

TOWN OF ST. AGATHA, MAINE

ANNUAL FINANCIAL REPORT  
with Independent Auditors Report

For the Year Ending January 31, 2007

TOWN OF ST. AGATHA, MAINE  
ANNUAL FINANCIAL REPORT  
Year Ended January 31, 2007  
Table of Contents

	Statement
Independent Auditors Report	
Management's Discussion and Analysis	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenses and Changes in Fund Balances - Governmental Funds	4
Reconciliation of Change in Fund Balances to Statement of Activities	5
Statement of Net Assets - Proprietary Fund	6
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	7
Statement of Cash Flows - Proprietary Fund	8
Notes to the Financial Statements	
	Schedule
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	1

# KEEL J. HOOD

Certified Public Accountant

2 Burns Street - Fairfield, Maine 04937 - (207)453-2007

## INDEPENDENT AUDITORS REPORT

Board of Selectmen  
Town of St. Agatha  
St. Agatha, Maine

I have audited the accompanying financial statements of the governmental activities, the business type activities, the major fund, and the aggregate remaining fund information, of Town of St. Agatha, Maine, as of and for the year ended January 31, 2007, 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 St. Agatha, Maine's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, the major fund, and the aggregate remaining fund information of the Town of St. Agatha, Maine as of January 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information and Management's Discussion and Analysis, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

February 14, 2007

**Management's Discussion and Analysis (MD & A)**  
**Fiscal Year February 1, 2006 through January 31, 2007**

As management of the Town of St. Agatha, we present this narrative to provide you with an overview and analysis of our financial statements for the fiscal year February 1, 2006 through January 31, 2007. This is the Town of St. Agatha's third year of implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented here in conjunction with the letter of transmittal and basic financial statements to enhance their understanding of the Town of St. Agatha's financial performance.

**Financial Highlights**

- 1 Total assets of the Town of St. Agatha exceeded its liabilities by \$5,372,840.
- 2 The Town's total ending fund balance for all governmental funds combined was \$ 547,215 on January 31, 2007. This exceeded the previous fiscal year by \$68,156.00).
- 3 The Undesignated Unreserved Fund Balance (Surplus) is \$230,992 on January 31, 2007. This is an increase of \$18,305 from the previous Fiscal Year 2005 / 2006.
- 4 In Fiscal Year 2005 / 2006 the Undesignated Unreserved Balance (Surplus) was \$212,687 on January 31, 2006. This is 18% of the Fiscal Year 2005 / 2006 total Town Budget of \$1,180,401 (Municipal, School, County).

**Overview of the Financial Statement**

The Town of St. Agatha's basic financial statements are comprised of three components:

- 5 Government-wide financial statements.
- 6 Fund financial statements
- 7 Notes to the financial statements.

Other supplemental information to the basic financial statements is also provided.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of St. Agatha's finances in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town of St. Agatha's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Town of St. Agatha's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Town of St. Agatha's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of St. Agatha that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Town of St. Agatha's governmental activities include general government, public safety (police, fire and ambulance), public works (highway, winter maintenance and solid waste), human services, leisure services, debt service, education assessment, county assessment, employee benefits and capital outlay.

The government-wide financial statements can be found on pages 6 - 7.

### **Fund Financial Statements.**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of St. Agatha, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance related legal requirements. All of the funds of the Town of St. Agatha can be divided into three categories: governmental funds, propriety funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a governments near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The government funds financial statements can be found on pages 8 & 9.

**Proprietary funds** are used to account for activities expected to be financed with charges for services. The sewer department is St. Agatha's only propriety fund.

The propriety funds financial statement can be found on pages 11 through 13.

**Notes to the financial statements:** the notes provide additional information that is essential to a full understanding of the data provided and can be found on pages 14 to 21.

**Other Information:** the budgetary comparison statements are presented immediately following the notes to the financial statements and can be found on page 22.

## Town of St. Agatha FINANCIAL ANALYSIS

**Statement of Net Assets.** As stated earlier, net assets may serve over time as a useful indicator of a governments financial position. No comparative information is available as this is the first year of the GASB-34 implementation. In future years, comparable information will be provided. The analysis below focuses on the net assets of the Town of St. Agatha's governmental activities.

	Jan 31, 2007	Jan 31, 2006
Assets		
Current Assets	553,401	25,811
Capital Assets, net	1,925,282	3,446,354
Total Assets	2,478,683	3,472,165
Liabilities		
Long-term Debt Outstanding	00,500	427,163
Other Liabilities	76,883	24,585
Total Liabilities	177,383	451,748
Net Assets		
Invested in Capital assets net of related debt	1,752,396	3,094,358
Restricted	92,751	
Unrestricted	493,464	(60,129)
Total Net Assets	2,338,611	3,034,229

	Jan 31, 2007	Jan 31, 2006
Expenses:		
General government	230,904	220,709
Public safety	187,981	198,257
Public works	263,718	259,246
Health and sanitation	441,679	87,055
Leisure services	30,676	6,180
Social services	7,420	17,361
Special assessments	510,218	559,098
Debt service	8,439	1,022
Unclassified	9,537	
Capital outlay	29,695	7,500
Total Expenses	1,720,267	1,356,428
Program revenues		
Charges for services	55,398	72,347
Operating grants	435,697	139,075
General revenues		
Property taxation	1,068,527	1,039,545
Intergovernmental	141,831	170,905
Interest	16,414	8,753
Miscellaneous	18,850	10,904
Total Revenues	1,736,717	1,441,529
Change in Net Assets	16,450	85,101

During the fiscal year, the Town of St. Agatha's net assets increased by \$(26,198). Net program expenses for primary government totaled \$1,229,172 to which \$1,245,622 of total general revenues are applied for a net increase of \$16,450.

The following municipal revenue receipts were in excess of expectations and contributed to this increase:

Revenue sharing	\$ 94,535
Motor Vehicle Excise Tax	\$ 242,320

**Financial Analysis of the Government's Funds.** The Town of St. Agatha uses fund accounting to segregate specific types of funds and demonstrate compliance with finance related legal requirements. Town of St. Agatha fund balances can be seen on page 8.

**Government funds:** The focus of the Town of St. Agatha governmental funds is to provide information on fiscal activity and balances of available resources.

The *general fund* balance is \$454,464, which is an increase of \$39,944 over Fiscal Year 05/06. Of this balance, \$220,135 is reserved. \$3,337 is revenues designated for subsequent years as unreserved. **The undesignated unreserved (surplus) is \$230,992.**

**Analysis of the budget.** Over the course of the fiscal year, the Board of Selectmen made no revisions to the municipal budget. Actual expenditures were under the approved budget, and less than revenues, which allowed the ending fund balance to increase \$39,944.

**Capital Asset and Debt Administration.** The Town of St. Agatha capital assets used in its' governmental type activities totaled \$1,925,282 as of January 31, 2007. These assets include streets, sidewalks, storm-water system, land, buildings, vehicles, equipment and historical / antique collections.

The Town of St. Agatha maintains the following reserve account for the purpose of contributing to the replacement and / or acquisition of new assets for providing public service:

8	CD TDBanknorth	\$220,135	Balance January 31, 2007
---	----------------	-----------	--------------------------

Major capital asset expenditures this fiscal year included the following:

9	Road Paving Project
---	---------------------

**Long Term Debt:** The Town of St. Agatha's long-term debt outstanding at fiscal year end totals \$621,180. Detailed information of the Town of St. Agatha's various outstanding bonds can be viewed in the Analysis of Debt Service on page 17. State Statutes limit the amount of general obligation debt a municipality may issue to 15 percent of the Total State Town Valuation. The current debt limitation for the Town of St. Agatha is \$8,250,000. The Town of St. Agatha's current debt is 7.47% of the debt limit and 1.12% of the total state valuation of the Town.

**Request for Information.** This financial report is designed to provide a general overview of the Town of St. Agatha's finances for all those with an interest in the government finances. Questions and / or requests for additional informational concerning these financial reports can be addressed to Ryan D. Pelletier, Town Manager, PO Box 110 St. Agatha, ME 04772, or by calling 207-543-7305.

TOWN OF ST. AGATHA, MAINE  
Statement of Net Assets  
January 31, 2007

<b>ASSETS</b>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash	\$ 553,401	\$ 25,811	\$ 579,212
Receivables			
Taxes	30,671		30,671
Liens	9,022	11,430	20,452
Internal balances	(2,382)	2,382	0
	<u>590,712</u>	<u>39,623</u>	<u>630,335</u>
Total Current Assets			
Noncurrent Assets:			
Capital assets net	1,925,282	3,446,354	5,371,636
Total Noncurrent Assets	<u>1,925,282</u>	<u>3,446,354</u>	<u>5,371,636</u>
	<u>2,515,994</u>	<u>3,485,977</u>	<u>6,001,971</u>
Total Assets			
	<u>2,515,994</u>	<u>3,485,977</u>	<u>6,001,971</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	4,497		4,497
Accrued interest		3,454	3,454
Leases due within one year	30,434		30,434
Notes due within one year		1,902	1,902
Bonds due within one year	41,952	19,229	61,181
	<u>76,883</u>	<u>24,585</u>	<u>101,468</u>
Total Current Liabilities			
Noncurrent Liabilities:			
Notes due in more than one year		94,396	94,396
Bonds due in more than one year	100,500	332,767	433,267
	<u>100,500</u>	<u>427,163</u>	<u>527,663</u>
Total Noncurrent Liabilities			
	<u>100,500</u>	<u>427,163</u>	<u>527,663</u>
Total Liabilities			
	<u>177,383</u>	<u>451,748</u>	<u>629,131</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,752,396	3,094,358	4,846,754
Restricted	92,751		92,751
Unrestricted	493,464	(60,129)	433,335
	<u>2,338,611</u>	<u>3,034,229</u>	<u>5,372,840</u>
Total net assets	\$ <u>2,338,611</u>	\$ <u>3,034,229</u>	\$ <u>5,372,840</u>

TOWN OF ST. AGATHA, MAINE  
Statement of Activities  
For the Year Ended January 31, 2007

Statement 2

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenues
		Charges for services	Operating grants and contributions	
Governmental activities:	\$			
General government	230,904	35,410	8,500	(186,994)
Public safety	187,981			(187,981)
Public works	263,718	12,538	33,268	(217,912)
Health and sanitation	441,679		393,929	(47,750)
Leisure services	30,676	7,450		(23,226)
Social services	7,420			(7,420)
Special assessments	510,218			(510,218)
Debt service	8,439			(8,439)
Unclassified	9,537			(9,537)
Capital outlay	29,695			(29,695)
<b>Total governmental activities</b>	<b>1,720,267</b>	<b>55,398</b>	<b>435,697</b>	<b>(1,229,172)</b>
Business type activities:				
Sewer	170,181	125,744		(44,437)
<b>Total business type activities</b>	<b>170,181</b>	<b>125,744</b>	<b>0</b>	<b>(44,437)</b>
<b>Total</b>	<b>1,890,448</b>	<b>181,142</b>	<b>435,697</b>	<b>(1,273,609)</b>

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense) / revenue	(1,229,172)	(44,437)	(1,273,609)
General revenues:			
General property taxation			
Property taxes	820,510		820,510
Excise taxes	242,320		242,320
Interest and costs on taxes	5,697		5,697
Intergovernmental			
State Revenue Sharing	94,535		94,535
Homestead exemption	27,899		27,899
Snowmobile reimbursement	19,186		19,186
Veterans reimbursement	211		211
Interest			
Interest income	16,414	1,789	18,203
Miscellaneous			
Miscellaneous	18,850		18,850
<b>Total general revenues</b>	<b>1,245,622</b>	<b>1,789</b>	<b>1,228,225</b>
<b>Change in Net Assets</b>	<b>16,450</b>	<b>(42,648)</b>	<b>(26,198)</b>
Net Assets - beginning	2,322,161	3,076,877	5,399,038
Net Assets - ending	2,338,611	3,034,229	5,372,840

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF ST. AGATHA, MAINE  
Balance Sheet  
Governmental Funds  
January 31, 2007

Statement 3

<b>ASSETS</b>	General <u>Fund</u>	Special Revenue <u>Funds</u>	Total Governmental <u>Funds</u>
Cash	\$ 553,401	\$	\$ 553,401
Receivables			
Taxes	30,671		30,671
Liens	9,022		9,022
Due from other funds	(95,133)	92,751	(2,382)
Total Assets	497,961	92,751	590,712
<b>LIABILITIES</b>			
Accounts payable	4,497		4,497
Deferred property taxes	39,000		39,000
Total Liabilities	43,497	0	43,497
<b>FUND BALANCES</b>			
Fund Balances			
Reserved:			
Capital purchases	220,135		220,135
Unreserved:			
Designated for subsequent years			
Revenues	3,337		3,337
Undesignated	230,992	92,751	323,743
Total Fund Equity	454,464	92,751	547,215
Total Liabilities and Fund Equity	\$ 497,961	\$ 92,751	\$

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.	1,925,282
Other long-term assets are not available to pay for current-periods expenditures and therefore are deferred in the funds.	39,000
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	
Leases payable	(30,434)
Bonds payable	(142,452)
Net assets of governmental activities	\$ 2,338,611

TOWN OF ST. AGATHA, MAINE  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended January 31, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 1,068,527	\$	\$ 1,068,527
Intergovernmental	206,144	393,929	600,073
Interest	16,414		16,414
Charges for services	32,853		32,853
Miscellaneous	9,874	8,976	18,850
	<hr/>	<hr/>	<hr/>
Total Revenues	1,333,812	402,905	1,736,717
<b>Expenditures:</b>			
Current:			
General government	228,833		228,833
Public safety	155,945		155,945
Public works	258,382	4,768	263,150
Health and sanitation	86,420	355,259	441,679
Leisure services	23,681	6,995	30,676
Social services	7,420		7,420
Special assessments	510,218		510,218
Unclassified	9,537		9,537
Debt services	61,408		61,408
Capital outlay	22,024	7,671	29,695
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,363,868	374,693	1,738,561
Excess of Revenues Over (Under) Expenditures	<hr/> (30,056)	<hr/> 28,212	<hr/> (1,844)
Other Financing Sources (Uses):			
Debt issuance proceeds	<hr/> 70,000	<hr/>	<hr/> 70,000
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	<hr/> 39,944	<hr/> 28,212	<hr/> 68,156
Fund Balances - beginning	414,520	64,539	479,059
Fund Balances - ending	<hr/> \$ 454,464	<hr/> \$ 92,751	<hr/> \$ 547,215

The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF ST. AGATHA, MAINE  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances  
 Of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended January 31, 2007

Net change in fund balances - total governmental funds	\$	68,156
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government funds report capital outlays as expenditures. While governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset acquisition		115,562
Depreciation expense		(150,237)
Repayment of debt principal is an expenditure in the governmental funds, ut the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital lease obligation principal payments		28,969
Capital bond obligation principal payments		24,000
Bond proceeds provide current financial resources to Governmental funds, but issuing debt increases long-term Liabilities In the Statement of Net Assets:		
Bond obligation proceeds		(70,000)
Change in Net Assets of Governmental Activities	\$	16,450

## TOWN OF ST. AGATHA, MAINE

## Statement of Net Assets

Proprietary Fund

January 31, 2006

<b>ASSETS</b>	<u>Enterprise</u> <u>Sewer</u>	<u>Total</u>
Current assets:		
Cash	\$ 25,811	\$ 25,811
Receivables:		
Accounts	11,430	11,430
Internal balances	2,382	2,382
Total current assets	<u>39,623</u>	<u>39,623</u>
Noncurrent assets:		
Capital assets (net)	3,446,354	3,446,354
Total Assets	<u>3,485,977</u>	<u>3,485,977</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accrued interest	3,454	3,454
Notes payable due in one year	1,902	1,902
Bond payable due in one year	19,229	19,229
Total current liabilities	<u>24,585</u>	<u>24,585</u>
Noncurrent liabilities:		
Notes due in more than one year	94,396	94,396
Bonds payable in more than one year	332,767	332,767
Total noncurrent liabilities	<u>427,163</u>	<u>427,163</u>
Total Liabilities	<u>451,748</u>	<u>451,748</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	3,094,358	3,094,358
Unrestricted	(60,129)	(60,129)
Total net assets	<u>\$ 3,034,229</u>	<u>\$ 3,034,229</u>

TOWN OF ST. AGATHA, MAINE  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Year Ended January 31, 2007

	<u>Enterprise Fund Sewer</u>	<u>Total</u>
<b>Operating Revenues:</b>		
Charges for services	\$ 110,137	\$ 110,137
Intergovernmental	7,936	7,936
Other income	7,671	7,671
Total Operating Revenues	<u>125,744</u>	<u>125,744</u>
<b>Operating Expenses:</b>		
Labor and benefits	33,631	33,631
Insurance	250	250
Utilities	25,415	25,415
Professional fees	1,449	1,449
Office	724	724
Repairs and maintenance	10,328	10,328
Miscellaneous	466	466
Testing	792	792
Depreciation	85,442	85,442
Chemicals	876	876
Total Operating Expenses	<u>159,373</u>	<u>159,373</u>
Operating Income (Loss)	<u>(33,629)</u>	<u>(33,629)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest on charges	1,789	1,789
Interest expense	(10,808)	(10,808)
Net Nonoperating Revenues (Expenses)	<u>(9,019)</u>	<u>(9,019)</u>
Change in net assets	(42,648)	(42,648)
Net Assets - beginning	3,076,877	3,076,877
Net Assets - ending	<u>\$ 3,034,229</u>	<u>\$ 3,034,229</u>

TOWN OF ST. AGATHA, MAINE  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended January 31, 2007

	<u>Enterprise Fund Sewer</u>	Total
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 122,394	\$ 122,394
Payments to suppliers	(40,299)	(40,299)
Payments to employees	(33,631)	(33,631)
Interfund use of services	(8,322)	(8,322)
Net Increase (Decrease) in Cash from Operating Activities	40,142	40,142
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Retirement of debt	(200,284)	(200,284)
Interest expense	(9,464)	(9,464)
Note issuance proceeds	0	0
Acquisition of capital assets	(12,174)	(12,174)
Net Decrease in Cash from Capital and Related Financing Activities	(221,922)	(221,922)
Net Increase (Decrease) in Cash	(181,780)	(181,780)
Cash Balance - beginning	207,591	207,591
Cash Balance - ending	\$ 25,811	\$ 25,811
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating income (loss)	\$ (33,629)	\$ (33,629)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	85,442	85,442
Non utility billing	1,789	1,789
Decrease (Increase) in receivables	(5,138)	(5,138)
Increase (Decrease) in internal balances	(8,322)	(8,322)
Net Cash Provided by operating activities	\$ 40,142	\$ 40,142

TOWN OF ST. AGATHA, MAINE  
Notes to Combined Financial Statements  
January 31, 2007

1. Summary of Significant Accounting Policies

The Town of St. Agatha was incorporated under the laws of the State of Maine. The Town operates under the Town Manager/Town Meeting form of government.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

**A. Reporting Entity**

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit is made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. 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. Based upon the application of these criteria, there were no potential component units required to be included in this report.

**B. Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary 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

1. Summary of Significant Accounting Policies, continued

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 instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 revenues as soon as all eligibility requirements imposed by the provided 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Licenses, permits, fees, excise taxes and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Interest income and charges for services are recorded as revenues when earned, since they are measurable and available.

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.

1. Summary of Significant Accounting Policies, continued

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.

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 needed.

The Town reports the following major governmental fund:

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.

Additionally, the Town reports the following fund types:

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**D. Capital Assets**

Capital assets, which include property, plant, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are

1. Summary of Significant Accounting Policies, continued

recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs 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. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives ranging from 3 to 50 years.

**E. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, if material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, 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 issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**F. Fund Equity**

Reserved fund balance indicates that a portion of the fund balance is legally or otherwise segregates for a specific future use, and is indicated by the title of each reserve listed in the balance sheet. Unreserved-designated fund balances indicate amounts which either are required to be carried forward by law or contractual agreement, or which the Town has voted to carry forward.

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Budgetary Accounting

1. Summary of Significant Accounting Policies, continued

A budget is formally adopted for the General Fund, only, through the passage of a Town warrant, and is prepared on a basis consistent with generally accepted accounting principles.

In the General Fund, the level of control (level at which expenditures may not exceed budget and applied revenues) is the accounts within each department. Unexpended appropriations and unexpended revenues are

2. Budgetary Accounting, continued

lapsed at the close of the year. Once adopted, the budget can only be amended by the townspeople at a special Town meeting.

3. Deposits

The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk.

At year end, the Town's carrying amount of deposits was \$579,212. The bank balances for all funds totaled \$612,669. Custodial credit risk is the risk that, in the event of a bank failure the District's deposits might not be recovered. As of January 31, 2007, all of the Town's deposits were insured or collateralized.

4. Operating Property

Operating and nonoperating property are recorded at cost or, in the case of contributed property, at the fair market value at the date of acquisition. Depreciation is computed on the straight line method based upon the estimated useful lives of the assets as follows:

	Balance February 1, 2006	Increases	Decreases	Balance January 31, 2007
Sewer Department:	\$	\$	\$	\$
Land and easements	1,061			1,061
Operating property	4,474,268	6,061		4,480,329
Construction in progress		6,112		6,112
Accumulated Depreciation	(955,706)	(85,442)		(1,041,148)
Total Sewer	\$ 3,519,623	\$ (73,269)	\$ 0	\$ 3,446,354
Governmental Activities:	Balance February 1, 2006	Increases	Decreases	Balance January 31, 2007
Assets not being depreciated				
Land and easements	\$ 12,800	\$	\$	\$ 12,800
Assets being depreciated				
Buildings	267,299			267,299
Equipment	273,771			273,771
Vehicles	426,900			426,900
Infrastructure	3,121,800	115,562		3,237,362
	4,102,570	115,562	0	4,218,132
Less accumulated depreciation				
Buildings	115,861	5,129		120,990
Equipment	118,152	45,045		163,197
Vehicles	191,610	19,129		210,739
Infrastructure	1,716,990	80,934		1,797,924
	2,142,613	150,237	0	2,292,850
Capital Assets, net	\$ 1,959,957	\$ (34,675)	\$ 0	\$ 1,925,282
Depreciation Expense:				
General government	\$	2,071		
Public safety		32,036		
Public works		116,130		
	\$	150,237		

5. Property Tax

Property taxes for the year were committed on June 20, 2006, on the assessed value listed as of April 1, 2006, for all taxable real and personal property located in the Town. Payment of taxes was due October 31, 2006 with interest at 11% on all tax bills unpaid as of that date. Assessed values are periodically established by the Town's

5. Property Tax, continued

Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2006 upon which the levy for the year ended January 31, 2007, was based, was \$43,749,380. This assessed value was 100% of the estimated market value.

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

6. Long-term Debt

The following is a summary of long-term debt transactions of the Town for the year ended January 31, 2007:

	<u>Proprietary</u>		<u>General</u>	
	<u>Fund Type</u>		<u>Long-term Debt</u>	
	<u>Enterprise Fund</u>		<u>Enterprise Fund</u>	<u>Long-term Debt</u>
Long-term debt payable at February 1, 2006	\$	332,360	\$	155,855
Debt Retired		(14,066)		(52,969)
Debt Proceeds		130,000		70,000
Long-term debt payable at January 31, 2007	\$	<u>448,294</u>	\$	<u>172,886</u>
Interest Paid	\$	<u>7,756</u>	\$	<u>5,890</u>

Long-term debt payable at January 31, 2007 is comprised of the following:

	<u>Interest</u>	<u>Final</u>	<u>Balance</u>
	<u>rate</u>	<u>maturity</u>	<u>end of</u>
		<u>date</u>	<u>year</u>
<u>General Long-term Debt</u>			
2004 Municipal note	7.25%	2007	\$ 12,452
2000 Municipal note	3.75%	2011	60,000
2006 Municipal note	5.17%	2014	70,000
2004 JD Lease	4.25%	2007	30,434
			<u>172,886</u>
<u>Enterprise Fund</u>			
<u>Sewer</u>			
Maine Municipal Bond Bank	4.5%	2026	130,000
Rural Development	4.5%	2033	96,298
Maine Municipal Bond Bank	1.86%	2022	217,950
Maine Municipal Bond Bank	5%-7.85%	2009	4,046
			<u>\$ 448,294</u>

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of 15 percent of the state valuation of such municipality. At January 31, 2007, the Town was in compliance with these regulations.

6. Long-term Debt, continued

The annual requirement to amortize all long-term debt outstanding as of January 31, 2007 are as follows:

<u>Year</u>	<u>Enterprise Fund</u>		<u>General Long-term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 21,132	\$ 8,707	\$ 72,386	\$ 7,260
2008	21,570	8,312	29,500	4,967
2009	22,026	7,900	29,500	4,064
2010	20,938	7,470	29,500	3,162
2011	21,310	7,144	29,500	2,260
2012-2016	112,513	30,489	52,500	2,714
2017-2021	123,548	20,776		
2022-2026	68,638	11,367		
2026-2030	25,099	6,111		
2032-2033	11,520	792		
Total	\$ 448,294	\$ 109,068	\$ 242,886	\$ 24,427

7. Capital Reserves

The Town has set aside certain balances for accumulation until expenditure in future years. These accounts were as follows at January 31, 2007:

Salt shed	\$ 51,362
Economic develop	6,750
Payloader reserve	16,210
LRA Reserve	28,791
Community development reserve	24,988
Computer software	8,234
Fitness Center	46,845
Community	8,022
Public works truck	28,933
Total	\$ 220,135

8. Undesignated General Fund Fund Equity

The undesignated General Fund fund equity reflected a change for the current year as follows:

Balance - February 1, 2005	\$ 212,687
Increase (Decrease):	
Actual over budgeted revenues	30,733
Actual over budgeted expenditures	(12,428)
Net Increase (Decrease)	18,305
Balance - January 31, 2007	\$ 230,992

9. Designated for Subsequent Years Revenues

The portion of the General Fund fund equity which has been designated for subsequent year's revenues represents amounts received during the current accounting period that are to be budgeted as revenues in the subsequent year. Historically, the townspeople vote to carry certain departmental unexpended balances forward to the following year for expenditure. This is usually in lieu of additional appropriations in any particular accounts.

9. Designated for Subsequent Years Revenues, continued

These accounts, were as follows at January 31, 2007:

	<u>Subsequent Years</u>	<u>Revenues</u>
Lake shore permits	\$	31
Dog shelter		3,306
Total	\$	<u>3,337</u>

10. Joint Venture - Northern Aroostook Regional Airport Authority

The Northern Aroostook Regional Airport is owned jointly by its eight member towns. The Town of St. Agatha, Maine owns 8% of the facility. Ownership is based on a formula using population and state valuation figures at the time of inception. Ownership percentage will not always be the same over the life of the joint venture. The Facility is administered by an eight member executive committee each town appoints 1 voting member to serve. The following is a summary from the Authority's annual financial report, prepared on the accrual basis for the fiscal year ended December 31, 2004.

	<u>Total</u>	St. Agatha <u>Share 8%</u>
Total assets	\$ 1,076,369	\$ 86,110
Total liabilities	(99,287)	(7,943)
Net working capital	977,082	78,167
Total revenues	250,453	20,036
Total expenses	(241,251)	(19,300)
Net increase in fund balance	<u>\$ 9,202</u>	<u>\$ 736</u>

TOWN OF ST. AGATHA, MAINE  
Budget Comparison Schedule  
General Fund  
For the year ended January 31, 2007

	<u>Budgeted Amounts</u>			Variance with final budget positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:	\$	\$	\$	\$
Taxes	1,025,510	1,025,510	1,068,527	43,017
Intergovernmental	133,059	197,807	206,144	8,337
Charges for services	5,000	5,000	32,853	27,853
Interest			16,414	16,414
Miscellaneous			9,874	9,874
Total revenues	<u>1,163,569</u>	<u>1,228,317</u>	<u>1,333,812</u>	<u>105,495</u>
Expenditures:				
Current:				
General government	212,199	212,199	228,833	(16,634)
Public safety	157,335	157,335	155,945	1,390
Public works	140,853	256,415	258,382	(1,967)
Health and sanitation	79,799	79,799	86,420	(6,621)
Leisure services	3,350	22,536	23,681	(1,145)
Social services	7,421	7,421	7,420	1
Special assessments	518,799	518,799	510,218	8,581
Unclassified	9,537	9,537	9,537	0
Debt service	65,375	65,375	61,408	3,967
Capital outlay	26,900	41,524	22,024	19,500
Total expenditures	<u>1,221,568</u>	<u>1,370,940</u>	<u>1,363,868</u>	<u>7,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,999)</u>	<u>(142,623)</u>	<u>(30,056)</u>	<u>112,567</u>
Other Financing Sources (Uses):				
Debt issuance proceeds		70,000	70,000	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>70,000</u>	<u>70,000</u>	<u>0</u>
Excess of revenues over (under) Expenditures and other Financing Sources (Uses)	<u>(57,999)</u>	<u>(72,623)</u>	<u>39,944</u>	<u>112,567</u>
Fund Balance - beginning	414,520	414,520	414,520	0
Fund Balance - ending	<u>\$ 356,521</u>	<u>\$ 341,897</u>	<u>\$ 454,464</u>	<u>\$ 112,567</u>

The accompanying notes to the financial statements are an integral part of this statement.