u>7,931,887</u>	<u>8,548,222</u>
<b><u>Receivable at end of period</u></b>	<b><u>\$ 323,376</u></b>	<b><u>356,756</u></b>
Collection rate	96.08%	96.00%

**CAPITAL ASSETS**

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

	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 275,740	7,577	-	283,317
<u>Construction in progress</u>	<u>458,634</u>	<u>959,649</u>	<u>19,000</u>	<u>1,399,283</u>
<b>Total capital assets, not being depreciated</b>	<b>734,374</b>	<b>967,226</b>	<b>19,000</b>	<b>1,682,600</b>
Capital assets, being depreciated:				
Land improvements	1,649,737	-	-	1,649,737
Buildings and building improvements	6,862,717	404,154	90,328	7,176,543
Equipment and vehicles	6,705,917	278,994	43,900	6,941,011
<u>Infrastructure</u>	<u>3,441,980</u>	<u>-</u>	<u>-</u>	<u>3,441,980</u>
<b>Total capital assets being depreciated</b>	<b>18,660,351</b>	<b>683,148</b>	<b>134,228</b>	<b>19,209,271</b>
Less accumulated depreciation for:				
Land improvements	245,291	53,557	-	298,848
Buildings and building improvements	2,955,296	229,273	5,143	3,179,426
Equipment and vehicles	4,740,301	307,453	43,900	5,003,854
<u>Infrastructure</u>	<u>3,399,647</u>	<u>2,000</u>	<u>-</u>	<u>3,401,647</u>
<b>Total accumulated depreciation</b>	<b>11,340,535</b>	<b>592,283</b>	<b>49,043</b>	<b>11,883,775</b>
<b>Total capital assets being depreciated, net</b>	<b>7,319,816</b>	<b>90,864</b>	<b>85,184</b>	<b>7,325,496</b>
<b><u>Governmental activities capital assets, net</u></b>	<b><u>\$ 8,054,190</u></b>	<b><u>1,058,090</u></b>	<b><u>104,184</u></b>	<b><u>9,008,096</u></b>

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**CAPITAL ASSETS, CONTINUED**

	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,787,720	36,210	1,823,930	-
<b>Total capital assets, not being depreciated</b>	<b>1,787,720</b>	<b>36,210</b>	<b>1,823,930</b>	<b>-</b>
Capital assets, being depreciated:				
Buildings and building improvements	4,697,117	17,526	-	4,714,643
Interceptors	1,113,395	-	-	1,113,395
Equipment and vehicles	599,831	84,686	-	684,517
Infrastructure, sewer lines and equipment	4,382,254	1,823,930	-	6,206,184
<b>Total capital assets being depreciated</b>	<b>10,792,597</b>	<b>1,926,142</b>	<b>-</b>	<b>12,718,739</b>
Less accumulated depreciation for:				
Buildings and building improvements	3,890,008	132,215	-	4,022,223
Interceptors	919,876	31,811	-	951,687
Equipment and vehicles	527,741	16,443	-	544,184
Infrastructure, sewer lines and equipment	2,328,416	58,453	-	2,386,869
<b>Total accumulated depreciation</b>	<b>7,666,041</b>	<b>238,922</b>	<b>-</b>	<b>7,904,963</b>
<b>Total capital assets being depreciated, net</b>	<b>3,126,556</b>	<b>1,687,220</b>	<b>-</b>	<b>4,813,776</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 4,914,276</b>	<b>1,723,430</b>	<b>1,823,930</b>	<b>4,813,776</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 21,035
Protection	73,789
Town services	127,000
Community services	81,847
Education and libraries	288,612
<b>Total depreciation expense - governmental activities</b>	<b>\$ 592,283</b>
Business-type activities:	
Wastewater Fund	\$ 238,922
<b>Total depreciation expense - business activities</b>	<b>\$ 238,922</b>

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**PENSION PLANS**

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**Maine Public Employees Retirement System (Maine PERS) - Consolidated Plan**

**Description of the Plan** - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate ranges from 2.8% to 5.3% of annual covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended June 30, 2010, 2009 and 2008 were \$0, \$0, and \$1,553, respectively, equal to the required contributions for each year.

**Maine Public Employees Retirement System - School Employees**

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The School Department's payroll for employees covered by this group, for the fiscal year ended June 30, 2010, was \$3,172,577. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to 17.78% of compensation. Contributions paid by the State totaled approximately \$564,084 for the year ended June 30, 2010. There is no contribution required by the School Department except for federally funded teachers for which the School Department contributes 17.78% of their compensation. This cost amounted to \$63,332 for the year ended June 30, 2010, and is charged to the applicable grant.

**Deferred Compensation Plan**

The Town offers all its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the Town's financial statements.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,983,503	341,354	339,637	3,985,220	384,946
Capital leases	28,977	76,481	16,864	88,594	19,974
Other post-employment benefits	1,028,255	1,853,701	869,018	2,012,938	-
Accrued compensated absences	387,826	62,020	-	449,846	-
<b>Governmental activity</b>					
<b>long-term liabilities</b>	<b>\$ 5,428,561</b>	<b>2,333,556</b>	<b>1,225,519</b>	<b>6,536,598</b>	<b>404,920</b>
<b>Business-type activities:</b>					
General obligation bonds	2,159,497	58,646	173,051	2,045,092	179,723
Accrued compensated absences	37,305	6,664	-	43,969	-
<b>Business-type activities</b>					
<b>long-term liabilities</b>	<b>\$ 2,196,802</b>	<b>65,310</b>	<b>173,051</b>	<b>2,089,061</b>	<b>179,723</b>

Bonds and notes payable at June 30, 2010 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2010</u>
<b>Governmental activities:</b>					
School improvements	05/01/98	\$ 4,560,000	2018	Varies	\$ 2,603,643
School improvements	10/06/00	716,500	2012	0%	71,369
School improvements	10/06/00	100,000	2011	0%	8,854
2006 Series C	10/26/06	1,200,000	2021	Varies	960,000
2009 GOB	08/03/09	341,354	2020	4.96%	341,354
<b>Total governmental activities</b>					<b>\$ 3,985,220</b>
<b>Business-type activities:</b>					
Sewer line expansion	04/01/03	1,922,632	2017	1.33%	\$ 1,025,403
CWSRF	05/16/08	1,050,000	2028	1.80%	961,043
2009 GOB	08/03/09	58,646	2020	4.96%	58,646
<b>Total business-type activities</b>					<b>\$ 2,045,092</b>

Arbitrage rebate - Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. There are certain exceptions which result in a municipal issuer not having to calculate or pay the required rebate. The Town of Millinocket has met these exceptions since the effective date of the regulations.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**LONG-TERM DEBT, CONTINUED**

The annual requirements to amortize all long-term debt outstanding as of June 30, 2010 are as follows:

<u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 384,946	188,064	573,010	179,723	33,588	213,311
2012	396,679	169,575	566,254	180,546	31,367	211,913
2013	380,905	150,670	531,575	181,382	29,131	210,513
2014	386,176	131,217	517,393	182,235	26,880	209,115
2015	400,186	110,788	510,974	183,102	24,614	207,716
2016-2020	1,876,328	225,883	2,102,211	672,729	86,891	759,620
2021-2025	160,000	2,940	162,940	283,033	47,622	330,655
2026-2028	-	-	-	182,342	16,051	198,393
<b>Total</b>	<b>\$ 3,985,220</b>	<b>979,137</b>	<b>4,964,357</b>	<b>2,045,092</b>	<b>296,144</b>	<b>2,341,236</b>

The Town is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the Town. The Town's outstanding long-term debt of \$6,030,312 at June 30, 2010 was within the statutory limit.

**OBLIGATIONS UNDER CAPITAL LEASES**

The Town's School Department has entered into several lease agreements. These leases qualify as capital leases for accounting purposes, and therefore have been recorded in the government-wide financial statements at the present value of future minimum lease payments as of the date of inception. These assets are recorded as capital assets in the government-wide financial statements.

Minimum future lease payments under capital leases are:

<u>Year ended June 30,</u>	
2011	\$ 21,262
2012	21,262
2013	20,353
2014	17,887
2015	16,980
Total minimum lease payments	97,744
Less amount representing interest	(9,150)
<b>Present value of future minimum lease payments</b>	<b>\$ 88,594</b>

**SHORT-TERM DEBT**

The Town issues tax anticipation notes to cover cash shortfalls during the year. Short-term debt activity for the year ended June 30, 2010, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Tax anticipation notes	\$ -	800,000	800,000	-

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**DESIGNATED FUND BALANCE - GENERAL FUND**

At June 30, 2010, the General Fund's designated fund balance was comprised of the following:

	<u>Balance</u> <u>June 30, 2010</u>
Record preservation	\$ 500
Dog fees	2,648
TRIAD	2,044
DARE	10,887
Police vests	(125)
KARE (Fiscal agent)	40,265
Library gifts and donations	1,232
<b>Total</b>	<b><u>\$ 57,451</u></b>

**UNDESIGNATED FUND BALANCE - GENERAL FUND - SCHOOL**

At June 30, 2010, the General Fund's school undesignated fund balance was comprised of the following:

General education--GAAP basis	\$ 39,538
Accrued summer teacher pay	426,713
<b>Total - budgetary basis</b>	<b><u>\$ 466,251</u></b>

**NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2010:

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 20,891,871	12,718,739
Accumulated depreciation	(11,883,775)	(7,904,963)
Bonds payable	(3,985,220)	(2,045,092)
Capital leases payable	(88,594)	-
<b>Total invested in capital assets net of related debt</b>	<b><u>\$ 4,934,282</u></b>	<b><u>2,768,684</u></b>

**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 either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association and the School Department participates in a public entity risk pool sponsored by the Maine School Management Association for workers' compensation coverage.

Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2010.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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During the course of normal operations the Town has numerous transactions between funds including expenditures and transfers. Individual fund interfund receivables and payables balances at June 30, 2010 arising from these transactions were as follows:

	<u>Receivables</u>	<u>Payables</u>	<u>Net transfers in (out)</u>
General Fund	\$ -	330,693	72,802
Capital reserve funds	183,957	48,275	5,586
Nonmajor Special Revenue Fund:			
CDBG loan fund	-	17,099	-
Recreation	3,311	-	-
Comprehensive plan	10,114	-	-
School categorical programs	105,427	-	(128,040)
School lunch	52,663	-	37,000
Other school funds	-	6,668	21,052
Proprietary Fund	51,063	-	(8,400)
Nonmajor Permanent Funds	-	3,800	-
<b>Totals</b>	<b>\$ 406,535</b>	<b>406,535</b>	<b>-</b>

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**SIGNIFICANT TAXPAYER**

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For the year ended June 30, 2010, the Town of Millinocket committed \$4,363,936 in real estate and personal property tax revenue from Katahdin Paper Co. This commitment represents approximately 52.91% of total property taxes assessed.

**TAX INCREMENT FINANCING DISTRICT**

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The Town has established the Katahdin Paper Municipal Development District - tax increment financing district (TIF). The Town refunds the tax increment on 85% on the new captured assessed value of the property in this TIF District to KP for a period of fifteen years. For the year ended June 30, 2010, \$1,004,228 of tax revenues were captured and refunded as TIF district revenues. The percentage of tax increment revenues that KP will receive in any given year will be based on the number of full-time employee positions retained by the Company.

The Town has established the Specialty Minerals, Inc. Credit Enhancement Agreement - tax increment financing district (TIF). The Town refunds the tax increment on 50% on the new captured assessed value of the property in this TIF District to SMI for a period of ten years. For the year ended June 30, 2010, \$90,166 of tax revenues were captured and refunded as TIF district revenues.

**CONTINGENCIES**

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The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**Grant Funds** - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

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**CONTINGENCIES, CONTINUED**

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**FAME Loan** - The Town of Millinocket has an outstanding loan with the Finance Authority of Maine (FAME) to finance costs incurred by the Town for the investigation, removal, and remediation of waste oil contamination at the Portland-Bangor Waste Oil Services Site in Plymouth, Maine. The amount outstanding at June 30, 2010 was \$92,295. Principal payments have been deferred until the beginning of repayment, which then principal payments would be due over a period not to exceed ten years with an interest rate of 0%. This has not been recorded due to the uncertainty of repayment. This loan may be turned into a grant, which would eliminate any repayment.

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**LONG-TERM RECEIVABLE**

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In 2001, the Town, through the U.S. Department of Housing and Urban Development made a 30 year, no interest loan to further economic activity within the Town. As required by accounting principles generally accepted in the United States of America, the no-interest loan of \$360,000 was discounted to its present value of \$133,960. The note is being amortized at the Town's rate of borrowing in 2001, at 3.3% each year to reflect its future value of \$360,000. At June 30, 2010, the value of note was:

Year ended		
<u>June 30,</u>	<u>Interest</u>	<u>Total</u>
Current balance	\$ 5,842	180,198
2011	6,037	186,235
2012	6,240	192,475
2013	6,448	198,923
2014	6,665	205,588
2015	6,888	212,476
Thereafter	147,524	360,000

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**SCHOOL ADMINISTRATIVE REORGANIZATION**

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On June 6, 2007, and as amended in April of 2008, the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation "School Administrative Reorganization" ("SAR") as Public Law 2007, Chapter 240. The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or "SAU") are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

A plan to consolidate the Millinocket School Department with the Towns of East Millinocket and Medway was voted in favor for by the residents of the Town of Millinocket, but rejected by the residents of the Towns of East Millinocket and Medway. As of June 30, 2010 there is no consolidation and the School Department has not been penalized with subsidy withholding as a result of voting in favor of the consolidation. No other progress has been made and no foreseeable actions have been communicated in regards to consolidation.

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**OTHER POST EMPLOYMENT BENEFITS**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Millinocket, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town of Millinocket is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in August 2009.

**Plan Descriptions** - The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Some retirees that are designated in a plan pay 13% of the single coverage premium and 13% of the family coverage premium while others pay nothing towards the cost of coverage. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

The School Department sponsors a post-retirement benefit plan providing health insurance to retiring employees. School Department employees over the age of 55 with 20-25 years of continuous service are allowed to participate in the plan. Some retirees that are designated in a plan pay 13% to 15% of the single coverage premium and 13% to 50% of the family coverage premium while others pay nothing towards the cost of coverage. For those School Department employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

**Funding Policy and Annual OPEB Cost** - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 223,167
Amortization of unfunded	1,594,187
<u>Interest</u>	<u>36,347</u>
Annual required contribution	\$ 1,853,701

**Net OPEB Obligation** – The Town's net OPEB obligation was calculated as follows:

OPEB liability, July 1, 2009	\$ 1,028,255
Annual required contribution	1,853,701
<u>Less: Actual contributions</u>	<u>(869,018)</u>
OPEB liability, June 30, 2010	\$ 2,012,938

**TOWN OF MILLINOCKET, MAINE**  
**Notes to Basic Financial Statements, Continued**

**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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

Annual required contribution	\$ 1,853,701
Actual contribution	869,018
Percent contributed	46.88%
Actuarial accrued liability	28,669,396
<u>Plan assets</u>	<u>-</u>
Unfunded actuarial accrued liability	\$ 28,669,396
Covered payroll	4,779,800
Unfunded actuarial accrued liability as a percentage of covered payroll	599.80%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Funding Progress**

**Retiree Healthcare Plan**

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) / c]</u>
2009	1/1/09	\$ -	\$28,669,396	\$28,669,396	0.00%	\$4,841,847	592.12%
2010	1/1/09	\$ -	\$28,669,396	\$28,669,396	0.00%	\$4,779,800	599.80%



**GENERAL FUND**



**TOWN OF MILLINOCKET, MAINE**  
**Comparative Balance Sheets - General Fund**  
**June 30, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Cash	\$ 1,718,982	2,359
Investments	1,377,957	3,181,023
Receivables:		
Accounts, net of allowance of \$27,000	202,784	129,098
Taxes receivable	478,825	493,296
Tax liens	151,374	135,016
Prepaid expenditures	-	4,754
Inventory	18,746	23,433
<b>Total assets</b>	<b>\$ 3,948,668</b>	<b>3,968,979</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Cash overdraft	155,035	235,789
Accounts payable	116,144	236,779
Accrued wages and benefits	483,511	477,265
Interfund loans payable	330,693	306,329
Deferred tax revenues	531,000	543,000
<b>Total liabilities</b>	<b>1,616,383</b>	<b>1,799,162</b>
Fund balance:		
Reserved for inventory	18,746	23,433
Unreserved:		
Designated	57,451	97,079
Undesignated - School	39,538	239,073
Undesignated - Town	2,216,550	1,810,232
<b>Total fund balance</b>	<b>2,332,285</b>	<b>2,169,817</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,948,668</b>	<b>3,968,979</b>

TOWN OF MILLINOCKET, MAINE  
 General Fund  
 Statement of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual - Budgetary Basis  
 Year ended June 30, 2010  
 (with comparative actual amounts for the year ended June 30, 2009)

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 8,247,858	8,220,374	(27,484)	8,754,464
Less TIF financing	(1,791,198)	(1,094,394)	696,804	(1,173,996)
Excise taxes	608,300	721,233	112,933	747,173
Interest and lien costs	31,000	48,122	17,122	50,004
Total taxes	7,095,960	7,895,335	799,375	8,377,645
Licenses and permits	43,300	48,367	5,067	44,398
Intergovernmental:				
Education	2,468,912	2,377,749	(91,163)	2,457,369
Tree growth reimbursement	20,000	11,194	(8,806)	27,042
Veterans exemption reimbursement	4,000	6,889	2,889	6,366
General assistance	17,500	21,915	4,415	20,998
State revenue sharing	700,000	624,537	(75,463)	724,537
Snowmobile grant	69,012	76,450	7,438	77,551
Airport grant	300,000	935,658	635,658	306,177
Route 11 bridge grant	200,000	168,103	(31,897)	-
Walking trail grant	625,000	28,158	(596,842)	-
ATV trail grant	38,845	38,846	1	-
Public safety grants	-	13,100	13,100	9,585
Homestead exemption reimbursement	209,205	182,581	(26,624)	219,315
BETE reimbursement	185,566	185,610	44	56,712
URIP - DOT Road Grant	49,000	45,380	(3,620)	51,100
Total intergovernmental	4,887,040	4,716,170	(170,870)	3,956,752
Tuition and other charges for services - education	241,768	261,602	19,834	279,671
Charges for services:				
Ambulance	296,050	327,242	31,192	328,481
Police	7,150	11,163	4,013	13,334
Library	6,000	6,860	860	10,778
Recreation	14,576	-	(14,576)	100
Total charges for services	323,776	345,265	21,489	352,693
Fees and fines:				
Fire fees/reimbursement	6,116	3,001	(3,115)	3,000
Total fees and fines	6,116	3,001	(3,115)	3,000
Unclassified:				
Rents - Town property	28,045	28,060	15	28,000
Cemeteries	18,000	13,700	(4,300)	21,275
Public works	18,750	20,117	1,367	19,941
Transfer station	122,400	153,296	30,896	145,745
Code enforcement	12,174	12,174	-	11,884
Assessing	8,549	8,549	-	8,336
Airport	72,200	80,833	8,633	66,228
Sale of property	2,500	1,102	(1,398)	5,783
Employee insurance reimbursement/refunds	-	18,689	18,689	17,786
MMBB Reimbursement	-	15,771	15,771	-
KARE receipts (fiscal agent)	-	8,230	8,230	78,000
Historical Society	-	50,000	50,000	-
Unclassified - Town	15,310	20,268	4,958	27,257
Unclassified - School	19,000	31,466	12,466	19,438
Total unclassified	316,928	462,255	145,327	449,673
Investment earnings	50,000	3,744	(46,256)	20,174
Total revenues	12,964,888	13,735,739	770,851	13,484,006

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis - General Fund, Continued**

	2010			2009 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures:				
Current:				
General government:				
Town Manager and Council	\$ 139,570	140,145	(575)	137,979
Town Clerk & Tax Collector	115,638	112,280	3,358	110,623
Elections and registration	5,450	6,205	(755)	4,060
Assessing	35,613	33,898	1,715	32,898
Municipal building	75,400	71,336	4,064	74,559
Audit and bookkeeping	25,500	19,250	6,250	19,500
Town report	1,800	1,117	683	672
Legal services	12,000	24,066	(12,066)	14,711
Administration	57,500	55,778	1,722	57,036
Planning, code, development	28,298	27,314	984	26,951
Economic Development Committee	42,700	28,185	14,515	22,372
Total general government	539,469	519,574	19,895	501,361
Protection:				
Police department	496,955	474,235	22,720	510,120
DARE Program - donations	2,500	5,239	(2,739)	5,013
Fire department	247,778	235,649	12,129	231,339
Ambulance	291,351	291,831	(480)	283,863
Community services	475,300	475,348	(48)	480,108
Insurances	71,750	73,205	(1,455)	69,514
School crossing guards	7,891	7,743	148	7,242
Dog constable	9,601	12,949	(3,348)	11,943
Enforcement officials	2,000	1,875	125	2,125
Environmental services	-	631	(631)	980
Total protection	1,605,126	1,578,705	26,421	1,602,247
Town services:				
Public works administration	7,450	8,764	(1,314)	7,913
Transfer site	392,930	379,198	13,732	391,720
Street and road maintenance	685,413	677,673	7,740	682,205
Garage maintenance	23,150	21,553	1,597	24,870
Total town services	1,108,943	1,087,188	21,755	1,106,708
Community services:				
Snowsled program	99,088	99,085	3	87,907
Public library	178,639	164,649	13,990	166,273
Library gifts and donations	3,000	2,421	579	2,968
KARE	-	45,965	(45,965)	-
Holiday observation	3,500	4,780	(1,280)	3,500
Human resources/assistance	21,925	22,080	(155)	22,163
General assistance	35,000	29,155	5,845	32,540
Recreation	161,016	166,298	(5,282)	166,591
Airport	105,994	103,526	2,468	84,023
Cemeteries	25,530	27,067	(1,537)	25,807
Public health and welfare agencies	25,700	25,700	-	31,634
Total community services	659,392	690,726	(31,334)	623,406

**TOWN OF MILLINOCKET, MAINE**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis - General Fund, Continued**

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Education	\$ 7,069,765	6,459,276	610,489	6,638,159
Total education	7,069,765	6,459,276	610,489	6,638,159
Insurance and fringe benefits:				
Insurance and fringe benefits	1,082,575	1,052,308	30,267	1,049,402
Total insurance and fringe benefits	1,082,575	1,052,308	30,267	1,049,402
Unclassified:				
County tax	339,562	339,562	-	328,139
Total unclassified	339,562	339,562	-	328,139
Debt service:				
Town	129,560	126,773	2,787	132,737
Education	405,593	405,592	1	407,003
Total debt service	535,153	532,365	2,788	539,740
Capital outlay:				
Capital outlay - Town	587,431	510,217	77,214	266,281
Special capital improvements	1,163,845	1,208,492	(44,647)	449,694
Historical Society property purchase	-	-	-	5,194
Total capital outlay	1,751,276	1,718,709	32,567	721,169
Total expenditures	14,691,261	13,978,413	712,848	13,110,331
Excess (deficiency) of revenues over (under) expenditures	(1,726,373)	(242,674)	1,483,699	373,675
Other financing sources (uses):				
Budgeted utilization of surplus - Town	566,431	-	(566,431)	-
Budgeted utilization of surplus - School	742,148	-	(742,148)	-
Issuance of debt	400,000	341,354	(58,646)	-
Overlay	(44,728)	-	44,728	-
Transfers in	210,740	223,488	12,748	120,842
Transfers out	(148,218)	(150,686)	(2,468)	(178,233)
Total other financing sources (uses)	1,726,373	414,156	(1,312,217)	(57,391)
Net change in fund balance - budgetary basis	-	171,482	171,482	316,284
Reconciliation to GAAP basis:				
Change in accrued teacher summer salaries		(9,014)		12,196
Net change in fund balance - GAAP basis		162,468		328,480
Fund balance, beginning of year		2,169,817		1,841,337
<b>Fund balance, end of year</b>	<b>\$</b>	<b>2,332,285</b>		<b>2,169,817</b>

**ALL OTHER GOVERNMENTAL FUNDS**



**TOWN OF MILLINOCKET**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2010**

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash	\$ 108,898	3,383	112,281
Investments	-	38,940	38,940
Intergovernmental receivables	160,247	-	160,247
Notes, net of allowance of \$43,253	260,424	-	260,424
Inventory	17,094	-	17,094
Interfund loans receivable	171,515	-	171,515
<b>Total assets</b>	<b>\$ 718,178</b>	<b>42,323</b>	<b>760,501</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued wages and benefits	26,585	-	26,585
Interfund loans payable	23,767	3,800	27,567
<b>Total liabilities</b>	<b>50,352</b>	<b>3,800</b>	<b>54,152</b>
Fund balances:			
Reserved for:			
Inventory	17,094	-	17,094
Non-current receivables	260,424	-	260,424
Nonexpendable trust principal	-	16,401	16,401
Unreserved, undesignated	390,308	22,122	412,430
<b>Total fund balance</b>	<b>667,826</b>	<b>38,523</b>	<b>706,349</b>
<b>Total liabilities and fund balances</b>	<b>\$ 718,178</b>	<b>42,323</b>	<b>760,501</b>

**TOWN OF MILLINOCKET, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2010**

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
Revenues:			
Gifts and donations	\$ 8,773	-	8,773
Intergovernmental	1,256,222	-	1,256,222
Charges for services	224,294	-	224,294
Interest revenue	8,532	4	8,536
Total revenues	1,497,821	4	1,497,825
Expenditures:			
Current:			
Protection	8,207	-	8,207
Education	1,092,687	-	1,092,687
Food services	323,314	-	323,314
Unclassified	-	-	-
Total expenditures	1,424,208	-	1,424,208
Excess of revenues over expenditures	73,613	4	73,617
Other financing sources (uses):			
Transfers from other funds	69,003	-	69,003
Transfers to other funds	(138,991)	-	(138,991)
Total other financing uses	(69,988)	-	(69,988)
Net change in fund balances	3,625	4	3,629
Fund balances, beginning of year	664,201	38,519	702,720
Fund balances, end of year	\$ 667,826	38,523	706,349

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**



TOWN OF MILLINOCKET, MAINE  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds

June 30, 2010

(with comparative totals for June 30, 2009)

	CDBG Loan Fund	Recrea- tion	Compre- hensive Plan	Fire Education Reserve	Project Get- Alarmed	School Categorical Programs	School Lunch	Other School		Totals
								Special Revenue Funds	2010	
<b>ASSETS</b>										
Cash	\$ 89,839	-	-	-	18,831	-	228	-	108,898	105,628
Accounts receivable	-	-	-	-	-	-	-	-	-	-
Intergovernmental receivables	-	-	-	-	-	146,301	13,946	-	160,247	163,403
Notes, net of allowance of \$43,253	260,424	-	-	-	-	-	-	-	260,424	254,596
Inventory	-	-	-	-	-	-	17,094	-	17,094	10,049
Interfund loans receivable	-	3,311	10,114	-	-	105,427	52,663	-	171,515	179,201
<b>Total assets</b>	<b>\$ 350,263</b>	<b>3,311</b>	<b>10,114</b>	<b>-</b>	<b>18,831</b>	<b>251,728</b>	<b>83,931</b>	<b>-</b>	<b>718,178</b>	<b>712,877</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accrued wages and benefits	-	-	-	-	-	19,890	6,695	-	26,585	21,208
Interfund loans payable	17,099	-	-	-	-	-	-	6,668	23,767	27,468
<b>Total liabilities</b>	<b>17,099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,890</b>	<b>6,695</b>	<b>6,668</b>	<b>50,352</b>	<b>48,676</b>
<b>Fund balances:</b>										
Reserved for inventory	-	-	-	-	-	-	17,094	-	17,094	10,049
Reserved for noncurrent loans receivable	260,424	-	-	-	-	-	-	-	260,424	254,596
<b>Unreserved:</b>										
Undesignated	72,740	3,311	10,114	-	18,831	231,838	60,142	(6,668)	390,308	399,556
<b>Total fund balances (deficit)</b>	<b>333,164</b>	<b>3,311</b>	<b>10,114</b>	<b>-</b>	<b>18,831</b>	<b>231,838</b>	<b>77,236</b>	<b>(6,668)</b>	<b>667,826</b>	<b>664,201</b>
<b>Total liabilities and fund balances</b>	<b>\$ 350,263</b>	<b>3,311</b>	<b>10,114</b>	<b>-</b>	<b>18,831</b>	<b>251,728</b>	<b>83,931</b>	<b>-</b>	<b>718,178</b>	<b>712,877</b>

**TOWN OF MILLINOCKET, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2010**  
**(with comparative totals for the year ended June 30, 2009)**

	CDBG Loan Fund	Recrea- tion	Compre- hensive Plan	Fire Education Reserve	Project Get- Alarmed	School Categorical Programs	School Lunch	Other School		
								Special Revenue Funds	Totals	
								2010	2009	
Revenues:										
Gifts and donations	\$ -	-	-	-	8,773	-	-	-	8,773	1,078
Intergovernmental	-	-	-	-	-	1,027,567	223,081	5,574	1,256,222	933,815
Interest income	8,395	-	-	-	137	-	-	-	8,532	8,329
Charges for services	-	-	-	-	-	106,636	117,301	357	224,294	256,405
Total revenues	8,395	-	-	-	8,910	1,134,203	340,382	5,931	1,497,821	1,199,627
Expenditures:										
Current:										
Protection	-	-	-	-	8,207	-	-	-	8,207	1,219
Education	-	-	-	-	-	1,069,405	-	23,282	1,092,687	825,423
Food services	-	-	-	-	-	-	323,314	-	323,314	324,559
Bad debt expense	-	-	-	-	-	-	-	-	-	8,155
Total expenditures	-	-	-	-	8,207	1,069,405	323,314	23,282	1,424,208	1,159,356
Excess (deficiency) of revenues over (under) expenditures	8,395	-	-	-	703	64,798	17,068	(17,351)	73,613	40,271
Other financing sources (uses):										
Transfers from other funds	-	-	-	-	10,951	-	37,000	21,052	69,003	38,000
Transfers to other funds	-	-	-	(10,951)	-	(128,040)	-	-	(138,991)	(59,082)
Total other financing sources (uses)	-	-	-	(10,951)	10,951	(128,040)	37,000	21,052	(69,988)	(21,082)
Net change in fund balances	8,395	-	-	(10,951)	11,654	(63,242)	54,068	3,701	3,625	19,189
Fund balances (deficit), beginning of year	324,769	3,311	10,114	10,951	7,177	295,080	23,168	(10,369)	664,201	645,012
Fund balances (deficit), end of year	\$ 333,164	3,311	10,114	-	18,831	231,838	77,236	(6,668)	667,826	664,201

## **TOWN CAPITAL RESERVE FUNDS**



TOWN OF MILLINOCKET, MAINE  
 Combining Balance Sheet  
 Town Capital Reserve Funds  
 June 30, 2010

(with comparative totals for June 30, 2009)

	General capital Reserve		Snow Machine	Airport Capital Reserve	Other Capital Reserves	Earned Time Accrual	SMI TIF Proceeds	Leo Marquis	School Renovations	Totals	
	2010	2009								2010	2009
<b>ASSETS</b>											
Investments	\$ 16,121		14	121,909	111,329	53,354	197,919	1,216	-	501,862	524,574
Interfund loans receivable	86,599	6,342		-	4,300	-	56,398	-	30,318	183,957	149,884
<b>Total assets</b>	<b>\$ 102,720</b>	<b>6,356</b>	<b>6,356</b>	<b>121,909</b>	<b>115,629</b>	<b>53,354</b>	<b>254,317</b>	<b>1,216</b>	<b>30,318</b>	<b>685,819</b>	<b>674,458</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Interfund loans payable	-	-	-	21,415	-	26,860	-	-	-	48,275	42,551
Total liabilities	-	-	-	21,415	-	26,860	-	-	-	48,275	42,551
Fund balances:											
Unreserved, undesignated	102,720	6,356	6,356	100,494	115,629	26,494	254,317	1,216	30,318	637,544	631,907
Total fund balances	102,720	6,356	6,356	100,494	115,629	26,494	254,317	1,216	30,318	637,544	631,907
<b>Total liabilities and fund balances</b>	<b>\$ 102,720</b>	<b>6,356</b>	<b>6,356</b>	<b>121,909</b>	<b>115,629</b>	<b>53,354</b>	<b>254,317</b>	<b>1,216</b>	<b>30,318</b>	<b>685,819</b>	<b>674,458</b>

**TOWN OF MILLINOCKET, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Town Capital Reserve Funds**  
**Year ended June 30, 2010**  
**(with comparative totals for the year ended June 30, 2009)**

	General Capital Reserve	Snow Machine	Airport Capital Reserve	Other Capital Reserve	Earned Time Accrual	SMI TIF Proceeds	Leo Marquis	School Renovations	Totals	
									2010	2009
<b>Revenues:</b>										
Other revenue	-	-	-	-	-	-	-	-	-	-
Interest earnings	2	-	11	11	6	21	-	-	51	2,224
Total revenues	2	-	11	11	6	21	-	-	51	2,224
<b>Expenditures:</b>										
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-	-	-	-	-
Excess of revenues over expenditures	2	-	11	11	6	21	-	-	51	2,224
<b>Other financing sources (uses):</b>										
Transfers from other funds	-	-	-	-	-	90,166	-	-	90,166	140,233
Transfers to other funds	-	-	(21,523)	(2,427)	(26,861)	(33,769)	-	-	(84,580)	(53,360)
Total other financing sources (uses)	-	-	(21,523)	(2,427)	(26,861)	56,397	-	-	5,586	86,873
Net change in fund balances	2	-	(21,512)	(2,416)	(26,855)	56,418	-	-	5,637	89,097
Fund balances, beginning of year	102,718	6,356	122,006	118,045	53,349	197,899	1,216	30,318	631,907	542,810
<b>Fund balances, end of year</b>	<b>\$ 102,720</b>	<b>6,356</b>	<b>100,494</b>	<b>115,629</b>	<b>26,494</b>	<b>254,317</b>	<b>1,216</b>	<b>30,318</b>	<b>637,544</b>	<b>631,907</b>

**NONMAJOR GOVERNMENTAL FUNDS**

**PERMANENT FUNDS**



**TOWN OF MILLINOCKET, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2010**

		Cemetery Perpetual Care	Peluso Welfare Trust	Ministerial and School Fund	Totals
<b>ASSETS</b>					
Cash	\$	-	2,237	1,146	3,383
Investments		4,237	13,076	21,627	38,940
<b>Total assets</b>	<b>\$</b>	<b>4,237</b>	<b>15,313</b>	<b>22,773</b>	<b>42,323</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Interfund loans payable		-	-	3,800	3,800
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>3,800</b>	<b>3,800</b>
Fund balances:					
Principal		1,401	4,000	11,000	16,401
Unexpended income		2,836	11,313	7,973	22,122
<b>Total fund balances</b>		<b>4,237</b>	<b>15,313</b>	<b>18,973</b>	<b>38,523</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>4,237</b>	<b>15,313</b>	<b>22,773</b>	<b>42,323</b>

**TOWN OF MILLINOCKET, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the year ended June 30, 2010**

	Cemetery Perpetual Care	Peluso Welfare Trust	Ministerial and School Fund	Totals
Revenues:				
Investment income	\$ 1	1	2	4
Donations	-	-	-	-
Total revenues	1	1	2	4
Expenditures:				
Current:				
Other miscellaneous	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	1	1	2	4
Fund balances, beginning of year	4,236	15,312	18,971	38,519
<b>Fund balances, end of year</b>	<b>\$ 4,237</b>	<b>15,313</b>	<b>18,973</b>	<b>38,523</b>