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## Federal Compliance Audit Jay Maine June 30, 2010

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Federal Compliance Audit

Town of Jay, Maine

June 30, 2010



*Proven Expertise and Integrity*

TOWN OF JAY, MAINE

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JUNE 30, 2010

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## INDEPENDENT AUDITORS' REPORT

August 20, 2010

Board of Selectmen  
Town of Jay  
Jay, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jay, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jay, Maine as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 August 20, 2010, on our consideration of the Town of Jay, Maine's internal control over financial reporting and on our tests of its compliance with certain laws and 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 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.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 10 and 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. We have applied certain limited procedures, which consisted principally of inquiring management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jay's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Jay. The combining and individual nonmajor fund financial statements and the schedule of expenditure of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***RHR Smith & Co.***

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**(UNAUDITED)**

The following management's discussion and analysis of the Town of Jay's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Jay's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government - Wide Financial Statements**

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short – term as well as long – term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government – wide financial statements include the following two statements:

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.



Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Jay are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, education, insurance, recreation and culture and other unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and / or charges to external users for goods and / or services. These activities for the Town of Jay include the sewer fund and school lunch fund at the school department.

### **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 Jay, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Jay can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds:* Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government – wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of 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 government's 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. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Jay presents only two columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Nonmajor Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

*Proprietary Funds:* The Town of Jay maintains two proprietary funds, the school lunch fund and sewer fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Town of Jay. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Fiduciary Fund Financial Statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a schedule of Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

## Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental and business-type activities. The Town's total net assets for governmental activities increased by \$251,259 from \$21.5 million to \$21.7 million. The Town's total net assets for business-type activities decreased by \$98,774 from \$1.17 million to \$1.07 million.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$8,772,547 at the end of this year. Unrestricted net assets for business-type activities decreased to a balance of \$2,193,884.

**Table 1**  
**Town of Jay, Maine**  
**Net Assets**  
**June 30,**

|  | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                     |
|--|--------------------------------|----------------------|---------------------------------|---------------------|
|  | <b>2010</b>                    | <b>2009</b>          | <b>2010</b>                     | <b>2009</b>         |
| <b>Assets:</b>                                     |                                |                      |                                 |                     |
| Current and other assets                           | \$ 10,829,270                  | \$ 10,648,645        | \$ 170,337                      | \$ 128,106          |
| Capital Assets                                     | 14,811,717                     | 15,240,750           | 1,181,761                       | 1,381,983           |
| Other Assets                                       | -                              | -                    | 3,075,554                       | 3,075,554           |
| <b>Total Assets</b>                                | <b>\$ 25,640,987</b>           | <b>\$ 25,889,395</b> | <b>\$ 4,427,652</b>             | <b>\$ 4,585,643</b> |
| <b>Liabilities:</b>                                |                                |                      |                                 |                     |
| Current Liabilities                                | \$ 721,071                     | \$ 931,714           | \$ 1,307,932                    | \$ 1,111,225        |
| Long-term Debt Outstanding                         | 3,215,212                      | 3,504,236            | 2,047,397                       | 2,303,321           |
| <b>Total Liabilities</b>                           | <b>\$ 3,936,283</b>            | <b>\$ 4,435,950</b>  | <b>\$ 3,355,329</b>             | <b>\$ 3,414,546</b> |
| <b>Net Assets:</b>                                 |                                |                      |                                 |                     |
| Invested in Capital Assets,<br>Net of related Debt | \$ 11,079,800                  | \$ 11,172,831        | \$ (1,121,561)                  | \$ (1,177,263)      |
| Restricted General Fund                            | 1,395,680                      | 1,394,151            | -                               | -                   |
| Special Revenue                                    | 345,634                        | 2,335,831            | -                               | -                   |
| Permanent Fund                                     | 111,043                        | 94,827               | -                               | -                   |
| Unrestricted                                       | 8,772,547                      | 6,455,805            | 2,193,884                       | 2,348,360           |
| <b>Total Net Assets</b>                            | <b>\$ 21,704,704</b>           | <b>\$ 21,453,445</b> | <b>\$ 1,072,323</b>             | <b>\$ 1,171,097</b> |

**Table 2**  
**Town of Jay, Maine**  
**Change in Net Assets**  
**For the Years Ended June 30,**

|                                   | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                     |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|---------------------|
|                                   | <u>2010</u>                    | <u>2009</u>          | <u>2010</u>                     | <u>2009</u>         |
| <b>Revenues</b>                   |                                |                      |                                 |                     |
| Taxes:                            |                                |                      |                                 |                     |
| Property                          | \$ 14,597,476                  | \$ 14,804,812        | \$ -                            | \$ -                |
| Excise                            | 677,660                        | 672,376              | -                               | -                   |
| Intergovernmental                 | 2,027,206                      | 2,927,183            | 220,145                         | 180,791             |
| Charges for services              | 479,530                        | 501,966              | 423,359                         | 407,204             |
| State of Maine on behalf payments | 792,843                        | 1,049,006            | -                               | -                   |
| Miscellaneous                     | 1,439,882                      | 1,324,425            | 17,014                          | 2,668               |
| Total Revenues                    | <u>20,014,597</u>              | <u>21,279,768</u>    | <u>660,518</u>                  | <u>590,663</u>      |
| <b>Expenses</b>                   |                                |                      |                                 |                     |
| Current:                          |                                |                      |                                 |                     |
| General government                | 550,618                        | 561,521              | -                               | -                   |
| Public safety                     | 1,268,402                      | 1,272,080            | -                               | -                   |
| Public works                      | 1,381,532                      | 1,398,961            | -                               | -                   |
| Health and welfare                | 985,414                        | 1,010,078            | -                               | -                   |
| Social Services                   | 35,610                         | 26,655               | -                               | -                   |
| Recreation and culture            | 205,953                        | 211,740              | -                               | -                   |
| Education                         | 8,620,676                      | 9,642,602            | -                               | -                   |
| County tax                        | 1,343,699                      | 883,737              | -                               | -                   |
| Insurance                         | 128,866                        | 139,181              | -                               | -                   |
| TIF                               | 2,435,650                      | 2,866,574            | -                               | -                   |
| Depreciation                      | 41,616                         | 42,390               | -                               | -                   |
| State of Maine on behalf payments | 792,843                        | 1,049,006            | -                               | -                   |
| Unclassified                      | 1,688,016                      | 1,317,949            | 1,053,583                       | 945,175             |
| Total Expenses                    | <u>19,478,895</u>              | <u>20,422,474</u>    | <u>1,053,583</u>                | <u>945,175</u>      |
| Change in Net Assets              | 535,702                        | 857,294              | (393,065)                       | (354,512)           |
| Transfers                         | (294,291)                      | (292,634)            | 294,291                         | 292,634             |
| Net Assets - July 1 Restated      | <u>21,463,293</u>              | <u>20,888,785</u>    | <u>1,171,097</u>                | <u>1,232,975</u>    |
| Net Assets - June 30              | <u>\$ 21,704,704</u>           | <u>\$ 21,453,445</u> | <u>\$ 1,072,323</u>             | <u>\$ 1,171,097</u> |

## Revenues and Expenses

Revenues for the Town's governmental activities decreased by 5.95%, while total expenses decreased by 4.62%. Revenues and expenses were consistent with the prior year.

The intergovernmental revenue and State of Maine on behalf payments for the governmental funds had the largest decrease from last year. This was a result decreased State subsidy for the School department, downsizing of staff and a decreased percentage the state pays towards state retirement.

Revenues for the Town's business-type activities increased by 11.83%, while total expenses increased by 11.47%. The increase in revenues for the proprietary fund was both in intergovernmental and charges for service.

### Financial Analysis of the Town's Fund Statements

*Governmental funds:* The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

**Table 3**  
**Town of Jay, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

|                       | 2010         | 2009         |
|-----------------------|--------------|--------------|
| General Fund:         |              |              |
| Unreserved            |              |              |
| Designated            | \$ 1,395,680 | \$ 1,394,151 |
| Undesignated          | 6,528,965    | 6,351,161    |
| Total General Fund    | \$ 7,924,645 | \$ 7,745,312 |
| Nonmajor Funds:       |              |              |
| Permanent funds       | \$ 111,043   | \$ 107,443   |
| Special revenue funds | 2,506,180    | 2,318,259    |
| Total Nonmajor Funds  | \$ 2,617,223 | \$ 2,425,702 |

The general fund total fund balance increased by \$179,333 over the prior fiscal year. The non-major fund balances increased by \$191,521 over the prior fiscal year. Most of the increase in the general fund came as a result of increased revenue from all types of sources and under-spent appropriations in public safety, public works and overlay. The increase in the non-major fund balances came as a result of reserve increases and educational grants.

*Proprietary funds:* The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The school lunch fund, which is a proprietary fund, had a fund balance for the current year of \$24,795. This was an increase of \$2,399 from the prior year. The sewer fund which is the other fund classified as a proprietary fund had a fund balance for the current year of \$1,047,528. This was a decrease of \$101,173 from the prior year.

### **Budgetary Highlights**

There was a significant difference between the original and final budget for the general fund. This was in education where the total amount of fund balance is not utilized.

The general fund actual revenues exceeded the budget by \$185,281. This was a result of charges for services and other intergovernmental revenue. Medicaid for the school, which is classified as intergovernmental revenues, is not a budgetary revenue collected \$125,319.

The general fund actual expenditures were under the budget by \$2,629,203. The following expenditures were under budget which accounts for most of the balance:

|           |             |
|-----------|-------------|
| Education | \$1,395,680 |
| Overlay   | 351,470     |
| TIF       | 441,885     |

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2010, the net book value of capital assets recorded by the Town decreased by \$629,255 over the prior year. This decrease is the result of capital additions of \$382,136 less current year depreciation expense of \$990,686 and less dispositions net of accumulated depreciation of \$20,705.

**Table 4**  
**Town of Jay, Maine**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

|                                  | <u>2010</u>          | <u>2009</u>          |
|----------------------------------|----------------------|----------------------|
| Land and improvements            | \$ 878,218           | \$ 884,618           |
| Buildings and improvements       | 9,636,848            | 10,049,462           |
| Furniture and Fixtures           | 7,378                | 12,986               |
| Machinery and equipment          | 638,352              | 754,970              |
| Vehicles                         | 1,125,324            | 1,215,576            |
| Art works & Historical Treasures | 40,000               | 40,000               |
| Infrastructure                   | <u>3,667,358</u>     | <u>3,665,121</u>     |
| Total                            | <u>\$ 15,993,478</u> | <u>\$ 16,622,733</u> |

### Debt

At June 30, 2010, the Town had \$5.66 million in bonds outstanding versus \$6.34 million last year, a decrease of 10.66%, as shown in Note 5 of the financial statements.

### Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

### Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Dept. at 340 Main Street, Jay, Maine 04239.

## STATEMENT A

## TOWN OF JAY, MAINE

## STATEMENT OF NET ASSETS

JUNE 30, 2010

|   | Governmental<br>Activities  | Business-Type<br>Activities | Total                       |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |                             |                             |                             |
| Current assets:   |                             |                             |                             |
| Cash  | \$ 5,960,189                | \$ 116,354                  | \$ 6,076,543                |
| Investments   | 3,448,611                   | -                           | 3,448,611                   |
| Accounts receivable (net of allowance for uncollectibles) |                             |                             |                             |
| Taxes   | 108,999                     | 31,332                      | 140,331                     |
| Liens   | 37,787                      | 7,754                       | 45,541                      |
| Other   | 254,081                     | 7,990                       | 262,071                     |
| Inventory   | -                           | 6,042                       | 6,042                       |
| Prepays   | 7,254                       | 865                         | 8,119                       |
| Due from other funds                                      | 1,012,349                   | -                           | 1,012,349                   |
| Total current assets                                      | <u>10,829,270</u>           | <u>170,337</u>              | <u>10,999,607</u>           |
| Noncurrent assets:  |                             |                             |                             |
| Capital assets:   |                             |                             |                             |
| Non depreciable assets                                    | 845,833                     | 27,435                      | 873,268                     |
| Depreciated assets net of accumulated depreciation        | 13,965,884                  | 1,154,326                   | 15,120,210                  |
| Total noncurrent assets                                   | <u>14,811,717</u>           | <u>1,181,761</u>            | <u>15,993,478</u>           |
| Other assets:   |                             |                             |                             |
| Investment in joint venture                               | -                           | 3,075,554                   | 3,075,554                   |
| <b>TOTAL ASSETS</b>                                       | <u><u>\$ 25,640,987</u></u> | <u><u>\$ 4,427,652</u></u>  | <u><u>\$ 30,068,639</u></u> |
| <b>LIABILITIES</b>  |                             |                             |                             |
| Current liabilities:                                      |                             |                             |                             |
| Accounts payable  | \$ 137,118                  | \$ 39,234                   | \$ 176,352                  |
| Accrued Expenses  | 41,520                      | 424                         | 41,944                      |
| Due to other funds  | -                           | 1,012,349                   | 1,012,349                   |
| Due to other governments                                  | 723                         | -                           | 723                         |
| Prepaid taxes   | 4,349                       | -                           | 4,349                       |
| Other liabilities   | 1,451                       | -                           | 1,451                       |
| Current portion of long-term obligations                  | 535,910                     | 255,925                     | 791,835                     |
| Total current liabilities                                 | <u>721,071</u>              | <u>1,307,932</u>            | <u>2,029,003</u>            |
| Noncurrent liabilities                                    |                             |                             |                             |
| Noncurrent portion of long-term obligations:              |                             |                             |                             |
| Bonds payable   | 2,940,000                   | 2,047,397                   | 4,987,397                   |
| Capital lease payable                                     | 256,007                     | -                           | 256,007                     |
| Accrued compensated absences                              | 19,205                      | -                           | 19,205                      |
| Total noncurrent liabilities                              | <u>3,215,212</u>            | <u>2,047,397</u>            | <u>5,262,609</u>            |
| <b>TOTAL LIABILITIES</b>                                  | <u><u>3,936,283</u></u>     | <u><u>3,355,329</u></u>     | <u><u>7,291,612</u></u>     |
| <b>NET ASSETS</b>   |                             |                             |                             |
| Invested in capital assets, net of related debt           | 11,079,800                  | (1,121,561)                 | 9,958,239                   |
| Restricted: General Fund                                  | 1,395,680                   | -                           | 1,395,680                   |
| Special Revenues  | 345,634                     | -                           | 345,634                     |
| Permanent Funds   | 111,043                     | -                           | 111,043                     |
| Unrestricted  | 8,772,547                   | 2,193,884                   | 10,966,431                  |
| <b>TOTAL NET ASSETS</b>                                   | <u><u>21,704,704</u></u>    | <u><u>1,072,323</u></u>     | <u><u>22,777,027</u></u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                   | <u><u>\$ 25,640,987</u></u> | <u><u>\$ 4,427,652</u></u>  | <u><u>\$ 30,068,639</u></u> |

See accompanying independent auditors' report and notes to financial statements



## TOWN OF JAY, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

| Functions/Programs                | Expenses   | Program Revenues        |  |                                      | Net (Expense) Revenue & Changes<br>in Net Assets |                                 |              |
|-----------------------------------|------------|-------------------------|--|--------------------------------------|--|---------------------------------|--------------|
|                                   |            | Charges for<br>Services | Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions | Governmental<br>Activities                       | Business-<br>type<br>Activities | Total        |
| Governmental activities           |            |                         |  |                                      |  |                                 |              |
| Current:                          |            |                         |  |                                      |  |                                 |              |
| General government                | \$ 550,618 | \$ 24,887               | \$ -                                   | \$ -                                 | \$ (525,731)                                     | \$ -                            | \$ (525,731) |
| Public safety                     | 1,268,402  | 1,292                   | -                                      | -                                    | (1,267,110)                                      | -                               | (1,267,110)  |
| Public works                      | 1,381,532  | 54,678                  | 94,952                                 | -                                    | (1,231,902)                                      | -                               | (1,231,902)  |
| Health and welfare                | 985,414    | 377,687                 | -                                      | -                                    | (607,727)  | -                               | (607,727)    |
| Social services                   | 35,610     | -                       | -                                      | -                                    | (35,610)   | -                               | (35,610)     |
| Recreation and culture            | 205,953    | 20,986                  | -                                      | -                                    | (184,967)  | -                               | (184,967)    |
| Education                         | 8,620,676  | -                       | 669,924                                | -                                    | (7,950,752)                                      | -                               | (7,950,752)  |
| County tax                        | 1,343,699  | -                       | -                                      | -                                    | (1,343,699)                                      | -                               | (1,343,699)  |
| Insurance                         | 128,866    | -                       | -                                      | -                                    | (128,866)  | -                               | (128,866)    |
| Tax increment financing agree.    | 2,435,650  | -                       | -                                      | -                                    | (2,435,650)                                      | -                               | (2,435,650)  |
| State of Maine on-behalf payments | 792,843    | -                       | 792,843                                | -                                    | -  | -                               | -            |
| Unallocated depreciation          | 41,616     | -                       | -                                      | -                                    | (41,616)   | -                               | (41,616)     |
| Unclassified                      | 1,688,016  | -                       | 1,185,912                              | -                                    | (502,104)  | -                               | (502,104)    |
| Total governmental activities     | 19,478,895 | 479,530                 | 2,743,631                              | -                                    | (16,255,734)                                     | -                               | (16,255,734) |
| Business-type activities:         |            |                         |  |                                      |  |                                 |              |
| Sewer department                  | 711,024    | 322,614                 | -                                      | -                                    | -  | (388,410)                       | (388,410)    |
| School lunch program              | 342,559    | 100,745                 | 220,145                                | -                                    | -  | (21,669)                        | (21,669)     |
| Total business-type activities    | 1,053,583  | 423,359                 | 220,145                                | -                                    | -  | (410,079)                       | (410,079)    |
| Total government                  | 20,532,478 | 902,889                 | 2,963,776                              | -                                    | (16,255,734)                                     | (410,079)                       | (16,665,813) |

STATEMENT B (CONTINUED)  
TOWN OF JAY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010

|   | <u>Governmental<br/>Activities</u> | <u>Business-<br/>type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|--|----------------------|
| Changes in net assets:  |                                    |  |                      |
| Net (expense) revenue   | <u>(16,255,734)</u>                | <u>(410,079)</u>                         | <u>(16,665,813)</u>  |
| General revenue:  |                                    |  |                      |
| Taxes   |                                    |  |                      |
| Property taxes, levied for general purposes                     | 14,597,476                         | -  | 14,597,476           |
| Excise taxes, levied for general purposes                       | 677,660                            | -  | 677,660              |
| Grants and contributions not restricted to<br>specific programs | 76,418                             | -  | 76,418               |
| Charges for services  | -                                  | -  | -                    |
| Miscellaneous   | <u>1,439,882</u>                   | <u>17,014</u>                            | <u>1,456,896</u>     |
| Total general revenue and transfers                             | <u>16,791,436</u>                  | <u>17,014</u>                            | <u>16,808,450</u>    |
| Change in net assets  | 535,702                            | (393,065)                                | 142,637              |
| Transfers   | <u>(294,291)</u>                   | <u>294,291</u>                           | <u>-</u>             |
| NET ASSETS - JULY 1, 2009                                       | 21,453,445                         | 1,171,097                                | 22,624,542           |
| RESTATEMENT OF NET ASSETS                                       | <u>9,848</u>                       | <u>-</u>                                 | <u>9,848</u>         |
| NET ASSETS - JULY 1, 2009, RESTATED                             | <u>21,463,293</u>                  | <u>1,171,097</u>                         | <u>22,634,390</u>    |
| NET ASSETS - JUNE 30, 2010                                      | <u>\$ 21,704,704</u>               | <u>\$ 1,072,323</u>                      | <u>\$ 22,777,027</u> |

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF JAY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010

|   | General<br>Fund             | Nonmajor<br>Funds           | Totals<br>Governmental<br>Funds |
|---|-----------------------------|-----------------------------|---------------------------------|
|   | <u>                    </u> | <u>                    </u> | <u>                    </u>     |
| <b>ASSETS</b>                                     |                             |                             |                                 |
| Cash  | \$ 5,061,292                | \$ 898,897                  | \$ 5,960,189                    |
| Investments                                       | 2,002,673                   | 1,445,938                   | 3,448,611                       |
| Receivables (net of allowance for uncollectibles) |                             |                             |                                 |
| Taxes   | 108,999                     | -                           | 108,999                         |
| Liens   | 37,787                      | -                           | 37,787                          |
| Other   | 254,081                     | -                           | 254,081                         |
| Prepays   | 7,254                       | -                           | 7,254                           |
| Due from other funds                              | 1,216,837                   | 504,934                     | 1,721,771                       |
| <b>TOTAL ASSETS</b>                               | <u><u>\$ 8,688,923</u></u>  | <u><u>\$ 2,849,769</u></u>  | <u><u>\$ 11,538,692</u></u>     |
| <b>LIABILITIES AND FUND EQUITY</b>                |                             |                             |                                 |
| <b>Liabilities</b>                                |                             |                             |                                 |
| Accounts payable                                  | \$ 109,060                  | \$ 28,058                   | \$ 137,118                      |
| Accrued payroll                                   | 41,520                      | -                           | 41,520                          |
| Due to other funds                                | 504,934                     | 204,488                     | 709,422                         |
| Due to other governments                          | 723                         | -                           | 723                             |
| Deferred tax revenues                             | 102,241                     | -                           | 102,241                         |
| Other liabilities                                 | 1,451                       | -                           | 1,451                           |
| Prepaid taxes                                     | 4,349                       | -                           | 4,349                           |
| <b>TOTAL LIABILITIES</b>                          | <u><u>764,278</u></u>       | <u><u>232,546</u></u>       | <u><u>996,824</u></u>           |
| <b>Fund Equity</b>                                |                             |                             |                                 |
| Reserved, reported in:                            |                             |                             |                                 |
| General Fund                                      | 1,395,680                   | -                           | 1,395,680                       |
| Special Revenue Fund                              | -                           | 345,634                     | 345,634                         |
| Permanent funds                                   | -                           | 111,043                     | 111,043                         |
| Unreserved, reported in:                          |                             |                             |                                 |
| General Fund:                                     |                             |                             |                                 |
| Designated  | -                           | -                           | -                               |
| Undesignated                                      | 6,528,965                   | -                           | 6,528,965                       |
| Special Revenue Fund:                             |                             |                             |                                 |
| Designated  | -                           | 2,160,654                   | 2,160,654                       |
| Undesignated                                      | -                           | (108)                       | (108)                           |
| <b>TOTAL FUND EQUITY</b>                          | <u><u>7,924,645</u></u>     | <u><u>2,617,223</u></u>     | <u><u>10,541,868</u></u>        |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b>          | <u><u>\$ 8,688,923</u></u>  | <u><u>\$ 2,849,769</u></u>  | <u><u>\$ 11,538,692</u></u>     |

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF JAY, MAINE

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

|   | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|
| Total Fund Equity   | \$ 10,541,868                           |
| Amounts reported for governmental activities in the statement are different because:  |   |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 14,811,717                              |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:                    |   |
| Taxes and liens receivable  | 102,241                                 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:  |   |
| Bonds payable   | (3,360,000)                             |
| Capital lease payable   | (371,917)                               |
| Accrued compensated absences  | <u>(19,205)</u>                         |
| <br>Net assets of governmental activities   | <br><u>\$ 21,704,704</u>                |

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF JAY, MAINE

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

|   | General<br>Fund     | Nonmajor<br>Funds   | Totals<br>Governmental<br>Funds |
|---|---------------------|---------------------|---------------------------------|
| REVENUES  |                     |                     |                                 |
| Taxes   | \$ 14,629,955       | \$ -                | \$ 14,629,955                   |
| Excise taxes  | 677,660             | -                   | 677,660                         |
| Intergovernmental   | 2,820,049           | -                   | 2,820,049                       |
| Charges for services  | 479,530             | -                   | 479,530                         |
| Miscellaneous revenues  | 128,525             | 1,311,357           | 1,439,882                       |
| TOTAL REVENUES  | <u>18,735,719</u>   | <u>1,311,357</u>    | <u>20,047,076</u>               |
| EXPENDITURES  |                     |                     |                                 |
| Current:  |                     |                     |                                 |
| General government  | 550,618             | -                   | 550,618                         |
| Public safety   | 1,150,568           | -                   | 1,150,568                       |
| Public works  | 1,099,873           | -                   | 1,099,873                       |
| Health and welfare  | 926,255             | -                   | 926,255                         |
| Social services   | 35,610              | -                   | 35,610                          |
| Recreation and culture  | 183,742             | -                   | 183,742                         |
| Education   | 8,722,466           | -                   | 8,722,466                       |
| County tax  | 1,343,699           | -                   | 1,343,699                       |
| Insurance   | 128,866             | -                   | 128,866                         |
| Tax increment financing agree.  | 2,435,650           | -                   | 2,435,650                       |
| Capital outlay  | -                   | -                   | -                               |
| State of Maine on behalf payments   | 792,843             | -                   | 792,843                         |
| Unclassified  | 190,242             | 1,821,499           | 2,011,741                       |
| TOTAL EXPENDITURES  | <u>17,560,432</u>   | <u>1,821,499</u>    | <u>19,381,931</u>               |
| EXCESS REVENUES OVER (UNDER)<br>EXPENDITURES  | <u>1,175,287</u>    | <u>(510,142)</u>    | <u>665,145</u>                  |
| OTHER FINANCING SOURCES   |                     |                     |                                 |
| Transfers in  | 10,439              | 766,479             | 776,918                         |
| Transfers out   | (1,006,393)         | (64,816)            | (1,071,209)                     |
| TOTAL OTHER FINANCING SOURCES (USES)  | <u>(995,954)</u>    | <u>701,663</u>      | <u>(294,291)</u>                |
| EXCESS OF REVENUES AND OTHER SOURCES<br>OVER (UNDER) EXPENDITURES<br>AND OTHER USES | 179,333             | 191,521             | 370,854                         |
| FUND BALANCES - JULY 1  | <u>7,745,312</u>    | <u>2,425,702</u>    | <u>10,171,014</u>               |
| FUND BALANCES - JUNE 30   | <u>\$ 7,924,645</u> | <u>\$ 2,617,223</u> | <u>\$ 10,541,868</u>            |

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF JAY, 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 (Statement E)  | <u>\$ 370,854</u>        |
| Amounts reported for governmental activities in the Statement of Activities<br>(Statement B) are different because:   |                          |
| Governmental funds report capital outlays as expenditures while governmental activities<br>report depreciation expense to allocated those expenditures over the life of the assets:     |                          |
| Capital asset purchases capitalized   | 382,136                  |
| Capital asset disposed  | (20,705)                 |
| Depreciation expense  | <u>(790,464)</u>         |
|   | <u>(429,033)</u>         |
| Revenues in the Statement of Activities that do not provide current financial<br>resources are not reported.  |                          |
| Taxes and liens receivable  | <u>(32,479)</u>          |
| Debt proceeds provide current financial resources to governmental funds, but<br>long-term liabilities in the Statement of Net Assets.   |                          |
|   | <u>(318,243)</u>         |
| Repayment of long-term debt principal is an expenditure in the governmental<br>funds, but the repayment reduces long-term liabilities in the Statement of<br>Net Assets                 |                          |
|   | <u>654,245</u>           |
| Some expenses reported in the Statement of Activities do not require the use of<br>current financial resources and therefore are not reported as expenditures in<br>governmental funds: |                          |
| Accrued compensated absences  | <u>(3,933)</u>           |
| Change in net assets of governmental activities (Statement B)   | <u><u>\$ 241,411</u></u> |

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF JAY, MAINE

BALANCE SHEET – PROPRIETARY FUNDS  
JUNE 30, 2010

|  | Sewer<br>Department        | School Lunch<br>Program  | Totals                     |
|--|----------------------------|--------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                          |                            |
| Current assets:  |                            |                          |                            |
| Cash   | \$ -                       | \$ 116,354               | \$ 116,354                 |
| Accounts receivable (net of allowance for uncollectibles): |                            |                          |                            |
| Taxes  | 31,332                     | -                        | 31,332                     |
| Liens  | 7,754                      | -                        | 7,754                      |
| Other  | 323                        | 7,667                    | 7,990                      |
| Prepaid expense  | 865                        | -                        | 865                        |
| Inventory  | -                          | 6,042                    | 6,042                      |
| Total current assets                                       | <u>40,274</u>              | <u>130,063</u>           | <u>170,337</u>             |
| Noncurrent assets:   |                            |                          |                            |
| Land and buildings   | 1,285,435                  | -                        | 1,285,435                  |
| Vehicles and equipment                                     | 83,462                     | 142,954                  | 226,416                    |
| Infrastructure   | 4,727,065                  | -                        | 4,727,065                  |
| Total capital assets                                       | <u>6,095,962</u>           | <u>142,954</u>           | <u>6,238,916</u>           |
| Less: accumulated depreciation                             | <u>(4,940,461)</u>         | <u>(116,694)</u>         | <u>(5,057,155)</u>         |
| Net capital assets   | <u>1,155,501</u>           | <u>26,260</u>            | <u>1,181,761</u>           |
| Other assets:  |                            |                          |                            |
| Investment in joint venture                                | <u>3,075,554</u>           | -                        | <u>3,075,554</u>           |
| <b>TOTAL ASSETS</b>  | <u><u>\$ 4,271,329</u></u> | <u><u>\$ 156,323</u></u> | <u><u>\$ 4,427,652</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                          |                            |                          |                            |
| Current liabilities:                                       |                            |                          |                            |
| Accounts payable   | \$ 39,234                  | \$ -                     | \$ 39,234                  |
| Accrued payroll  | 424                        | -                        | 424                        |
| Due to other funds   | 880,821                    | 131,528                  | 1,012,349                  |
| Bonds payable, current portion                             | 255,925                    | -                        | 255,925                    |
| Total current liabilities                                  | <u>1,176,404</u>           | <u>131,528</u>           | <u>1,307,932</u>           |
| Noncurrent liabilities                                     |                            |                          |                            |
| Noncurrent portion of long-term obligations:               |                            |                          |                            |
| Bonds payable, net of current portion                      | <u>2,047,397</u>           | -                        | <u>2,047,397</u>           |
| Total Liabilities  | <u>3,223,801</u>           | <u>131,528</u>           | <u>3,355,329</u>           |
| <b>NET ASSETS</b>  |                            |                          |                            |
| Invested in capital assets, net of related debt            | (1,147,821)                | 26,260                   | (1,121,561)                |
| Unrestricted   | 2,195,349                  | (1,465)                  | 2,193,884                  |
| <b>TOTAL NET ASSETS</b>                                    | <u>1,047,528</u>           | <u>24,795</u>            | <u>1,072,323</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                    | <u><u>\$ 4,271,329</u></u> | <u><u>\$ 156,323</u></u> | <u><u>\$ 4,427,652</u></u> |

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF JAY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

|   | Sewer<br>Department | School Lunch<br>Program | Totals              |
|---|---------------------|-------------------------|---------------------|
| <b>OPERATING REVENUES</b>                   |                     |                         |                     |
| Intergovernmental revenue                   | \$ -                | \$ 220,145              | \$ 220,145          |
| Charges for services                        | 322,614             | 100,745                 | 423,359             |
| Other                                       | -                   | 13,482                  | 13,482              |
| <b>TOTAL OPERATING REVENUES</b>             | <b>322,614</b>      | <b>334,372</b>          | <b>656,986</b>      |
| <b>OPERATING EXPENSES</b>                   |                     |                         |                     |
| Payroll and related benefits                | 149,257             | 182,700                 | 331,957             |
| Food  | -                   | 121,760                 | 121,760             |
| Treatment fees                              | 194,727             | -                       | 194,727             |
| Contracted services                         | 30,256              | -                       | 30,256              |
| Supplies                                    | 60,323              | 23,603                  | 83,926              |
| Utilities                                   | 44,874              | -                       | 44,874              |
| Depreciation                                | 196,922             | 3,300                   | 200,222             |
| Other                                       | 6,299               | 11,196                  | 17,495              |
| <b>TOTAL OPERATING EXPENSES</b>             | <b>682,658</b>      | <b>342,559</b>          | <b>1,025,217</b>    |
| <b>OPERATING INCOME (LOSS)</b>              | <b>(360,044)</b>    | <b>(8,187)</b>          | <b>(368,231)</b>    |
| <b>NON-OPERATING INCOME (EXPENSE)</b>       |                     |                         |                     |
| Transfers in                                | 284,291             | 10,000                  | 294,291             |
| Transfers out                               | -                   | -                       | -                   |
| Interest income                             | 2,946               | 586                     | 3,532               |
| Interest expense                            | (28,366)            | -                       | (28,366)            |
| <b>TOTAL NON-OPERATING INCOME (EXPENSE)</b> | <b>258,871</b>      | <b>10,586</b>           | <b>269,457</b>      |
| <b>NET INCOME (LOSS)</b>                    | <b>(101,173)</b>    | <b>2,399</b>            | <b>(98,774)</b>     |
| <b>NET ASSETS - JULY 1</b>                  | <b>1,148,701</b>    | <b>22,396</b>           | <b>1,171,097</b>    |
| <b>NET ASSETS - JUNE 30</b>                 | <b>\$ 1,047,528</b> | <b>\$ 24,795</b>        | <b>\$ 1,072,323</b> |

See accompanying independent auditors' report and notes to financial statements.



## STATEMENT I

## TOWN OF JAY, MAINE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

|   | Sewer<br>Department | School Lunch<br>Program | Totals            |
|---|---------------------|-------------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                         |                   |
| Receipts from customers   | \$ 316,488          | \$ 122,231              | \$ 438,719        |
| Intergovernmental receipts  | -                   | 220,145                 | 220,145           |
| Internal activity - receipts (payments) from/to other funds   | -                   | -                       | -                 |
| Payments to suppliers and employees   | (319,435)           | (308,853)               | (628,288)         |
| Net cash provide (used) by operating activities   | <u>(2,947)</u>      | <u>33,523</u>           | <u>30,576</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                         |                   |
| Payments for purchases of fixed assets  | -                   | -                       | -                 |
| Operating transfers in  | 284,291             | 10,000                  | 294,291           |
| Interest income   | 2,946               | 586                     | 3,532             |
| Net cash provided (used) by investing activities  | <u>287,237</u>      | <u>10,586</u>           | <u>297,823</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                         |                   |
| Principal payments on bond payable  | (255,924)           | -                       | (255,924)         |
| Interest payments on bond payable   | (28,366)            | -                       | (28,366)          |
| Net cash provided (used) by financing activities  | <u>(284,290)</u>    | <u>-</u>                | <u>(284,290)</u>  |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | <u>-</u>            | <u>44,109</u>           | <u>44,109</u>     |
| <b>CASH - JULY 1</b>  | <u>-</u>            | <u>72,245</u>           | <u>72,245</u>     |
| <b>CASH - JUNE 30</b>   | <u>\$ -</u>         | <u>\$ 116,354</u>       | <u>\$ 116,354</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                     |                         |                   |
| Operating income (loss) and other financing   | \$ (360,044)        | \$ (8,187)              | \$ (368,231)      |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities:        |                     |                         |                   |
| Depreciation expense  | 196,922             | 3,300                   | 200,222           |
| Changes in operating assets and liabilities:  |                     |                         |                   |
| (Increase) decrease in accounts receivable  | (5,261)             | 455                     | (4,806)           |
| (Increase) decrease in inventory  | -                   | 7,549                   | 7,549             |
| (Increase) decrease in prepaids   | (865)               | -                       | (865)             |
| (Decrease) increase in accounts payable   | 9,079               | -                       | 9,079             |
| (Decrease) increase in accrued payroll  | (585)               | -                       | (585)             |
| (Decrease) increase in due to other funds   | 157,807             | 30,406                  | 188,213           |
| <b>NET CASH PROVIDED (USED) BY ACTIVITIES</b>   | <u>\$ (2,947)</u>   | <u>\$ 33,523</u>        | <u>\$ 30,576</u>  |

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF JAY, MAINE

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2010

|                                      | <u>Agency<br/>Funds</u> |
|--------------------------------------|-------------------------|
| ASSETS                               |                         |
| Current assets:                      |                         |
| Cash                                 | \$ 76,674               |
| TOTAL ASSETS                         | <u>\$ 76,674</u>        |
| <br>LIABILITIES                      |                         |
| Deposits held for others             | \$ 76,674               |
| TOTAL LIABILITIES                    | <u>76,674</u>           |
| <br>NET ASSETS                       |                         |
| Held in trust for special purposes   | -                       |
| TOTAL NET ASSETS                     | <u>-</u>                |
| <br>TOTAL LIABILITIES AND NET ASSETS | <u>\$ 76,674</u>        |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Town of Jay was incorporated under the laws of the State of Maine. The Town operates under selectmen-manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, and recreation.

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 30, 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 Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

***Government –Wide and Fund Financial Statements***

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's school lunch and sewer funds are categorized as a business-type activity. All other activities of the Town are categorized as governmental.

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

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government – wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

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

The following fund types are used by the Town:

1. Governmental Funds:

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

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

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Budget**

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

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

|                              |                      |
|------------------------------|----------------------|
| Revenues per budgetary basis | \$ 17,953,315        |
| Add: On-behalf payments      | <u>792,843</u>       |
| Total GAAP basis             | <u>\$ 18,746,158</u> |

|                                  |                      |
|----------------------------------|----------------------|
| Expenditures per budgetary basis | \$ 17,772,560        |
| Add: On-behalf basis             | <u>792,843</u>       |
| Total GAAP basis                 | <u>\$ 18,565,403</u> |

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Jay does have a formal investment policy that was revised in fiscal year 2009.

**Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

**Interfund Receivables and Payables**

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2010.



TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactivity recorded infrastructure.

Estimated useful lives are as follows:

|                         |                |
|-------------------------|----------------|
| Buildings               | 20 - 50 years  |
| Infrastructure          | 50 - 100 years |
| Machinery and equipment | 3 - 50 years   |
| Vehicles                | 3 - 25 years   |

**Long-term Obligations**

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

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

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences**

The Town's policies regarding vacation time do permit employees to accumulate earned but unused vacation leave. However, the school department allows certain teachers to accumulated unused sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2010 the Town's liability for compensated absences is \$19,205.

**Reserves**

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserves listed in the balance sheet and statement of net assets. It is the Town's policy to first use restricted assets for restricted programs and only unrestricted assets after the restricted assets have been exhausted.

**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 any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the current year was levied August 17, 2009 on the assessed value listed as of April 1, 2009, for all real and personal property located in the Town. Taxes were due in two installments on October 1, 2009 and April 1, 2010. Interest on unpaid taxes commenced on October 2, 2009 and April 2, 2010, at 8% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$351,470 for the year ended June 30, 2010. For the current year overlay was at 1.72% of total budget.

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.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

**Operating/Non-operating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results may differ from these estimates.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS

The Town maintains a cash pool which is available for use by all funds. In addition cash and investments may be held by other funds within the government.

The Town of Jay does have a formal investment policy that was revised in fiscal year 2009.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2010, the Town's cash balance of \$6,153,217 was comprised of deposits amounting to \$6,629,991. This amount was comprised of \$6,629,991 which was insured by federal depository insurance or collateralized with securities held in the entity's name and thus not exposed to custodial credit risk.

| <u>Account Type</u> | <u>Bank<br/>Balance</u> |
|---------------------|-------------------------|
| Checking accounts   | \$ 5,466,673            |
| Insured Sweep       | 1,080,738               |
| Savings             | <u>82,580</u>           |
|                     | <u>\$ 6,629,991</u>     |

At June 30, 2010, the Town's investments were comprised of \$3,448,611 of which were insured by federal depository insurance and mutual funds.

| <u>Investment Type</u>  | <u>Current</u>      | <u>1 Year</u>     | <u>2 - 5 Years</u> |
|-------------------------|---------------------|-------------------|--------------------|
| Certificates of Deposit | \$ -                | \$ 113,776        | \$ -               |
| CDARS (CD's)            | <u>3,334,834</u>    | <u>-</u>          | <u>-</u>           |
|                         | <u>\$ 3,334,834</u> | <u>\$ 113,776</u> | <u>\$ -</u>        |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2010 consisted of the following individual fund receivables and payables:

|                      | <u>Receivables<br/>(Due from)</u> | <u>Payables<br/>(Due to)</u> |
|----------------------|-----------------------------------|------------------------------|
| General fund         | \$ 1,216,837                      | \$ 504,934                   |
| Special revenue fund | 504,934                           | 204,488                      |
| Enterprise fund      | -                                 | 1,012,349                    |
|                      | <u>\$ 1,721,771</u>               | <u>\$ 1,721,771</u>          |

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2010:

|                                  | <u>Balance,<br/>7/1/09</u> | <u>Additions</u>    | <u>Disposals</u>   | <u>Balance,<br/>6/30/10</u> |
|----------------------------------|----------------------------|---------------------|--------------------|-----------------------------|
| Governmental activities          |                            |                     |                    |                             |
| Non-depreciated assets:          |                            |                     |                    |                             |
| Land                             | \$ 805,833                 | \$ -                | \$ -               | \$ 805,833                  |
| Art works & historical treasures | 40,000                     | -                   | -                  | 40,000                      |
|                                  | <u>845,833</u>             | <u>-</u>            | <u>-</u>           | <u>845,833</u>              |
| Depreciated assets:              |                            |                     |                    |                             |
| Land Improvements                | 72,000                     | -                   | -                  | 72,000                      |
| Buildings                        | 15,700,234                 | -                   | (37,120)           | 15,663,114                  |
| Building improvements            | 410,996                    | -                   | -                  | 410,996                     |
| Furniture & fixtures             | 396,339                    | 250                 | -                  | 396,589                     |
| Machinery & equipment            | 3,393,392                  | 28,943              | (1,200)            | 3,421,135                   |
| Vehicles                         | 2,702,569                  | 70,450              | (34,658)           | 2,738,361                   |
| Infrastructure                   | 5,334,534                  | 282,493             | -                  | 5,617,027                   |
|                                  | <u>28,010,064</u>          | <u>382,136</u>      | <u>(72,978)</u>    | <u>28,319,222</u>           |
| Less: accumulated depreciation   | <u>(13,615,147)</u>        | <u>(790,464)</u>    | <u>52,273</u>      | <u>(14,353,338)</u>         |
|                                  | <u>14,394,917</u>          | <u>(408,328)</u>    | <u>(20,705)</u>    | <u>13,965,884</u>           |
| Net capital assets               | <u>\$ 15,240,750</u>       | <u>\$ (408,328)</u> | <u>\$ (20,705)</u> | <u>\$ 14,811,717</u>        |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS (CONTINUED)

|                                       | Balance,<br>7/1/09  | Additions           | Disposals   | Balance,<br>6/30/10 |
|---------------------------------------|---------------------|---------------------|-------------|---------------------|
| Business-type activities              |                     |                     |             |                     |
| Non-depreciated assets:               |                     |                     |             |                     |
| Land                                  | \$ 27,435           | \$ -                | \$ -        | \$ 27,435           |
|                                       | <u>27,435</u>       | <u>-</u>            | <u>-</u>    | <u>27,435</u>       |
| Depreciated assets:                   |                     |                     |             |                     |
| Land Improvements                     | 64,000              | -                   | -           | 64,000              |
| Buildings                             | 1,105,000           | -                   | -           | 1,105,000           |
| Building improvements                 | 89,000              | -                   | -           | 89,000              |
| Machinery & equipment                 | 186,861             | -                   | -           | 186,861             |
| Vehicles                              | 39,555              | -                   | -           | 39,555              |
| Infrastructure                        | 4,727,065           | -                   | -           | 4,727,065           |
|                                       | <u>6,211,481</u>    | <u>-</u>            | <u>-</u>    | <u>6,211,481</u>    |
| Less: accumulated depreciation        | (4,856,933)         | (200,222)           | -           | (5,057,155)         |
|                                       | <u>1,354,548</u>    | <u>(200,222)</u>    | <u>-</u>    | <u>1,154,326</u>    |
| Net capital assets                    | <u>\$ 1,381,983</u> | <u>\$ (200,222)</u> | <u>\$ -</u> | <u>\$ 1,181,761</u> |
| Police                                |                     |                     |             | \$ 8,729            |
| Fire                                  |                     |                     |             | 75,827              |
| Highway                               |                     |                     |             | 281,659             |
| Recycling                             |                     |                     |             | 59,249              |
| Recreation                            |                     |                     |             | 4,943               |
| Library                               |                     |                     |             | 17,268              |
| Town-wide                             |                     |                     |             | 41,616              |
| School Department                     |                     |                     |             | 301,173             |
| Subtotal government wide depreciation |                     |                     |             | <u>790,464</u>      |
| Sewer Department                      |                     |                     |             | 196,922             |
| School Lunch Program                  |                     |                     |             | 3,300               |
| Subtotal business-type depreciation   |                     |                     |             | <u>200,222</u>      |
| Total depreciation expense            |                     |                     |             | <u>\$ 990,686</u>   |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 5 - LONG-TERM DEBT

The General Fund of the Town is used to pay for all long-term debt. A summary of long-term debt is as follows:

|                                 | Balance,<br>7/1/09  | Additions         | Deletions           | Balance,<br>6/30/10 | Current<br>Portion |
|---------------------------------|---------------------|-------------------|---------------------|---------------------|--------------------|
| Bonds payable                   | \$ 6,339,246        | \$ -              | \$ (675,924)        | \$ 5,663,322        | \$ 675,925         |
| Capital leases payable          | 287,919             | 318,243           | (234,245)           | 371,917             | 115,910            |
| Accrued compensated<br>absences | 15,272              | 3,933             | -                   | 19,205              | -                  |
| Totals                          | <u>\$ 6,642,437</u> | <u>\$ 322,176</u> | <u>\$ (910,169)</u> | <u>\$ 6,054,444</u> | <u>\$ 791,835</u>  |

The following is a summary of notes outstanding as of June 30, 2010:

|   |                     |
|---|---------------------|
| \$8,400,000, 1997 General Obligation Bond due in annual principal payments of \$420,000, through November, 2017. Interest is charged at a rate varying from 5.401% to 5.776% per annum. | \$ 3,360,000        |
| \$4,094,795, 2003 General Obligation Bond due in annual principal payments of \$255,925, through November, 2018. Interest is charged at a rate of 1.45% per annum.                      | 2,303,322           |
| Total Long-Term Debt  | <u>\$ 5,663,322</u> |

The annual principal and interest requirements to amortize the bonds are as follows:

|           | Principal           | Interest          | Total<br>Debt Service |
|-----------|---------------------|-------------------|-----------------------|
| 2011      | \$ 675,925          | \$ 201,571        | \$ 877,496            |
| 2012      | 675,925             | 175,713           | 851,638               |
| 2013      | 675,925             | 149,645           | 825,570               |
| 2014      | 675,925             | 123,157           | 799,082               |
| 2015      | 675,925             | 96,354            | 772,279               |
| 2016-2020 | 2,283,697           | 129,516           | 2,413,213             |
|           | <u>\$ 5,663,322</u> | <u>\$ 875,956</u> | <u>\$ 6,539,278</u>   |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of leases outstanding as of June 30, 2010:

Lease payable for copiers. The lease is for five years with annual payments of \$2,280 through February 2011. The effective interest rate is 5.25% per annum.

Lease payable for technology equipment. The lease is for three years with annual payments of \$54,850 through September 2010. The effective interest rate is 3.75% per annum.

Lease payable for software. The lease is for three years with annual payments of \$12,651 through July 2010. The effective interest rate is 3.80% per annum.

Lease payable for a bus. The lease is for five years with annual payments of \$15,170 through October 2012. The effective interest rate is 4.18% per annum.

Lease payable for copiers. The lease is for three years with annual payments of \$21,329 through August 2010. The effective interest rate is 3.80% per annum.

Lease payable for a bus. The lease is for five years with annual payments of \$15,104 through July 2013. The effective interest rate is 3.60% per annum.

Lease payable for MLTI computers. The lease is for four years with quarterly payments of \$14,701 through May 2013. This is an interest free lease.

Lease payable for a copier. The lease is for five years with annual payments of \$2,760 through November 2014. The effective interest rate is 3.87% per annum.

The annual principal and interest requirements to amortize the capital leases for the years ending June 30 are as follows:

|  |                   |
|--|-------------------|
| 2011   | \$ 123,384        |
| 2012   | 33,034            |
| 2013   | 33,034            |
| 2014   | 17,864            |
| 2015   | 1,150             |
| Total minimum lease payments                   | <u>208,466</u>    |
| Less: Amount representing interest             | <u>(12,967)</u>   |
| Present value of future minimum lease payments | <u>\$ 195,499</u> |

All bonds payable and capital leases payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.



TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 6 – OVERLAPPING DEBT

The Town is liable for its proportional share of any defaulted debt issued by entities in which it is a member. The overlapping bonded debt applicable to the Town as of June 30, 2010 is as follows: \$0.

NOTE 7 - RESERVED FUND BALANCE

The following net assets have been reserved at June 30, 2010 for the following purposes:

|   |                     |
|---|---------------------|
| Restricted for general fund designated balances | \$ 1,395,680        |
| Restricted for special revenue funds            |                     |
| Educational                                     | 345,634             |
| Restricted for permanent funds                  | 111,043             |
|   | <u>\$ 1,852,357</u> |

NOTE 8 – GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2010, the general fund designated fund balance was made up of the following account balances carried forward into the subsequent year’s budget.

|           |              |
|-----------|--------------|
| Education | \$ 1,395,680 |
|-----------|--------------|

NOTE 9 – RISK MANAGEMENT

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker’s compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker’s compensation coverage. The Town’s agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial company’s reinsurance contracts, individual stop loss coverage for member Town’s for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The Town is also a member of the Maine Municipal Association – Property and Casualty Pool (“Pool”). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 10 – DEFINED BENEFIT PENSION PLAN

**Plan Description**

The Town participates in the ICMA Retirement System, a cost sharing multi-employer defined benefit pension plan which covers employees who work at least 30 hours per week. The system requires that both employees and the Town contribute, and provides retirement.

**Funding Policy**

Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service. The Town's contributions to the plan including employee contributions for 2010, 2009, and 2008 were \$86,557, \$80,145, and \$96,540, respectively.

**Unfunded Actuarial Accrued Liability**

The Town has no actuarial accrued liability.

**Employees Retirement**

All school teachers, plus other qualified educators and town employees, participate in the Maine State Retirement System's teacher group or PLD. The system is an agent multiple-employer public retirement system. Employees are eligible for normal retirement upon attaining the age of 60, provided they have 25 years of credible service. Employees are penalized 2.5% for each year of early retirement.

Employees are required to contribute 7.65% of their compensation to the retirement system. The Town is not required to make any contributions to this plan with the exception of federally funded teachers. The contribution of these federally funded teachers is the actuarial determined rate which was 17.78% for the current fiscal year.

The school department's payroll for employees covered by this group was approximately \$5,264,826 for the year ended June 30, 2010. The State of Maine is required to contribute the employer contribution which amounts to 17.78% of compensation for federally funded employees. Contributions paid by the State were approximately \$792,843 for the year ended June 30, 2010. There is no contribution required by the Department, except for federally funded teachers. For the year ended June 30, 2010, the Department contributed approximately \$45,682 for these federally funded employees. The funding status and progress for the System may be obtained by contacting the Maine State Retirement System.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 11 – DEFERRED COMPENSATION PLAN

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town of Jay's landfill is at 100% capacity to date. Therefore, the estimated remaining landfill life is zero years. Federal and state laws require that certain post closure care be met. The Town estimates that on an annual basis, some immaterial costs will be incurred for post closure care. The annual amount will be paid for within the Town's annual operating budget.

NOTE 13 - OVERSPENT APPROPRIATIONS

|            |    |                     |
|------------|----|---------------------|
| Ambulance  | \$ | 1                   |
| Recreation |    | 729                 |
| legal Fees |    | <u>1,014</u>        |
|            | \$ | <u><u>1,744</u></u> |

NOTE 14 – DEFICIT FUND BALANCE

The listed accounts that have a deficit fund balance are special revenue fund accounts.

|             |    |                   |
|-------------|----|-------------------|
| IP Memorial | \$ | <u>108</u>        |
|             | \$ | <u><u>108</u></u> |

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 15 – CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 16 – JOINT VENTURES

The Town is a member of a joint venture with the Town of Livermore Falls, Maine for the purpose of constructing, operating, and maintaining sewerage treatment facilities. A joint committee, comprised of three residents from each municipality, is responsible for the administration of the joint venture agreement. Operating, maintenance, and administrative costs for the sewerage treatment plant and disposal facilities are prorated between the towns based on metered volume of flow.

Summarized financial information for the joint venture as of and for the year ended June 30, 2010 is as follows:

|   |              |
|---|--------------|
| Total Assets  | \$ 5,984,865 |
| Total Equity  | \$ 5,971,030 |
| Total Expenses (net of depreciation on assets purchased with contributed capital) | \$ 369,267   |
| Net Income  | \$ 29,512    |

The Town of Jay accounts for its investment in the joint venture using the equity method. The equity method requires the original investment to be recorded at cost. Subsequently, the carrying amount of the investment is adjusted for the investee's proportionate share of the joint venture income/loss. The Town's share of capital cost was agreed to be 49% of the joint venture. Operating income/losses have been allocated based on the capital contribution ratio. The joint venture's audited financial statements are available at the Town Office of Jay.

TOWN OF JAY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 17 – RESTATEMENT OF NET ASSETS

The beginning net assets have been restated in the permanent and special revenue funds. The permanent funds net assets have been restated to reflect scholarships that have not been reported in prior years. Special revenue funds net assets have been restated to reflect a discrepancy between the school departments audit and the Towns audit. The net value of the restatement is \$9,848, which is reflected in all appropriate statements.

### Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund

TOWN OF JAY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2010

|   | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|------------------------------------|
|   | Original            | Final               |                     |                                    |
| Budgetary Fund Balance, July 1              | \$ 7,745,312        | \$ 7,745,312        | \$ 7,745,312        | \$ -                               |
| Revenues (Inflows):                         |                     |                     |                     |                                    |
| Property taxes                              | 14,600,957          | 14,600,957          | 14,629,955          | 28,998                             |
| Excise taxes                                | 650,000             | 650,000             | 677,660             | 27,660                             |
| Intergovernmental                           | 2,356,263           | 1,982,517           | 2,027,206           | 44,689                             |
| Charges for services                        | 423,818             | 426,207             | 479,530             | 53,323                             |
| Miscellaneous revenues                      | 95,000              | 108,353             | 128,525             | 20,172                             |
| Transfers from other funds                  | -                   | -                   | 10,439              | 10,439                             |
| Amounts Available for Appropriation         | <u>25,871,350</u>   | <u>25,513,346</u>   | <u>25,698,627</u>   | <u>185,281</u>                     |
| Charges to Appropriations (Outflows):       |                     |                     |                     |                                    |
| Current:                                    |                     |                     |                     |                                    |
| General government                          | 628,780             | 628,780             | 550,618             | 78,162                             |
| Public safety                               | 1,266,563           | 1,266,563           | 1,150,568           | 115,995                            |
| Public works                                | 1,276,500           | 1,276,500           | 1,099,873           | 176,627                            |
| Health and welfare                          | 963,970             | 963,970             | 926,255             | 37,715                             |
| Social services                             | 35,610              | 35,610              | 35,610              | -                                  |
| Recreation & culture                        | 183,013             | 183,013             | 183,742             | (729)                              |
| Education                                   | 9,742,852           | 10,118,146          | 8,722,466           | 1,395,680                          |
| County tax                                  | 1,343,699           | 1,343,699           | 1,343,699           | -                                  |
| Insurance                                   | 157,271             | 157,271             | 128,866             | 28,405                             |
| Tax Increment Financing Agreement           | 2,877,535           | 2,877,535           | 2,435,650           | 441,885                            |
| Unclassified                                | 545,705             | 545,705             | 190,242             | 355,463                            |
| Transfers to other funds                    | 1,006,393           | 1,006,393           | 1,006,393           | -                                  |
| Total Charges to Appropriations             | <u>20,027,891</u>   | <u>20,403,185</u>   | <u>17,773,982</u>   | <u>2,629,203</u>                   |
| Budgetary Fund Balance, June 30             | <u>\$ 5,843,459</u> | <u>\$ 5,110,161</u> | <u>\$ 7,924,645</u> | <u>\$ 2,814,484</u>                |
| Utilization of undesignated fund<br>balance | \$ 1,241,000        | \$ 1,241,000        | \$ -                | \$ (1,241,000)                     |
| Utilization of designated fund<br>balance   | 660,853             | 1,394,151           | -                   | (1,394,151)                        |
|   | <u>\$ 1,901,853</u> | <u>\$ 2,635,151</u> | <u>\$ -</u>         | <u>\$ (2,635,151)</u>              |

See accompanying independent auditors' report.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule – Budget Basis – Budget and Actual – General Fund Revenues
- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function



## TOWN OF JAY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2010

|                                     | Budgeted<br>Amount | Actual<br>Amounts | Variance<br>Positive<br>(Negative) |
|-------------------------------------|--------------------|-------------------|------------------------------------|
| Revenues (Inflows):                 |                    |                   |                                    |
| Taxes:                              |                    |                   |                                    |
| Property taxes                      | \$ 14,600,957      | \$ 14,629,955     | \$ 28,998                          |
| Auto excise                         | 650,000            | 673,051           | 23,051                             |
| Boat excise                         | -                  | 4,609             | 4,609                              |
| Intergovernmental revenues:         |                    |                   |                                    |
| State revenue sharing               | 450,000            | 399,087           | (50,913)                           |
| Homestead reimbursement             | 126,008            | 126,008           | -                                  |
| Highway block grant                 | -                  | 94,952            | 94,952                             |
| State education subsidy             | 1,168,989          | 669,924           | (499,065)                          |
| Tree growth                         | 10,501             | 7,645             | (2,856)                            |
| BETE reimbursement                  | 600,765            | 600,765           | -                                  |
| Veteran's / other reimbursement     | -                  | 128,825           | 128,825                            |
| Charges for services                |                    |                   |                                    |
| Solid waste fees                    | 285,668            | 265,856           | (19,812)                           |
| Recycling fees                      | 60,000             | 64,469            | 4,469                              |
| Demolition fees                     | 25,000             | 22,723            | (2,277)                            |
| Contract fees                       | 16,000             | 17,261            | 1,261                              |
| Administration fees                 | 25,000             | 24,887            | (113)                              |
| Dumpsters                           | 3,000              | 5,494             | 2,494                              |
| Tires                               | 2,500              | 1,778             | (722)                              |
| Garbage bags                        | 2,000              | 1,884             | (116)                              |
| Police                              | 1,400              | 1,292             | (108)                              |
| Gravel pit                          | -                  | 52,900            | 52,900                             |
| Other                               | 3,250              | 20,986            | 17,736                             |
| Miscellaneous revenues              |                    |                   |                                    |
| Tax lien interest                   | -                  | 17,359            | 17,359                             |
| Investment interest                 | 95,000             | 53,429            | (41,571)                           |
| Lien fees                           | -                  | 8,322             | 8,322                              |
| Other                               | -                  | 49,415            | 49,415                             |
| Transfers from other funds          | -                  | 10,439            | 10,439                             |
| Fund balance                        | 1,241,000          | -                 | (1,241,000)                        |
| Amounts Available for Appropriation | <u>19,367,038</u>  | <u>17,953,315</u> | <u>(1,413,723)</u>                 |

See accompanying independent auditors' report.

TOWN OF JAY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2010

|                         | 2009 Carry-<br>forwards | Budget     | Applied<br>Revenues | Total<br>Available | Actual     | Balance   |
|-------------------------|-------------------------|------------|---------------------|--------------------|------------|-----------|
| General government:     |                         |            |                     |                    |            |           |
| Administration          | \$ -                    | \$ 513,720 | \$ -                | \$ 513,720         | \$ 459,136 | \$ 54,584 |
| Town boards             | -                       | 3,000      | -                   | 3,000              | 2,077      | 923       |
| Board of Selectmen      | -                       | 11,015     | -                   | 11,015             | 10,800     | 215       |
| Buildings & grounds     | -                       | 101,045    | -                   | 101,045            | 78,605     | 22,440    |
|                         | -                       | 628,780    | -                   | 628,780            | 550,618    | 78,162    |
| Public safety:          |                         |            |                     |                    |            |           |
| Police department       | -                       | 759,574    | -                   | 759,574            | 675,477    | 84,097    |
| Fire department         | -                       | 160,240    | -                   | 160,240            | 130,719    | 29,521    |
| Ambulance               | -                       | 54,929     | -                   | 54,929             | 54,930     | (1)       |
| Hydrants/Water          | -                       | 291,820    | -                   | 291,820            | 289,442    | 2,378     |
|                         | -                       | 1,266,563  | -                   | 1,266,563          | 1,150,568  | 115,995   |
| Public works:           |                         |            |                     |                    |            |           |
| Road Maintenance        | -                       | 1,276,500  | -                   | 1,276,500          | 1,099,873  | 176,627   |
|                         | -                       | 1,276,500  | -                   | 1,276,500          | 1,099,873  | 176,627   |
| Health and sanitation:  |                         |            |                     |                    |            |           |
| Transfer station        | -                       | 963,970    | -                   | 963,970            | 926,255    | 37,715    |
|                         | -                       | 963,970    | -                   | 963,970            | 926,255    | 37,715    |
| Social services         |                         |            |                     |                    |            |           |
| Agencies                | -                       | 35,610     | -                   | 35,610             | 35,610     | -         |
|                         | -                       | 35,610     | -                   | 35,610             | 35,610     | -         |
| Recreation and culture: |                         |            |                     |                    |            |           |
| Recreation              | -                       | 22,624     | -                   | 22,624             | 23,353     | (729)     |
| Library                 | -                       | 160,389    | -                   | 160,389            | 160,389    | -         |
|                         | -                       | 183,013    | -                   | 183,013            | 183,742    | (729)     |

TOWN OF JAY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2010

|                        | 2009 Carry-<br>forwards | Budget               | Applied<br>Revenues   | Total<br>Available   | Actual               | Balance             |
|------------------------|-------------------------|----------------------|-----------------------|----------------------|----------------------|---------------------|
| Education              | 1,394,151               | 9,742,852            | (1,018,857)           | 10,118,146           | 8,722,466            | 1,395,680           |
| County tax             | -                       | 1,343,699            | -                     | 1,343,699            | 1,343,699            | -                   |
| Insurance              | -                       | 157,271              | -                     | 157,271              | 128,866              | 28,405              |
| TIF                    | -                       | 2,877,535            | -                     | 2,877,535            | 2,435,650            | 441,885             |
| Unclassified:          |                         |                      |                       |                      |                      |                     |
| Industrial revaluation | -                       | 30,000               | -                     | 30,000               | 16,000               | 14,000              |
| Audit                  | -                       | 12,000               | -                     | 12,000               | 12,000               | -                   |
| Local access           | -                       | -                    | -                     | -                    | 7,017                | (7,017)             |
| Assessing              | -                       | 31,350               | -                     | 31,350               | 30,888               | 462                 |
| AVCOG                  | -                       | 11,670               | -                     | 11,670               | 11,667               | 3                   |
| Dues & fees            | -                       | 8,924                | -                     | 8,924                | 8,602                | 322                 |
| Plumbing inspect.      | -                       | 1,080                | -                     | 1,080                | 1,077                | 3                   |
| Other                  | -                       | 35                   | -                     | 35                   | 35                   | -                   |
| Adult ed               | -                       | 40,000               | -                     | 40,000               | 40,000               | -                   |
| Comprehensive plan     | -                       | -                    | -                     | -                    | 13,104               | (13,104)            |
| Building inspector     | -                       | 11,176               | -                     | 11,176               | 838                  | 10,338              |
| Overlay                | -                       | 351,470              | -                     | 351,470              | -                    | 351,470             |
| Legal fees             | -                       | 48,000               | -                     | 48,000               | 49,014               | (1,014)             |
|                        | -                       | 545,705              | -                     | 545,705              | 190,242              | 355,463             |
| Transfers              |                         |                      |                       |                      |                      |                     |
| Special revenue        | -                       | 712,102              | -                     | 712,102              | 712,102              | -                   |
| Enterprise funds       | -                       | 294,291              | -                     | 294,291              | 294,291              | -                   |
|                        | -                       | 1,006,393            | -                     | 1,006,393            | 1,006,393            | -                   |
| Total Expenditures     | <u>\$ 1,394,151</u>     | <u>\$ 20,027,891</u> | <u>\$ (1,018,857)</u> | <u>\$ 20,403,185</u> | <u>\$ 17,773,982</u> | <u>\$ 2,629,203</u> |

See accompanying independent auditors' report.

## TOWN OF JAY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

|  | Special<br>Revenue<br>Funds | Permanent<br>Funds          | Total Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|-----------------------------|---|
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>             |
| <b>ASSETS</b>                                    |                             |                             |   |
| Cash   | \$ 884,327                  | \$ 14,570                   | \$ 898,897                              |
| Investments                                      | 1,347,065                   | 98,873                      | 1,445,938                               |
| Accounts receivable                              | -                           | -                           | -                                       |
| Due from other funds                             | 504,934                     | -                           | 504,934                                 |
| Total assets                                     | <u>\$ 2,736,326</u>         | <u>\$ 113,443</u>           | <u>\$ 2,849,769</u>                     |
| <b>LIABILITIES</b>                               |                             |                             |   |
| Accounts payable                                 | \$ 25,658                   | \$ 2,400                    | \$ 28,058                               |
| Due to other funds                               | 204,488                     | -                           | 204,488                                 |
| Total liabilities                                | <u>230,146</u>              | <u>2,400</u>                | <u>232,546</u>                          |
| <b>FUND EQUITY</b>                               |                             |                             |   |
| Fund balance:                                    |                             |                             |   |
| Reserved:  |                             |                             |   |
| Designated for subsequent years'<br>expenditures | 2,506,288                   | 111,043                     | 2,617,331                               |
| Unreserved:                                      |                             |                             |   |
| Undesignated                                     | (108)                       | -                           | (108)                                   |
| Total fund equity                                | <u>2,506,180</u>            | <u>111,043</u>              | <u>2,617,223</u>                        |
| Total liabilities and fund equity                | <u>\$ 2,736,326</u>         | <u>\$ 113,443</u>           | <u>\$ 2,849,769</u>                     |

See accompanying independent auditors' report.

## TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

|   | Special<br>Revenue<br>Funds | Permanent<br>Funds       | Total Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------|--------------------------|---|
| REVENUES  | <u>\$ 1,298,698</u>         | <u>\$ 12,659</u>         | <u>\$ 1,311,357</u>                     |
| TOTAL EXPENDITURES  | <u>1,812,142</u>            | <u>9,357</u>             | <u>1,821,499</u>                        |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES                                       | <u>(513,444)</u>            | <u>3,302</u>             | <u>(510,142)</u>                        |
| OTHER FINANCING SOURCES (USES)  |                             |                          |   |
| Transfers In  | 765,510                     | 969                      | 766,479                                 |
| Transfers Out   | <u>(63,847)</u>             | <u>(969)</u>             | <u>(64,816)</u>                         |
| TOTAL OTHER FINANCING SOURCES<br>(USES)   | <u>701,663</u>              | <u>-</u>                 | <u>701,663</u>                          |
| EXCESS OF REVENUES AND OTHER<br>SOURCES OVER (UNDER)<br>EXPENDITURES AND OTHER (USES) | 188,219                     | 3,302                    | 191,521                                 |
| FUND BALANCE, JULY 1  | <u>2,317,961</u>            | <u>107,741</u>           | <u>2,425,702</u>                        |
| FUND BALANCE, JUNE 30   | <u><u>\$ 2,506,180</u></u>  | <u><u>\$ 111,043</u></u> | <u><u>\$ 2,617,223</u></u>              |

See accompanying independent auditors' report.

## Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

|   | Recycling Reserve | Tax Increment Financing | Highway Department Reserve | Police Reserve   | Recycling Facility Reserve | Small Comm. Grant | JAG Grant   | Taylor Made     |
|---|-------------------|-------------------------|----------------------------|------------------|----------------------------|-------------------|-------------|-----------------|
| <b>ASSETS</b>                                 |                   |                         |                            |                  |                            |                   |             |                 |
| Cash  | \$ 87,264         | \$ 586                  | \$ 41,870                  | \$ 17,463        | \$ 53,011                  | \$ -              | \$ -        | \$ -            |
| Investments                                   | -                 | -                       | 250,417                    | -                | -                          | -                 | -           | -               |
| Accounts receivable                           | -                 | -                       | -                          | -                | -                          | -                 | -           | -               |
| Due from other funds                          | -                 | -                       | 15,583                     | -                | -                          | 2,724             | -           | 5,000           |
| <b>TOTAL ASSETS</b>                           | <b>\$ 87,264</b>  | <b>\$ 586</b>           | <b>\$ 307,870</b>          | <b>\$ 17,463</b> | <b>\$ 53,011</b>           | <b>\$ 2,724</b>   | <b>\$ -</b> | <b>\$ 5,000</b> |
| <b>LIABILITIES AND FUND EQUITY</b>            |                   |                         |                            |                  |                            |                   |             |                 |
| <b>LIABILITIES</b>                            |                   |                         |                            |                  |                            |                   |             |                 |
| Accounts payable                              | \$ -              | \$ -                    | \$ -                       | \$ -             | \$ -                       | \$ -              | \$ -        | \$ -            |
| Due to other funds                            | -                 | -                       | -                          | 74               | -                          | -                 | -           | -               |
| <b>TOTAL LIABILITIES</b>                      | <b>-</b>          | <b>-</b>                | <b>-</b>                   | <b>74</b>        | <b>-</b>                   | <b>-</b>          | <b>-</b>    | <b>-</b>        |
| <b>FUND EQUITY</b>                            |                   |                         |                            |                  |                            |                   |             |                 |
| Fund balance:                                 |                   |                         |                            |                  |                            |                   |             |                 |
| Unreserved:                                   |                   |                         |                            |                  |                            |                   |             |                 |
| Designated for subsequent years' expenditures | 87,264            | 586                     | 307,870                    | 17,389           | 53,011                     | 2,724             | -           | 5,000           |
| Undesignated                                  | -                 | -                       | -                          | -                | -                          | -                 | -           | -               |
| <b>TOTAL FUND EQUITY</b>                      | <b>87,264</b>     | <b>586</b>              | <b>307,870</b>             | <b>17,389</b>    | <b>53,011</b>              | <b>2,724</b>      | <b>-</b>    | <b>5,000</b>    |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b>      | <b>\$ 87,264</b>  | <b>\$ 586</b>           | <b>\$ 307,870</b>          | <b>\$ 17,463</b> | <b>\$ 53,011</b>           | <b>\$ 2,724</b>   | <b>\$ -</b> | <b>\$ 5,000</b> |

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

|  | SCGP<br>Furst | Environmental<br>Reserve | Tower<br>Fund    | Jay<br>Community<br>Development | School<br>Grants  | Clock<br>Tower | Cemetery         |
|--|---------------|--------------------------|------------------|---------------------------------|-------------------|----------------|------------------|
| <b>ASSETS</b>                                    |               |                          |                  |                                 |                   |                |                  |
| Cash   | \$ -          | \$ 150,258               | \$ -             | \$ 2,582                        | \$ -              | \$ -           | \$ 6,270         |
| Investments                                      | -             | 1,004,615                | -                | 12,150                          | -                 | -              | 45,075           |
| Accounts receivable                              | -             | -                        | -                | -                               | -                 | -              | -                |
| Due from other funds                             | -             | -                        | 28,742           | 16,717                          | 427,781           | 104            | -                |
| <b>TOTAL ASSETS</b>                              | <b>\$ -</b>   | <b>\$ 1,154,873</b>      | <b>\$ 28,742</b> | <b>\$ 31,449</b>                | <b>\$ 427,781</b> | <b>\$ 104</b>  | <b>\$ 51,345</b> |
| <b>LIABILITIES AND FUND EQUITY</b>               |               |                          |                  |                                 |                   |                |                  |
| <b>LIABILITIES</b>                               |               |                          |                  |                                 |                   |                |                  |
| Accounts payable                                 | \$ -          | \$ -                     | \$ -             | \$ -                            | \$ 25,623         | \$ -           | \$ -             |
| Due to other funds                               | -             | 165,454                  | -                | -                               | -                 | -              | 4,670            |
| <b>TOTAL LIABILITIES</b>                         | <b>-</b>      | <b>165,454</b>           | <b>-</b>         | <b>-</b>                        | <b>25,623</b>     | <b>-</b>       | <b>4,670</b>     |
| <b>FUND EQUITY</b>                               |               |                          |                  |                                 |                   |                |                  |
| Fund balance:                                    |               |                          |                  |                                 |                   |                |                  |
| Unreserved:                                      |               |                          |                  |                                 |                   |                |                  |
| Designated for subsequent<br>years' expenditures | -             | 989,419                  | 28,742           | 31,449                          | 402,158           | 104            | 46,675           |
| Undesignated                                     | -             | -                        | -                | -                               | -                 | -              | -                |
| <b>TOTAL FUND EQUITY</b>                         | <b>-</b>      | <b>989,419</b>           | <b>28,742</b>    | <b>31,449</b>                   | <b>402,158</b>    | <b>104</b>     | <b>46,675</b>    |
| <b>TOTAL LIABILITIES AND FUND<br/>EQUITY</b>     | <b>\$ -</b>   | <b>\$ 1,154,873</b>      | <b>\$ 28,742</b> | <b>\$ 31,449</b>                | <b>\$ 427,781</b> | <b>\$ 104</b>  | <b>\$ 51,345</b> |



TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

|  | Paving<br>Reserve        | Sewer<br>Treatment<br>Plant | Fire<br>Department<br>Reserve | Town<br>Fall<br>Fund   | EAP<br>Program       | Buildings &<br>Grounds  | SCGP<br>Couture    |
|--|--------------------------|-----------------------------|-------------------------------|------------------------|----------------------|-------------------------|--------------------|
| <b>ASSETS</b>                                    |                          |                             |                               |                        |                      |                         |                    |
| Cash   | \$ 105,513               | \$ 230,666                  | \$ 174,852                    | \$ -                   | \$ -                 | \$ 6,218                | \$ -               |
| Investments                                      | -                        | -                           | -                             | -                      | -                    | 12,020                  | -                  |
| Accounts receivable                              | -                        | -                           | -                             | -                      | -                    | -                       | -                  |
| Due from other funds                             | -                        | -                           | -                             | 3,263                  | 380                  | 1,478                   | -                  |
| <b>TOTAL ASSETS</b>                              | <u><u>\$ 105,513</u></u> | <u><u>\$ 230,666</u></u>    | <u><u>\$ 174,852</u></u>      | <u><u>\$ 3,263</u></u> | <u><u>\$ 380</u></u> | <u><u>\$ 19,716</u></u> | <u><u>\$ -</u></u> |
| <b>LIABILITIES AND FUND EQUITY</b>               |                          |                             |                               |                        |                      |                         |                    |
| <b>LIABILITIES</b>                               |                          |                             |                               |                        |                      |                         |                    |
| Accounts payable                                 | \$ -                     | \$ -                        | \$ -                          | \$ -                   | \$ -                 | \$ -                    | \$ -               |
| Due to other funds                               | -                        | 264                         | 33,918                        | -                      | -                    | -                       | -                  |
| <b>TOTAL LIABILITIES</b>                         | <u><u>-</u></u>          | <u><u>264</u></u>           | <u><u>33,918</u></u>          | <u><u>-</u></u>        | <u><u>-</u></u>      | <u><u>-</u></u>         | <u><u>-</u></u>    |
| <b>FUND EQUITY</b>                               |                          |                             |                               |                        |                      |                         |                    |
| Fund balance:                                    |                          |                             |                               |                        |                      |                         |                    |
| Unreserved:                                      |                          |                             |                               |                        |                      |                         |                    |
| Designated for subsequent<br>years' expenditures | 105,513                  | 230,402                     | 140,934                       | 3,263                  | 380                  | 19,716                  | -                  |
| Undesignated                                     | -                        | -                           | -                             | -                      | -                    | -                       | -                  |
| <b>TOTAL FUND EQUITY</b>                         | <u><u>105,513</u></u>    | <u><u>230,402</u></u>       | <u><u>140,934</u></u>         | <u><u>3,263</u></u>    | <u><u>380</u></u>    | <u><u>19,716</u></u>    | <u><u>-</u></u>    |
| <b>TOTAL LIABILITIES AND FUND<br/>EQUITY</b>     | <u><u>\$ 105,513</u></u> | <u><u>\$ 230,666</u></u>    | <u><u>\$ 174,852</u></u>      | <u><u>\$ 3,263</u></u> | <u><u>\$ 380</u></u> | <u><u>\$ 19,716</u></u> | <u><u>\$ -</u></u> |

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

|  | Admin<br>Reserve | Veterans<br>Memorial<br>Fund | Wellness<br>Works | IP<br>Memorial | Jay<br>Comm<br>Playground | Totals              |
|--|------------------|------------------------------|-------------------|----------------|---------------------------|---------------------|
| <b>ASSETS</b>                                    |                  |                              |                   |                |                           |                     |
| Cash   | \$ 7,774         | \$ -                         | \$ -              | \$ -           | \$ -                      | \$ 884,327          |
| Investments                                      | 20,034           | 2,754                        | -                 | -              | -                         | 1,347,065           |
| Accounts receivable                              | -                | -                            | -                 | -              | -                         | -                   |
| Due from other funds                             | -                | 481                          | 1,021             | -              | 1,660                     | 504,934             |
| <b>TOTAL ASSETS</b>                              | <u>\$ 27,808</u> | <u>\$ 3,235</u>              | <u>\$ 1,021</u>   | <u>\$ -</u>    | <u>\$ 1,660</u>           | <u>\$ 2,736,326</u> |
| <b>LIABILITIES AND FUND EQUITY</b>               |                  |                              |                   |                |                           |                     |
| <b>LIABILITIES</b>                               |                  |                              |                   |                |                           |                     |
| Accounts payable                                 | \$ 35            | \$ -                         | \$ -              | \$ -           | \$ -                      | \$ 25,658           |
| Due to other funds                               | -                | -                            | -                 | 108            | -                         | 204,488             |
| <b>TOTAL LIABILITIES</b>                         | <u>35</u>        | <u>-</u>                     | <u>-</u>          | <u>108</u>     | <u>-</u>                  | <u>230,146</u>      |
| <b>FUND EQUITY</b>                               |                  |                              |                   |                |                           |                     |
| Fund balance:                                    |                  |                              |                   |                |                           |                     |
| Unreserved:                                      |                  |                              |                   |                |                           |                     |
| Designated for subsequent<br>years' expenditures | 27,773           | 3,235                        | 1,021             | -              | 1,660                     | 2,506,288           |
| Undesignated                                     | -                | -                            | -                 | (108)          | -                         | (108)               |
| <b>TOTAL FUND EQUITY</b>                         | <u>27,773</u>    | <u>3,235</u>                 | <u>1,021</u>      | <u>(108)</u>   | <u>1,660</u>              | <u>2,506,180</u>    |
| <b>TOTAL LIABILITIES AND<br/>FUND EQUITY</b>     | <u>\$ 27,808</u> | <u>\$ 3,235</u>              | <u>\$ 1,021</u>   | <u>\$ -</u>    | <u>\$ 1,660</u>           | <u>\$ 2,736,326</u> |

See accompanying independent auditors' report.

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR YEAR ENDED JUNE 30, 2010

|   | Recycling Reserve | TIF    | Highway Department Reserve | Police Reserve | Recycling Facility Reserve | Small Comm. Grant | Jag Grant | Taylor Made |
|---|-------------------|--------|----------------------------|----------------|----------------------------|-------------------|-----------|-------------|
| REVENUES  | \$ 586            | \$ 159 | \$ 1,164                   | \$ 834         | \$ 297                     | \$ -              | \$ 12,684 | \$ -        |
| EXPENDITURES  | 32,500            | -      | -                          | 17,933         | 7,604                      | -                 | 12,684    | -           |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES                                    | (31,914)          | 159    | 1,164                      | (17,099)       | (7,307)                    | -                 | -         | -           |
| OTHER FINANCING SOURCES (USES)  |                   |        |                            |                |                            |                   |           |             |
| Operating Transfers In  | 15,000            | -      | 100,000                    | 25,000         | 15,000                     | -                 | -         | -           |
| Operating Transfers Out   | -                 | -      | (53,408)                   | -              | -                          | -                 | -         | -           |
| TOTAL OTHER FINANCING SOURCES (USES)  | 15,000            | -      | 46,592                     | 25,000         | 15,000                     | -                 | -         | -           |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | (16,914)          | 159    | 47,756                     | 7,901          | 7,693                      | -                 | -         | -           |
| FUND BALANCE, JULY 1  | 104,178           | 427    | 260,114                    | 9,488          | 45,318                     | 2,724             | -         | 5,000       |
| FUND BALANCE, JUNE 30   | \$ 87,264         | \$ 586 | \$ 307,870                 | \$ 17,389      | \$ 53,011                  | \$ 2,724          | \$ -      | \$ 5,000    |

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR YEAR ENDED JUNE 30, 2010

|   | SCGP<br>Furst | Enviro-<br>mental<br>Reserve | Tower<br>Fund | Jay<br>Community<br>Develop. | School<br>Grants | Clock<br>Tower | Cemetery  |
|---|---------------|------------------------------|---------------|------------------------------|------------------|----------------|-----------|
| REVENUES  | \$ -          | \$ 12,130                    | \$ 19,144     | \$ 564                       | \$ 1,239,245     | \$ -           | \$ 3,434  |
| EXPENDITURES  | 516           | 166,753                      | 19,913        | -                            | 1,110,766        | -              | 1,987     |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES                                       | (516)         | (154,623)                    | (769)         | 564                          | 128,479          | -              | 1,447     |
| OTHER FINANCING SOURCES (USES)  |               |                              |               |                              |                  |                |           |
| Operating Transfers In  | -             | -                            | -             | -                            | -                | -              | -         |
| Operating Transfers Out   | -             | -                            | -             | -                            | -                | -              | -         |
| TOTAL OTHER FINANCING SOURCES<br>(USES)   | -             | -                            | -             | -                            | -                | -              | -         |
| EXCESS OF REVENUES AND OTHER<br>SOURCES OVER (UNDER)<br>EXPENDITURES AND OTHER (USES) | (516)         | (154,623)                    | (769)         | 564                          | 128,479          | -              | 1,447     |
| FUND BALANCE, JULY 1  | 516           | 1,144,042                    | 29,511        | 30,885                       | 273,679          | 104            | 45,228    |
| FUND BALANCE, JUNE 30   | \$ -          | \$ 989,419                   | \$ 28,742     | \$ 31,449                    | \$ 402,158       | \$ 104         | \$ 46,675 |

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR YEAR ENDED JUNE 30, 2010

|   | Paving Reserve | Sewer Treatment Plant | Fire Department Reserve | Town Fall Fund | EAP Program | Buildings & Grounds | SCGP Couture |
|---|----------------|-----------------------|-------------------------|----------------|-------------|---------------------|--------------|
| REVENUES  | \$ 749         | \$ 1,178              | \$ 3,343                | \$ -           | \$ -        | \$ 980              | \$ -         |
| EXPENDITURES  | 378,792        | -                     | 58,521                  | -              | -           | 520                 | 712          |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES                                    | (378,043)      | 1,178                 | (55,178)                | -              | -           | 460                 | (712)        |
| OTHER FINANCING SOURCES (USES)  |                |                       |                         |                |             |                     |              |
| Operating Transfers In  | 498,360        | 27,000                | 80,000                  | -              | -           | 4,250               | -            |
| Operating Transfers Out   | -              | -                     | -                       | -              | -           | -                   | -            |
| TOTAL OTHER FINANCING SOURCES (USES)  | 498,360        | 27,000                | 80,000                  | -              | -           | 4,250               | -            |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | 120,317        | 28,178                | 24,822                  | -              | -           | 4,710               | (712)        |
| FUND BALANCE, JULY 1  | (14,804)       | 202,224               | 116,112                 | 3,263          | 380         | 15,006              | 712          |
| FUND BALANCE, JUNE 30   | \$ 105,513     | \$ 230,402            | \$ 140,934              | \$ 3,263       | \$ 380      | \$ 19,716           | \$ -         |

TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR YEAR ENDED JUNE 30, 2010

|   | Admin Reserve | Veterans Memorial Fund | Wellness Works | IP Memorial | Jay Comm Play Ground | Totals       |
|---|---------------|------------------------|----------------|-------------|----------------------|--------------|
| REVENUES  | \$ 205        | \$ -                   | \$ 1,964       | \$ 38       | \$ -                 | \$ 1,298,698 |
| EXPENDITURES  | -             | -                      | 2,795          | 146         | -                    | 1,812,142    |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES                                    | 205           | -                      | (831)          | (108)       | -                    | (513,444)    |
| OTHER FINANCING SOURCES (USES)  |               |                        |                |             |                      |              |
| Operating Transfers In  | 900           | -                      | -              | -           | -                    | 765,510      |
| Operating Transfers Out   | -             | (10,439)               | -              | -           | -                    | (63,847)     |
| TOTAL OTHER FINANCING SOURCES (USES)  | 900           | (10,439)               | -              | -           | -                    | 701,663      |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | 1,105         | (10,439)               | (831)          | (108)       | -                    | 188,219      |
| FUND BALANCE, JULY 1  | 26,668        | 13,674                 | 1,852          | -           | 1,660                | 2,317,961    |
| FUND BALANCE, JUNE 30   | \$ 27,773     | \$ 3,235               | \$ 1,021       | \$ (108)    | \$ 1,660             | \$ 2,506,180 |

See accompanying independent auditors' report.

### Permanent Funds

To account for assets held by Town of Jay, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

TOWN OF JAY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2010

|                                   | Poland<br>Sullivan<br>Fund | Ministerial<br>Fund | Scholarships     | Total             |
|-----------------------------------|----------------------------|---------------------|------------------|-------------------|
| <b>ASSETS</b>                     |                            |                     |                  |                   |
| Cash                              | \$ -                       | \$ 2,588            | \$ 11,982        | \$ 14,570         |
| Investments                       | 17,804                     | -                   | 81,069           | 98,873            |
| Due from other funds              | -                          | -                   | -                | -                 |
| Total assets                      | <u>\$ 17,804</u>           | <u>\$ 2,588</u>     | <u>\$ 93,051</u> | <u>\$ 113,443</u> |
| <b>LIABILITIES</b>                |                            |                     |                  |                   |
| Accounts Payable                  | <u>\$ 2,400</u>            | <u>\$ -</u>         | <u>\$ -</u>      | <u>\$ 2,400</u>   |
| Total liabilities                 | <u>2,400</u>               | <u>-</u>            | <u>-</u>         | <u>2,400</u>      |
| <b>FUND EQUITY</b>                |                            |                     |                  |                   |
| Fund balance:                     |                            |                     |                  |                   |
| Unreserved:                       |                            |                     |                  |                   |
| Designated for subsequent years'  | 15,404                     | 2,588               | 93,051           | 111,043           |
| Total fund equity                 | <u>15,404</u>              | <u>2,588</u>        | <u>93,051</u>    | <u>111,043</u>    |
| Total liabilities and fund equity | <u>\$ 17,804</u>           | <u>\$ 2,588</u>     | <u>\$ 93,051</u> | <u>\$ 113,443</u> |

See accompanying independent auditors' report.



TOWN OF JAY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES – NONMAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010

|   | Poland<br>Sullivan<br>Fund | Ministerial<br>Fund | Scholarships     | Total             |
|---|----------------------------|---------------------|------------------|-------------------|
| REVENUES  |                            |                     |                  |                   |
| Interest  | \$ -                       | \$ 1                | \$ 1,180         | \$ 1,181          |
| Other   |                            |                     | 11,478           | 11,478            |
| TOTAL REVENUES  | <u>-</u>                   | <u>1</u>            | <u>12,658</u>    | <u>12,659</u>     |
| EXPENDITURES  |                            |                     |                  |                   |
| Scholarships  | -                          | -                   | 5,531            | 5,531             |
| Other   | 3,826                      | -                   | -                | 3,826             |
| TOTAL EXPENDITURES  | <u>3,826</u>               | <u>-</u>            | <u>5,531</u>     | <u>9,357</u>      |
| EXCESS OF REVENUES OVER (UNDER)<br>EXPENDITURES                                       | <u>(3,826)</u>             | <u>1</u>            | <u>7,127</u>     | <u>3,302</u>      |
| OTHER FINANCING SOURCES (USES)  |                            |                     |                  |                   |
| Operating Transfers In  | -                          | -                   | 969              | 969               |
| Operating Transfers Out   | -                          | -                   | (969)            | (969)             |
| TOTAL OTHER FINANCING SOURCES<br>(USES)   | <u>-</u>                   | <u>-</u>            | <u>-</u>         | <u>-</u>          |
| EXCESS OF REVENUES AND OTHER<br>SOURCES OVER (UNDER)<br>EXPENDITURES AND OTHER (USES) | <u>(3,826)</u>             | <u>1</u>            | <u>7,127</u>     | <u>3,302</u>      |
| FUND BALANCES - JULY 1, RESTATED  | <u>19,230</u>              | <u>2,587</u>        | <u>85,924</u>    | <u>107,741</u>    |
| FUND BALANCES - JUNE 30   | <u>\$ 15,404</u>           | <u>\$ 2,588</u>     | <u>\$ 93,051</u> | <u>\$ 111,043</u> |

See accompanying independent auditors' report.

### General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

TOWN OF JAY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2010

|                                       | Land and<br>Non-depreciable<br>Assets | Buildings,<br>Building Improvements<br>& Land Improvements | Furniture,<br>Fixtures,<br>Equipment<br>& Vehicles | Infrastructure      | Total                |
|---------------------------------------|---------------------------------------|--|--|---------------------|----------------------|
| Police                                | \$ -                                  | \$ -   | \$ 241,114   | \$ -                | \$ 241,114           |
| Fire                                  | 24,215                                | 580,132  | 1,540,233  | -                   | 2,144,580            |
| Highway                               | 15,000                                | 773,320  | 1,559,599  | 5,617,027           | 7,964,946            |
| Recycling                             | 48,500                                | 974,170  | 664,490  | -                   | 1,687,160            |
| Recreation                            | 65,400                                | -  | 34,600   | -                   | 100,000              |
| Library                               | -                                     | -  | 562,238  | -                   | 562,238              |
| Town-wide                             | 596,568                               | 1,223,992  | 86,330   | -                   | 1,906,890            |
| School Department                     | 96,150                                | 12,594,496   | 1,867,481  | -                   | 14,558,127           |
| Sewer Department                      | 27,435                                | 1,258,000  | 83,462   | 4,727,065           | 6,095,962            |
| School Lunch Program                  | -                                     | -  | 142,954  | -                   | 142,954              |
| <b>Total General Capital Assets</b>   | <b>873,268</b>                        | <b>17,404,110</b>  | <b>6,782,501</b>                                   | <b>10,344,092</b>   | <b>35,403,971</b>    |
| <b>Less: Accumulated Depreciation</b> | <b>-</b>                              | <b>(7,722,312)</b>   | <b>(5,011,447)</b>                                 | <b>(6,676,734)</b>  | <b>(19,410,493)</b>  |
| <b>Net General Capital Assets</b>     | <b>\$ 873,268</b>                     | <b>\$ 9,681,798</b>  | <b>\$ 1,771,054</b>                                | <b>\$ 3,667,358</b> | <b>\$ 15,993,478</b> |

See accompanying independent auditors' report.

## TOWN OF JAY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2010

|                                | General<br>Capital<br>Assets<br>7/1/09 | Additions           | Deletions          | General<br>Capital<br>Assets<br>6/30/10 |
|--------------------------------|--|---------------------|--------------------|---|
| Police                         | \$ 261,772                             | \$ -                | \$ (20,658)        | \$ 241,114                              |
| Fire                           | 2,157,200                              | 1,380               | (14,000)           | 2,144,580                               |
| Highway                        | 7,674,374                              | 290,572             | -                  | 7,964,946                               |
| Recycling                      | 1,687,070                              | 1,290               | (1,200)            | 1,687,160                               |
| Recreation                     | 100,000                                | -                   | -                  | 100,000                                 |
| Library                        | 562,238                                | -                   | -                  | 562,238                                 |
| Town-wide                      | 1,922,077                              | 16,820              | (32,007)           | 1,906,890                               |
| School Department              | 14,491,166                             | 72,074              | (5,113)            | 14,558,127                              |
| Sewer Department               | 6,095,962                              | -                   | -                  | 6,095,962                               |
| School Lunch Program           | 142,954                                | -                   | -                  | 142,954                                 |
| Total General Capital Assets   | 35,094,813                             | 382,136             | (72,978)           | 35,403,971                              |
| Less: Accumulated Depreciation | <u>(18,472,080)</u>                    | <u>(990,686)</u>    | <u>52,273</u>      | <u>(19,410,493)</u>                     |
| Net General Capital Assets     | <u>\$ 16,622,733</u>                   | <u>\$ (608,550)</u> | <u>\$ (20,705)</u> | <u>\$ 15,993,478</u>                    |

See accompanying independent auditors' report.

TOWN OF JAY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

| Federal Grantor<br>Pass Through Grantor<br>Program Title                               | Federal<br>CFDA<br>Number | Pass Thru<br>Grantor<br>Number | Expenditures        |
|--|---------------------------|--------------------------------|---------------------|
| U.S. Department of Agriculture   |                           |                                |                     |
| Passed Through State of Maine -  |                           |                                |                     |
| Department of Education and Cultural Services  |                           |                                |                     |
| Food Distribution  | 10.550                    | N/A                            | \$ 15,570           |
| School Breakfast Program   | 10.553                    | 013-05A-712-05                 | 78,951              |
| School Lunch Program   | 10.555                    | 013-05A-7128-95                | 115,010             |
| Total Department of Agriculture  |                           |                                | <u>209,530</u>      |
| U.S. Department of Education   |                           |                                |                     |
| Passed Through State of Maine -  |                           |                                |                     |
| Department of Education and Cultural Services  |                           |                                |                     |
| Title IA - Educationally Deprived  | 84.010                    | 013-05A-6334-13                | 209,462             |
| Handicapped Programs - Local   | 84.027                    | 013-05A-6334-13                | 214,052             |
| Local Entitlement Part B - Section 619   | 84.173                    | 013-05A-6334-13                | 5,776               |
| ARRA Title IA  | 84.389A                   | 020-06A-6334-13                | 88,417              |
| Rural Low Income   | 84.358                    | 013-05A-6334-13                | 17,808              |
| Title IID Grant  | 84.318                    | 013-05A-6334-13                | 2,904               |
| State Stabilization  | 84.394                    | 020-05A-6334-01                | 388,494             |
| ARRA Local Entitlement IDEA  | 84.391A                   | 020-06A-6317-12                | 77,869              |
| ARRA Local Entitlement - Part B Section 619  | 84.392A                   | 020-06A-6241-23                | 3,000               |
| ARRA Title IID   | 84.386                    | 020-06A-1006-02                | 7,089               |
| Title IIA Teaching Quality Grant   | 84.367                    | 013-05A-6334-13                | 71,254              |
| Total Department of Education  |                           |                                | <u>1,086,125</u>    |
| U.S. Department of Mental Health, Mental<br>Retardation, and Substance Abuse Services  |                           |                                |                     |
| Passed Through State of Maine -  |                           |                                |                     |
| Department of Mental Health, Mental<br>Retardation, and Substance Abuse Services       |                           |                                |                     |
| Drug Free Schools Act  | 84.186                    | 013-075-6346-57                | 2,041               |
| Total Department of Mental Health, Mental<br>Retardation, and Substance Abuse Services |                           |                                | <u>2,041</u>        |
| TOTAL FEDERAL ASSISTANCE   |                           |                                | <u>\$ 1,297,696</u> |

TOWN OF JAY, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Jay. All federal financial assistance received is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. The following programs were tested as Type B programs as outlined in OMB Circular A-133.

- 1) 84.010 – Title IA
- 2) 84.027 – Local Entitlement
- 3) 84.394 – State Stabilization



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*

August 20, 2010

Board of Selectmen  
Town of Jay  
Jay, Maine

We have audited the financial statements of the Town of Jay, Maine, as of and for the year ended June 30, 2010, and have issued our report thereon dated August 20, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Jay, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Jay, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Jay, Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Selectmen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

***RHR Smith & Co.***

Certified Public Accountants





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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

August 20, 2010

Board of Selectmen  
Town of Jay  
Jay, Maine

Compliance

We have audited the compliance of the Town of Jay, Maine, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Town of Jay, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Jay, Maine's management. Our responsibility is to express an opinion on Town of Jay, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Jay, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Jay, Maine's compliance with those requirements.

In our opinion, Town of Jay, Maine complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

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## Internal Control Over Compliance

The management of Town of Jay, Maine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Maine School Administrative Department No.55's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Maine Town of Jay, Maine's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

**RHR Smith & Co.**

Certified Public Accountants

TOWN OF JAY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITORS RESULTS  
FOR THE YEAR ENDED JUNE 30, 2010

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted yes no
  
- *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported

In accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 84.010              | Title I                                   |
| 84.027              | Local Entitlement                         |
| 84.394              | State Stabilization                       |

Dollar threshold used to distinguish between type A and B: \$300,000

Auditee qualified as low-risk auditee? yes no

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None



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## INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

August 20, 2010

Board of Selectmen  
Town of Jay  
Jay, Maine

We have audited the financial statements of Town of Jay, Maine for the year ended June 30, 2010 and have issued our report thereon dated August 20, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Department for accuracy. In addition we have reviewed quarterly EF-U-415 reports for the year ended June 30, 2010 and the Department's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, Town of Jay, Maine complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Town of Jay, Maine was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Department and have attached the following schedule as it relates to the reconciliation of audit adjustments to the initial annual financial data submitted to the MEDMS financial system maintained at the Department.

This report is intended solely for the information of the Board of Selectmen, management and the Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

***RHR Smith & Co.***

Certified Public Accountants

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TOWN OF JAY, MAINE

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

|   | General Fund<br>(100)   | Special Revenue<br>Funds<br>(200) | Totals                  |
|---|-------------------------|-----------------------------------|-------------------------|
|   | <u>          </u>       | <u>          </u>                 | <u>          </u>       |
| June 30 balance per MEDMS financial system  | \$ 1,395,682            | \$ 427,076                        | \$ 1,822,758            |
| <br><b>Revenue Adjustments:</b>             |                         |                                   |                         |
| <br><b>Expenditure Adjustments:</b>         |                         |                                   |                         |
| Food Service                                | -                       | (24,920)                          | (24,920)                |
| Rounding                                    | (2)                     | 2                                 | -                       |
|   | -                       | -                                 | -                       |
|   | -                       | -                                 | -                       |
| <br>Audited GAAP Basis Fund balance June 30 | <br><u>\$ 1,395,680</u> | <br><u>\$ 402,158</u>             | <br><u>\$ 1,797,838</u> |