



*COMPREHENSIVE ANNUAL
FINANCIAL REPORT*

For the Fiscal Year Ended June 30, 2005

Prepared by:

Heather A. Hunter, Deputy Finance Director

INTRODUCTORY SECTION

City of Lewiston, Maine
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005

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November 3, 2005

Honorable Lionel C. Guay, Jr., Mayor
Members of the City Council, and the
Citizens of Lewiston

The comprehensive annual financial report of the City of Lewiston for the year ended June 30, 2005, is hereby submitted as required by the City Charter. The Charter requires that the City of Lewiston issue a report annually on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. The financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Lewiston's financial statements have been audited by Runyon, Kersteen Ouellette, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (clean) opinion on the City of Lewiston's financial statements for the fiscal year ended June 30, 2005. The independent auditor's report is presented at the front of the financial section of this report.

The independent audit of the financial statements of the City of Lewiston was part of a broader, federally mandated A-133 designed to meet the special needs of federal grantor agencies. The standards governing the A-133 engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Lewiston's separately issued report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

GOVERNMENTAL PROFILE

Lewiston was incorporated as a Town in 1795 and established as a City in 1863 and is located on the east bank of the Androscoggin River in the south-central section of the state and is the second largest city in Maine with a population of 35,690. The City is 34 miles north of Portland, Maine, 142 miles from Boston and 210 miles from Montreal, Canada and encompasses an area of 34 square miles.

The City has operated under the Council-Administrator form of government since its most recent charter revision in 1979. Policy making and legislative authority are vested in the governing council, which consists of a mayor and seven-member council. The governing council is vested with the authority, among other things, to adopt the budget, pass ordinances and hire the City Administrator and City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the City's department heads. The Mayor and Council are elected on a nonpartisan basis and to two year terms. Only the Mayor has a limit on the term of office of 2, two year terms. A school committee, consisting of nine members, eight elected and one a City Council representative, has general authority for public schools.

The financial reporting entity includes all funds of the City of Lewiston, as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. The City provides a full range of services including police and fire protection; education; sanitation services; the construction and maintenance of highways, streets and infrastructure; human services; recreation and cultural activities; water and sewer utility services.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Lewiston Mill Redevelopment Corporation is reported as a nonmajor special revenue fund in the City's governmental fund financial statements and included in the Governmental Activities column in the City's government-wide financial statements.

Discretely presented component units are also legally separate entities however, they operate with a lesser or greater degree of autonomy and are presented together with, but separately from, the data of the primary government. Accordingly, the Community Facility Corporation is reported as a major component unit in the City's government-wide financial statements and included as a separate column under component unit in the government-wide financial statements.

Financial statements for the following entities are not included in this report as they are administered by boards separate from, or independent of, the City Council and otherwise have not met the established criteria for inclusion in the reporting entity:

- Lewiston-Auburn Water Pollution Control Authority
- Auburn-Lewiston Municipal Airport
- Lewiston-Auburn Transit Committee
- Lewiston-Auburn Economic Growth Council
- Lewiston-Auburn 9-1-1 Committee

Lake Auburn Watershed Protection Commission

Brief descriptions of these organizations and selected financial data are incorporated in the notes to the financial statements.

The annual budget serves as the foundation for the City of Lewiston's financial planning and control. The City Administrator is required to submit a budget to the City Council for the ensuing fiscal year. The City of Lewiston's School Committee is also required to submit a budget to the City Council for adoption. The City Administrator's budget message explains the budget in fiscal terms and in terms of the work programs. It outlines the proposed financial policies of the city for the ensuing fiscal year, describes the important features of the budget, and indicates any major changes from the current year in financial policies, expenditures and revenues together with the reason for such changes. The legal level of budgetary control is at the department level for the general fund and at the federal program level for the CDBG fund. At anytime during the fiscal year, the Administrator may transfer part or all of any encumbered appropriation balance among programs within a department. The City Council may transfer part or all of any unencumbered balance to another department.

ASSESSING ECONOMIC CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the economic condition within the City of Lewiston.

Local economy. Lewiston, along with the adjacent City of Auburn, is the most important economic center in central Maine. Considerable growth has occurred in the service sector which has increased the diversity of Lewiston's economy, from a mainly manufacturing-based economy to a mixed economy. Over the past 10 years, the average number of manufacturing jobs has decreased from 4,160 to 1,745 or 58%. During the same period the non-manufacturing jobs have increased from 17,500 to 20,680 or 18%. Major industries which have experienced the greatest employment growth over the past 10 years are health care services which have increased from 2,590 to 4,700 and financial services which have increased from 575 to 1,700. Total employment within the city over the past 10 years has increased from 21,660 to 22,425.

Continued emphasis on redeveloping the City's urban core and new business development will further strengthen the City's economic future. Major industries within the City's boundaries include health care with two major hospitals, home health care and mental health services which provide employment for over 4,500 individuals, telemarketing for catalog sales, as well as inbound and outbound services with seasonal employment reaching 1,690 and banking operations and support services with employment totaling 1,400. Education also has a major presence in the City with a four year liberal arts college, a state university and a 2 year business college which in total employ in excess of 900 people. Lewiston's average area unemployment rate of 5.0% for the year is above the state's average rate of 4.6% but below the national average of 5.3%.

Recent economic activity during the past year includes completion of the first phase of a Wal Mart

mechanized food distribution facility. The recently completed project is a 471,000 square foot dry goods distribution facility having a total value of \$35 million and distributes product throughout New England. A total of 300 employees have been hired to operate the dry goods facility and minimum of 200 additional employees will be needed for the second phase of the project which is already under construction. The second phase will be a refrigerated food distribution facility adding an additional 400,000 square feet and an additional \$35 million in value. This phase is expected to be completed in the summer of 2006.

Development of the Southern Gateway Project continued with the completion of a 32,000 square foot office building for an area bank which will result in a major transformation of the entrance into the downtown area from the Turnpike interchange. Public infrastructure improvements in the area include new underground utilities, sidewalks, street lighting and roadway improvements along with the construction of a 386 car parking facility. With last year's completion of an 18,000 square foot main office for a fiber optic network company; a 13,000 square foot private business college and an 18,000 square foot flagship store for a regional auto parts and tire retailer, the area now employs in excess of 200 people.

Financial trends. During the past ten years, property and excise taxes have remained the largest source of revenue to finance governmental expenses at 41%. This percentage of total revenue sources represents a reduction of 9% from what it was ten years ago. The reason for this reduction is the increase which has taken place in intergovernmental revenues, mostly from the State, which have increased by 4% to 44% and net revenues from debt service and capital projects which have increased by 8% to 23% during the same period.

During this same ten year period, expenditures for education have increased as a percentage of total governmental expenditures by 3% to a total of 49%. This increase has been partially driven by the additional cost of meeting state and federal requirements especially as they pertain to the cost of financing special education.

Major initiatives. The City Council has entered into a joint development agreement with a private developer for a 3 phase development of an 8 acre triangular shaped peninsula that projects into the Androscoggin River and is to be known as the Island Point Project. The total private sector investment over the 3 phases of development is estimated at \$21.5 million. The first phase, which will begin this year, includes a \$6 million redevelopment of the 60,000 square foot Cowan Mill into market rate residential condominiums and rehabilitation of an adjacent 30,000 square foot office building that will include a full service restaurant on the first floor. The second phase of the development will include redevelopment of the adjacent 75,000 square foot Libbey Mill into hotel suites and condominiums as well as retail and hotel support. The third phase of the project will include construction of a 9 story 81,000 square foot hotel with an estimated cost of \$10 million.

The School department received approval from the City of Lewiston voters, at a referendum election, for construction of a new elementary school to replace Farwell School, at an estimated cost of \$11 million. The project is currently in the final design phases and demolition of the old school is scheduled for early 2006 with construction of the new school to follow. The School department has recently entered into a lease with the Roman Catholic Diocese of Portland for use of a recently

closed private school to house the students during the construction period which is estimated to be 18 months.

Discussions are on-going with the Maine Turnpike Authority for construction on an additional exit off of River Road to provide additional and easier access to the Turnpike to and from the South Lewiston area that is under development. The additional exit has an estimated cost of \$6.5 million and would be paid for with Federal and State highway funds. Target date for completion is 2008.

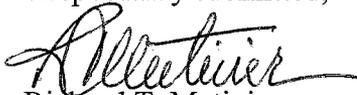
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lewiston for its comprehensive annual financial report for the year ended June 30, 2004. This was the thirtieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the accounting and auditing division. Special thanks to Heather Hunter, Deputy Finance Director for her dedication and loyalty, and countless hours contributed in preparation of this report and to all the staff in the accounting division for their valuable assistance. I would also like to acknowledge the firm of Runyon, Kersteen Ouellette for their efforts and guidance during the engagement. Credit must also be given to City Administrator James Bennett, the Mayor and City Council for their interest and support in planning and conducting operations of the City in a responsible and progressive manner.

Respectfully submitted,


Richard T. Metivier
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lewiston,
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



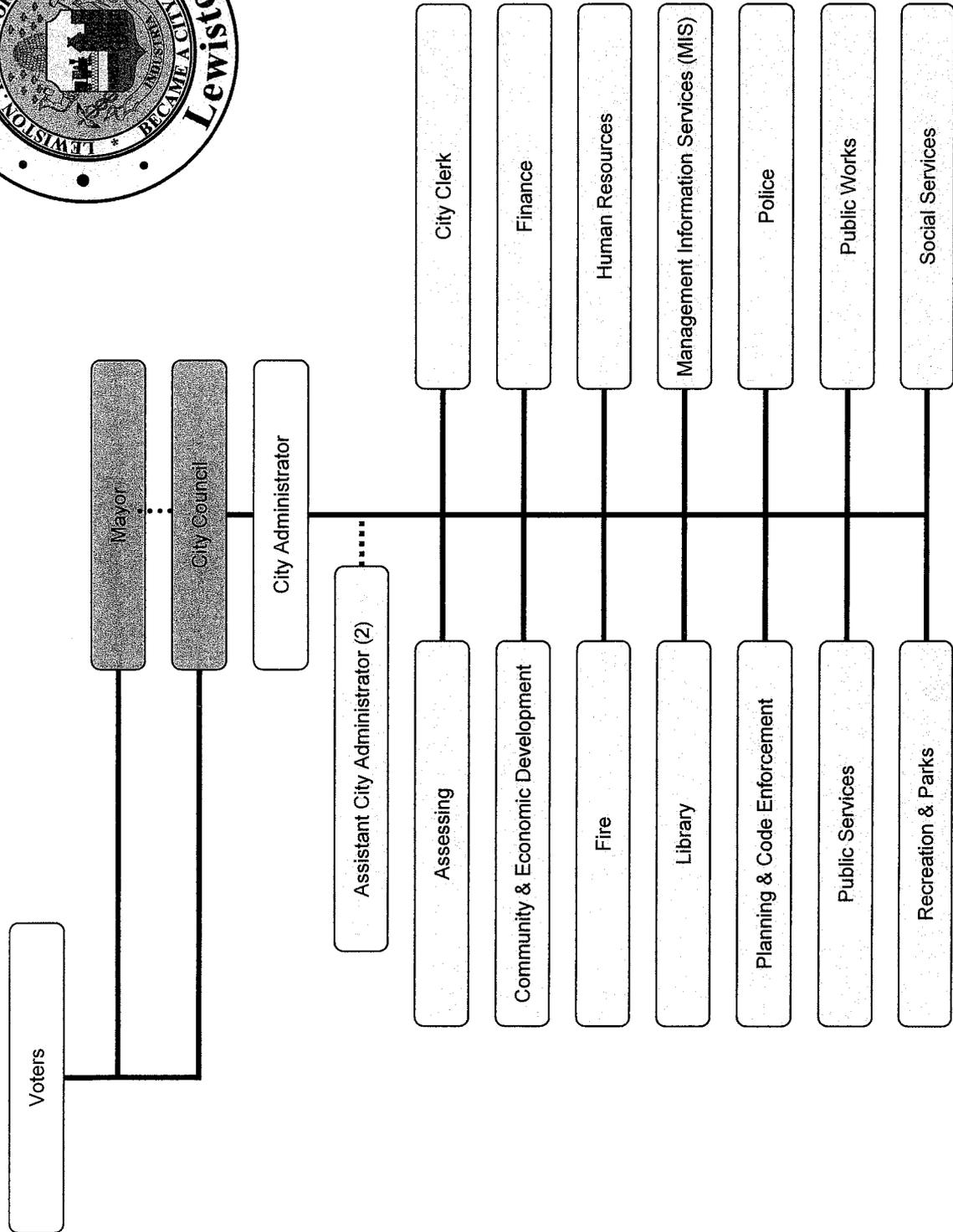
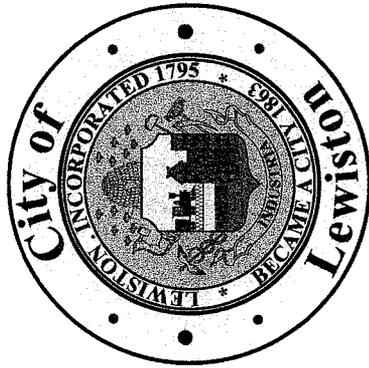
Nancy L. Zielke

President

Jeffrey R. Emery

Executive Director

City of Lewiston, Maine Organizational Chart



City of Lewiston, Maine

List of Principal Officials

June 30, 2005

Elected Officials

Lionel C. Guay Jr.	Mayor
Stavros J. Mendros	Council Member - Ward 1
Renee M. Bernier, Council President	Council Member - Ward 2
Lillian LaFontaine O'Brien	Council Member - Ward 3
Ronald W. Jean	Council Member - Ward 4
Robert V. Connors	Council Member - Ward 5
Mark W. Paradis	Council Member - Ward 6
Normand R. Rousseau	Council Member - Ward 7

Appointed Officials and Department Heads

James A. Bennett, City Administrator

Philippe J. Nadeau, Assistant City Administrator

Gregory A. Mitchell, Assistant City Administrator/Economic Development Director

Joseph Grube, Chief Assessor	Kathleen M. Montejo, City Clerk
James Andrews, Community & Economic Dev. Director	Richard T. Metivier, Finance Director
Michel A. Lajoie, Fire Chief	Denis R. Jean, Human Resources Director
Richard A. Speer, Library Director	Peter H. Bassett, MIS Director
Gildace J. Arsenault, Planning & Code Enforcement Director	William E. Welch, Police Chief
David A. Jones, Public Services Director	Paul L. Boudreau, Public Works Director
Margaret Chisholm, Recreation & Parks Director	Sue A. Charron, Social Services Director

FINANCIAL SECTION



Certified Public Accountants and Business Consultants

Report of Independent Auditors

City Council
City of Lewiston, Maine:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lewiston, Maine, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lewiston, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lewiston, Maine, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 City of Lewiston, Maine's basic financial statements. The combining statements and individual fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2005, on our consideration of the City of Lewiston, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Ryan Kersten Ouellette

October 28, 2005
South Portland, Maine

CITY OF LEWISTON, MAINE
Management's Discussion and Analysis
June 30, 2005

As management of the City of Lewiston, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 7 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Lewiston exceeded its liabilities at the close of the most recent fiscal year by \$111,040 (*net assets*).
- The City's total net assets decreased by \$600, which represents a .5% decrease.
- As of the close of the current fiscal year, the City of Lewiston's governmental funds reported combined ending fund balances of \$34,022 an increase of \$1,223 in comparison with the prior year. Approximately 34% of this total amount, \$11,407 is *available for spending* at the City's discretion (*undesignated fund balance*).
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$6,946 or 8.7% of general fund expenditures, including transfers out.
- The City of Lewiston's total debt increased by \$12,322 (13%) during the current fiscal year. The key factor in this increase was the issuance of \$1,382 in general obligation bonds for governmental project improvements, \$5,580 in general obligation bonds for water and sewer infrastructure improvements and \$12,268 in general obligation bonds for public and project infrastructure improvements associated with various development projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lewiston's basic financial statements. The City's basic financial statements comprise three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event

giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguished functions of the City of Lewiston that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lewiston include the broad activities of general government, public safety, highways and streets, sanitation, human services and culture and recreation and education. The business type activities of the City of Lewiston include the water system and the sanitary sewer system.

The government-wide financial statements include not only the City of Lewiston itself (*known as the primary government*), but also the Lewiston Mill Redevelopment Corporation as a blended component unit.

The government-wide financial statements can be found on pages 34-35 of this report.

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 City of Lewiston, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lewiston can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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*.

The City of Lewiston maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the general fund, capital projects fund; school categorical grants special revenue funds and the debt service fund which are considered to be major funds. Data from the other nine governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lewiston adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 36-38 of this report.

Proprietary funds. The City of Lewiston maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City of Lewiston uses enterprise funds to account for its water system and sanitary sewer system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water system and sanitary sewer system, both of which are considered to be major funds of the City of Lewiston.

The basic proprietary fund financial statements can be found on pages 42-45 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Lewiston's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 46-47 of this report.

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 fund financial statements. The notes to the financial statements can be found on pages 48-73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lewiston's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on page 76 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lewiston, assets exceeded liabilities by \$77,325 at the close of the most recent fiscal year. A comparison of key government-wide components is found in the following table.

City of Lewiston's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current & Other Assets	\$40,544	\$39,052	\$16,280	\$14,529	\$56,825	\$53,581
Capital Assets	141,070	135,922	38,169	33,388	179,238	169,310
Total Assets	181,614	174,974	54,449	47,917	236,063	222,891
Liabilities:						
Noncurrent Liabilities	97,231	89,200	19,089	14,569	116,320	103,769
Other Liabilities	7,010	6,624	1,693	859	8,703	7,483
Total Liabilities	104,241	95,824	20,782	15,428	125,023	111,252
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	77,560	110,549	19,080	18,819	96,640	129,368
Restricted	18,698	17,613			18,698	17,613
Unrestricted (Deficit)	(18,886)	(49,011)	14,587	13,670	(4,299)	(35,341)
Total Net Assets	\$77,372	\$79,151	\$33,667	\$32,489	\$111,040	\$111,640

By far the largest portion of the City of Lewiston's net assets (\$96,640) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Lewiston uses the capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lewiston's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Lewiston's net assets (\$18,698) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, a deficit of \$4,299 is mainly due to recording all of the City's long-term liabilities that are not due and payable in the current period. Liabilities of this nature include noncapital bonds payable, accrued interest payable, obligations for workers' comp. claims, unfunded actuarial pension liability, long-term compensated absences, capital lease obligations, and landfill closure and postclosure care costs. A complete reconciliation, by item and amount, can be found in the notes to the financial statements.

At the end of the current fiscal year, the City of Lewiston is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities. The same situation was true for the prior fiscal year.

The city's net assets decreased by \$600 during the course of the year. A contributing factor under governmental activities was a loss on the disposal of fixed assets of \$3,105. Net assets in business-type activities increased by \$1,178 as a result of charges for services exceeding expenses by \$395 and capital grants and contributions amounting to \$764.

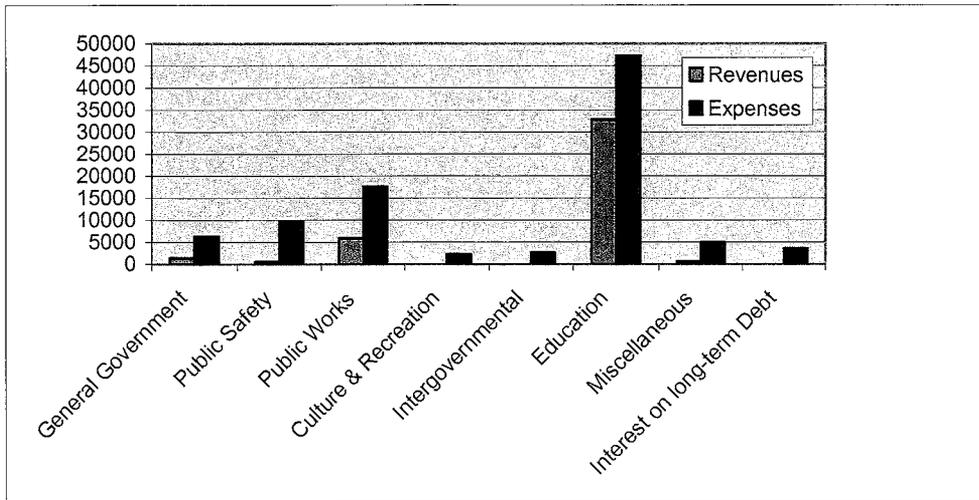
Governmental activities. Governmental activities decreased the City of Lewiston's net assets by \$1,778 thereby accounting for all of the reduction in the net assets of the City of Lewiston. Key elements of the decrease are as follows:

	City of Lewiston's Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$4,061	\$5,144	\$7,223	\$7,195	11,284	\$12,339
Operating grants & contributions	34,006	32,696	0	0	34,006	32,696
Capital grants & contributions	3,556	1,841	764	1,437	4,320	3,278
General revenues:						
Property taxes	39,880	39,075	0	0	39,880	39,075
Other taxes	4,679	4,342	0	0	4,679	4,342
Grants & contributions not restricted to specific programs						
Other	5,797	5,699	0	0	5,797	5,699
Other	1,267	365	57	53	1,324	418
Total revenues	93,246	89,162	8,044	8,685	101,290	97,847
Expenses:						
General government	6,336	13,767			6,336	13,767
Public safety	9,791	9,347			9,791	9,347
Public works	17,633	11,225			17,633	11,225
Human services	636	703			636	703
Culture & recreation	2,234	2,334			2,234	2,334
Intergovernmental	2,606	3,019			2,606	3,019
Education & nutrition	47,315	46,654			47,315	46,654
Other miscellaneous	4,994	5,840			4,994	5,840
Interest on long-term debt	3,518	3,058			3,518	3,058
Water			2,895	3,299	2,895	3,299
Sewer			3,933	3,824	3,933	3,824
Total Expenses	95,062	95,947	6,828	7,124	101,891	103,070
Increase (decrease) in net assets before transfers	(1,816)	(6,785)	1,216	1,560	(600)	(5,223)
Transfers	38	47	(38)	(47)	0	0
Increase (decrease) in net Assets	(1,778)	(6,737)	1,178	1,514	(600)	(5,223)
Net assets, July 1	79,151	85,888	32,489	30,975	111,640	116,863
Net assets, June 30	\$77,372	\$79,151	\$33,667	\$32,489	\$111,040	\$111,640

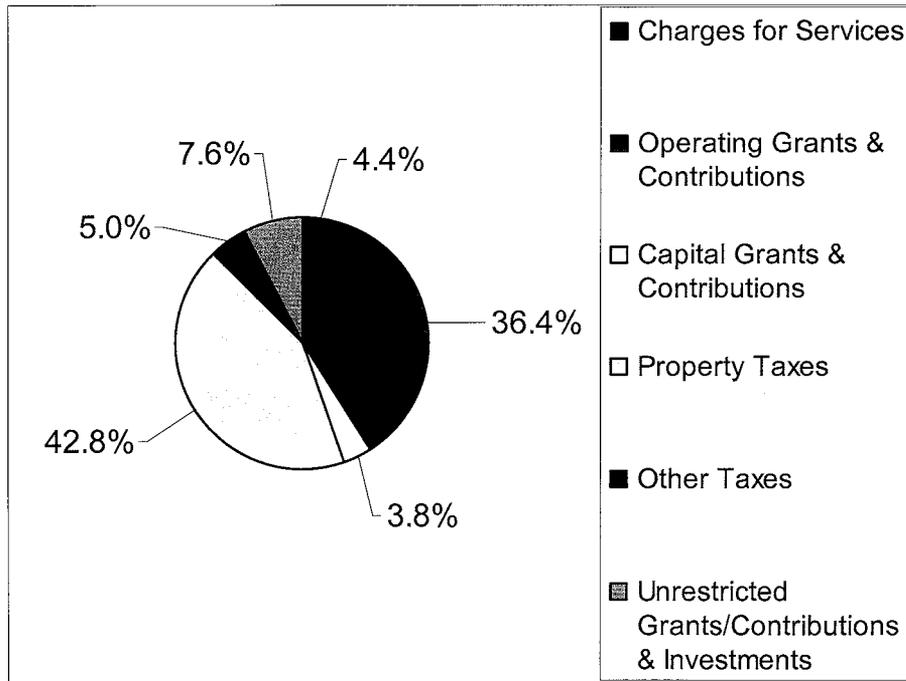
- Revenues for governmental activities increased by \$4,084 while expenditures decreased by \$885.
- Capital grants and contributions for governmental activities increased by \$1,715 and were utilized for highways and street investment.

- The increase in other revenues of \$902 for governmental activities was for unrestricted investment earnings.

Program Revenues Compared to Program Expenditures



Governmental Activities Revenue Sources

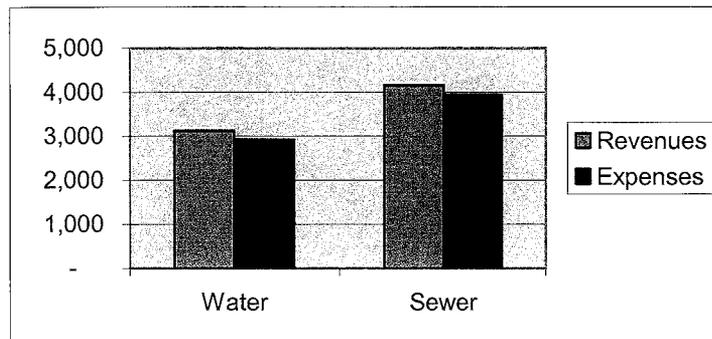


Business-type activities. The City of Lewiston’s net assets for business-type activities increased by \$1,178. Key elements of this increase are as follows.

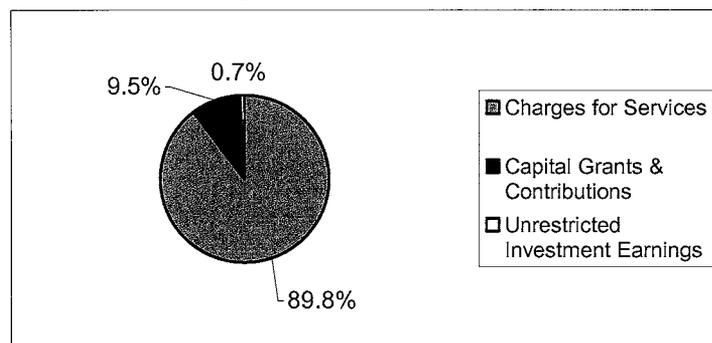
- Increase in fund equity from joint ventures with the Auburn Water & Sewer Districts in Sewer (\$569) and in Water (\$65).

- Capital contributions for the Water department of \$68 were mostly generated from a residential housing development in which the developer installed the water services infrastructure while a tax-increment financing project for an industrial park resulted in capital contributions of \$62 for the Sewer department.

Program Revenues Compared to Program Expenses



Business-type Activities Revenue Sources



Financial Analysis of the Government's Funds

As noted earlier, the City of Lewiston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Lewiston's governmental funds reported combined ending fund balances of \$34,022 an increase of \$1,123 in comparison with the prior year. Approximately 47% of this total amount (\$15,985) constitutes *unreserved fund balance*, which is available for spending at the city's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$4,874), 2) to secure advances to other funds (\$6,810), 3) to secure long-term notes receivable (\$3,390), 4) to generate income to pay for

library endowments and the perpetual care of municipal cemeteries (\$1,122), 5) to pay for the future cost of compensated absences (\$1,219) or 6) a variety of other restricted purposes (\$622).

The general fund is the primary operating fund of the City of Lewiston. At the end of the current fiscal year, unreserved fund balance of the general fund was \$11,524 (\$4,578 of which has been designated by management for subsequent years' expenditures and self-insured funds), while total fund balance was \$15,218. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.4% of total general fund expenditures (\$79,875), while total fund balance represents 19.1% of that same amount.

The fund balance of the City of Lewiston's general fund increased by \$31 during the current fiscal year. Key factors in the increase are as follows:

- An increase in the amount of funds reserved for encumbrances at year end of \$623.
- An increase of \$2,130 in the amount of funds reserved for future workers' compensation and unemployment compensation expenditures partially due to a transfer of \$1,400 from the undesignated balance as well as a reduction in expenditures.
- Establishment of a reserve for compensated absences of \$1,219 which were previously reported as a liability.
- A decrease in the amount of funds designated for subsequent year expenditures of \$487.
- A decrease in the undesignated fund balance of \$1,049 due to a transfer of \$1,400 to the reserve for self-insured funds which was offset by additional revenues over expenditures.

The School Categorical Grants has a fund balance of \$1,387. The fund balance decreased by \$2 during the year because of transfers to the general fund in the amount of \$328. The amount of grants received during the year totaled \$6,256 and charges for services amounted to \$771.

The Capital Projects fund has a total fund balance of \$5,018. Expenditures for capital projects amounted to \$15,687 during the year while the issuance of general obligation bonds amounted to \$7,570. The fund balance decreased by \$6,090 during the year.

The Debt Service Fund had a \$6,080 fund balance at the end of the year. The Debt Service Fund is used to account for the accumulation of governmental resources to fund capital lease and general obligation bond principal and interest payments, in the year which they are due. The year-end fund balance represents bonds sold on behalf of Community Facility Corporation and due from the component unit.

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

Unrestricted net assets of the Sewer fund at the end of the year amounted to \$9,961 and those for the Water fund amounted to \$4,627. The total growth in net assets for the Sewer fund was \$845 while the increase in net assets of the Water fund was \$332. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Lewiston's business-type activities.

General Fund Budgetary Highlights

During the course of the year, the original budget was amended once by the City Council when it authorized an additional appropriation of \$1,400 to supplement the funding for the city's self-insured workers' compensation program. The \$1,400 was taken from the undesignated general fund balance and increased the amount appropriated in transfers out. The monies were subsequently transferred to the designated fund balance for future workers' compensation expenditures.

Several other transfers were made during the course of the year from various department budgets to others which did not amend the overall budget appropriation.

The General Fund budget overall (on a budgetary basis of accounting), ended the year with revenues exceeding budgetary estimates by \$2,420 and expenditures were above budget estimates by \$69.

The following schedule provides a summary of General Fund revenues on the budgetary basis of accounting for the year and the amount of increases and decreases in relation to prior year revenues:

Revenues	Amount	Percentage of Total	Increase/ (Decrease) from 2004
Taxes:			
Real Estate	\$ 40,217	52.7%	\$ (114)
Excise	4,025	5.3%	122
Licenses and Permits	431	0.6%	79
Intergovernmental	27,805	36.4%	1,556
Charges for Services	1,311	1.7%	221
Fines	223	0.3%	53
Interest, Rents & Royalties	1,263	1.7%	271
Miscellaneous	663	0.9%	48
Transfers from other funds	399	0.5%	\$ (9)
Total	\$ 76,337	100.0%	\$ 2,227

Revenues for the General Fund (on the budgetary basis of accounting) totaled \$76,337 in fiscal year ended June 30, 2005.

Current and prior year real estate and personal property taxes continue to represent the largest revenue source, with \$40.2 million, or 52.7% of all general fund revenues. The reduction of \$114 in the amount collected is due to a decrease in the amount of prior years taxes collected (\$655). As current year tax collections have improved over the past several years, it will reduce the amount of prior years taxes collected. Excise tax collections which amounted to \$4,025 represent 5.3% of the revenues.

Intergovernmental revenues amounted to \$27,805 or 36.4%, the city's second largest revenue source. The increase of \$1,556 from the previous year was largely due to additional school aid of \$1,187; additional State revenue sharing payments of \$116 and additional payments in lieu of taxes of \$202.

Expenditures	Amount	Percentage of Total	Increase/ (Decrease) from 2004
General government	\$ 3,454	4.5%	\$ (6)
Public safety	9,688	12.5%	243
Public works	7,357	9.5%	302
Social services	508	0.7%	(50)
Recreation	1,129	1.5%	(50)
Library	885	1.1%	27
Intergovernmental	3,045	3.9%	26
Education	36,433	47.0%	646
Insurances & pensions	3,741	4.8%	(144)
Miscellaneous	934	1.2%	(1,248)
Transfers to other funds	10,271	13.3%	2,374
Total	\$ 77,445	100.0%	\$ 2,120

Expenditures for the General Fund (on the budgetary basis of accounting) totaled \$77,445 in fiscal year ended June 30, 2005.

Education expenditures of \$36,433 represent 47% of the total expenditures. Expenditures increased by \$646 largely due to additional special education costs.

The increase in the transfer to other funds was largely due to the additional debt services cost of \$708 and \$1,855 to provide working capital for the Lewiston Mill Redevelopment Special Revenue Fund.

The decrease of \$1,249 in miscellaneous expenditures was due to the reduction of workers compensation expenditures in the amount of \$1,141.

Capital Asset and Debt Administration

Capital assets. The City of Lewiston's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$179,238 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, bridges and water and sewer systems. The total increase in the City of Lewiston's investment in net capital assets for the current fiscal year was 5.9% (a 3.8% increase for governmental activities and a 14.3% increase for business type activities).

Major capital asset events during the current fiscal year included the following:

- Construction continued on the Cultural Center at the Public Library and at the end of the year, the addition to construction in progress amounted to \$1,908.
- A number of highway construction projects were performed throughout the city during the year for streets, sidewalks, bridges and street lights and at the end of the year they amounted to \$2,776.
- Construction of new sewer systems to eliminate combined sewer overflows occurred during the year and the construction in progress at the end of the year amounted to \$2,026.

- Construction of the South Lewiston water tanks began during the year and the construction in progress at the end of the year amounted to \$3,101.
- Construction of the Southern Gateway Parking Garage occurred during the year and the construction in progress at the end of the year amounted to \$3,909.
- Construction of a parking deck at the Bates Mill facility began during the year and at year end amounted to \$521.

City of Lewiston's Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$10,769	\$10,494	\$266	\$266	\$11,035	\$10,760
Buildings	22,259	20,990	4,128	3,522	26,387	24,511
Improvements Other Than Buildings	14,348	14,276			14,348	14,276
Machinery & Equipment	8,814	8,512	746	762	9,560	9,274
Infrastructure	69,136	70,721	28,046	27,292	97,182	98,013
Construction in Progress	15,744	10,930	4,983	1,546	20,727	12,476
Total Capital Assets	\$141,070	\$135,922	\$38,169	\$33,388	\$179,238	\$169,310

Additional information on the City of Lewiston's capital assets can be found in note IV.C on pages 58-60 of this report.

Long-term debt. At the end of the current fiscal year, the City of Lewiston had total bonded debt outstanding of \$104,889. The entire amount is backed by the full faith and credit of the city. The following schedule represents a breakdown of the debt by governmental and business-type activities and comparisons with the previous fiscal year:

City of Lewiston's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Bonds Payable	\$85,800	\$77,938	\$19,089	\$14,569	\$104,889	\$92,507

The City of Lewiston's debt increased by \$12,382 or 13% during the current fiscal year. The key factor in the increase was the city's issuance of \$19,230 of general obligation bonds for various purposes.

The City of Lewiston maintains an Aa3 rating from Moody's for its general obligation debt. Please refer to Moody's report for a comprehensive explanation of their rating assessment.

State statutes limit the amount of general obligation debt a municipality may issue to 15% of its total state assessed valuation. The current debt limitation of the City of Lewiston is \$256,860 which is significantly in excess of the City of Lewiston's outstanding general obligation debt.

Additional information on the City of Lewiston's long-term debt can be found in note IV.F on pages 62-67 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Lewiston continues to be a very vibrant and growing economic area for central Maine. Development in the downtown area as well as the industrial parks and areas adjacent to the turnpike interchange are continuing at a pace that is unprecedented. The public and private partnerships that have been created have been the impetus for this new wave of development.

- The unemployment rate for the city of Lewiston is currently 5.1% which is an increase of .8% from the rate of 4.3% a year ago. This rate is above the State's average unemployment rate of 4.4% but is slightly below the national average of 5.2%. Part of the increase in the local unemployment rate is due to the work force reductions at Bath Iron Works in Bath, Maine as well as an increase in the immigrant population who are transitioning to new jobs.
- Inflationary trends in the region during the past year have been equivalent to national trends at 2.5%. Increasing costs of energy will likely have a greater impact in the northeast during the upcoming year due to additional heating costs.

In adopting the budget for the 2006 fiscal year, City officials considered many factors in making judgments and estimates prior to finalizing the budget. The first and foremost consideration was to utilize the additional resources from State Aid for Education of \$3.2 million to both increase the amount of services to the Schools and to lower the property tax rate. When the budget was enacted by the City Council, it resulted in a decrease in the tax rate from \$27.70 per thousand of valuation to \$27.35. A \$55 million or 3.6% growth in the city's taxable base, one of the highest in recent history, also contributed to the decrease. Completion of the first phase of the Wal Mart Distribution facility along with the commencement of the second phase will result in a combined \$60 million of new taxable value for that project alone.

The Water Department user fee rates were increased by 15% for the 2006 budget year. The water rate increase was required in order to finance the additional debt service costs for the \$4.5 million high pressure service area water tanks in the South Lewiston area which will substantially improve distribution capacity and allow for increased industrial and commercial development. The sewer rates, which were increased by an average of 5% in 2005, were not increased in the 2006 budget year.

Requests for Information

This financial report is designed to provide a general overview of the City of Lewiston's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City of Lewiston, Maine, 27 Pine Street, Lewiston, Maine 04240.

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Assets
June 30, 2005

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Total 2005	Total 2004	Community Facility Corp. 2005
ASSETS					
Cash and Cash Equivalents	\$ 3,566,561	\$ 311,186	\$ 3,877,747	\$ 3,001,759	
Investments	22,620,084	4,891,410	27,511,494	31,953,243	
Receivables:					
Taxes	1,262,436		1,262,436	1,391,330	
Accounts (Net of Allowance for Uncollectibles)	619,581	1,365,887	1,985,468	1,622,725	\$ 554,737
Intergovernmental	1,948,930		1,948,930	1,534,631	
Loans (Net of Allowance for Uncollectibles)	3,689,696		3,689,696	3,902,469	
Internal Balances	54	(54)	(0)		
Advance to Component Unit	6,421,434		6,421,434	912,852	
Notes and Interest Receivable		2,112	2,112	12,448	
Inventory	415,519		415,519	293,818	
Cash - Restricted		256,812	256,812	150,619	
Deferred Charges		272,195	272,195	253,255	
Intangible Assets (Net of Amortization)		2,833	2,833	7,979	326,023
Investment in Joint Ventures		9,178,023	9,178,023	8,544,223	
Capital Assets:					
Land	10,769,331	265,644	11,034,975	10,759,510	244,300
Buildings	40,564,348	6,684,275	47,248,623	44,755,479	3,430,495
Improvements Other Than Buildings	17,332,352		17,332,352	16,691,224	2,133,261
Machinery and Equipment	19,611,905	1,953,977	21,565,882	20,475,238	209,140
Infrastructure	100,573,638	37,390,396	137,964,034	135,536,623	
Less: Accumulated Depreciation	(63,526,517)	(13,108,129)	(76,634,646)	(71,383,245)	(154,666)
Construction In Progress	15,744,452	4,982,574	20,727,026	12,475,619	
Total Net Capital Assets	141,069,509	38,168,737	179,238,246	169,310,448	5,862,530
Total Assets	181,613,804	54,449,141	236,062,945	222,891,799	6,743,290
LIABILITIES					
Accounts Payable	2,828,297	1,107,687	3,935,984	3,206,124	69,774
Accrued Wages and Taxes Payable	2,404,267	47,683	2,451,950	1,955,182	
Compensated Absences Payable	1,218,605	55,551	1,274,156	1,176,582	
Notes Payable	95,858		95,858	105,000	200,000
Unearned Revenue	53,635		53,635	272,497	
Customer's Deposits	4,000		4,000	24,204	
Accrued Interest Payable	405,577	225,587	631,164	592,598	52,082
Advance from Primary Government					6,421,434
Liabilities Payable From Restricted Assets		256,812	256,812	150,619	
Noncurrent Liabilities:					
Due Within One Year	7,627,913	1,402,858	9,030,771	9,000,045	
Due in More Than One Year	89,603,173	17,685,810	107,288,983	94,768,952	
Total Liabilities	104,241,325	20,781,988	125,023,313	111,251,804	6,743,290
NET ASSETS					
Invested in Capital Assets (Net of Related Debt)	77,560,125	19,080,069	96,640,194	110,548,794	
Restricted For:					
Recreation and Human Services	6,495,992		6,495,992	5,407,873	
Debt Service	6,080,000		6,080,000		
Capital Projects	5,017,710		5,017,710	11,107,271	
Nonexpendable Perpetual Care	19,679		19,679	19,292	
Nonexpendable Endowment Fund	1,084,909		1,084,909	1,078,544	
Unrestricted	(18,885,935)	14,587,084	(4,298,851)	(16,521,782)	
Total Net Assets	\$ 77,372,479	\$ 33,667,153	\$ 111,039,630	\$ 111,639,992	\$ 0

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

Comparative Statement of Activities
For the Year Ended June 30, 2005

Functions and Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Community Facility Corp. 2005		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Primary Government Total	
								2005	2004
Primary Government:									
Governmental Activities:									
General Government	\$ 6,335,690	\$ 1,219,124	\$ 193,468	\$	\$ (4,923,098)	\$	(4,923,098)	(8,595,081)	
Public Safety	9,790,631	514,905	12,799		(9,262,927)		(9,262,927)	(8,955,948)	
Public Works	17,633,091	1,088,461	1,303,926	3,556,303	(11,684,401)		(11,684,401)	(9,479,923)	
Human Services	635,771		176,704		(459,067)		(459,067)	(521,760)	
Culture and Recreation	2,233,771	22,224			(2,211,547)		(2,211,547)	(2,216,639)	
Intergovernmental	2,606,124				(2,606,124)		(2,606,124)	(3,019,453)	
Education & Nutrition	47,315,387	1,206,383	31,756,543		(14,352,461)		(14,352,461)	(14,647,579)	
Other Miscellaneous	4,994,029	10,000	562,382		(4,421,647)		(4,421,647)	(5,771,167)	
Interest on Long-Term Debt	3,517,985				(3,517,985)		(3,517,985)	(3,058,363)	
Total Governmental Activities	95,062,479	4,061,097	34,005,822	3,556,303	(53,439,257)		(53,439,257)	(56,285,913)	
Business-Type Activities:									
Water	2,894,812	3,102,759		132,665		\$ 340,612	340,612	541,572	
Sewer	3,933,332	4,120,294		630,852		817,814	817,814	967,226	
Total Business-Type Activities	6,828,143	7,223,053		763,517		1,158,426	1,158,426	1,508,798	
Total Primary Government	101,890,622	11,284,150	34,005,822	4,319,820	(53,439,257)	1,158,426	(52,280,831)	(54,757,115)	
Component Unit:									
Community Facility Corp.	\$ 199,983	\$ 199,983						\$ 0	
General Revenues:									
Property Taxes					39,879,952		39,879,952	39,075,018	
Payment in Lieu of Taxes					556,490		556,490	344,568	
Motor Vehicle Excise Taxes					4,024,831		4,024,831	3,902,739	
Franchise Fees					97,692		97,692	94,634	
Grants and Contributions Not Restricted to Specific Programs:									
Homestead Exemption					1,113,346		1,113,346	1,131,126	
State Revenue Sharing					4,683,822		4,683,822	4,568,044	
Unrestricted Investment Earnings					1,267,157	57,173	1,324,330	417,824	
Miscellaneous Transfers					37,664	(37,664)	-	-	
Total General Revenues and Transfers					51,660,954	19,509	51,680,463	49,533,954	
Change in Net Assets					(1,778,304)	1,177,935	(600,369)	(5,223,161)	
Net Assets, July 1					79,150,779	32,489,217	111,639,992	116,863,153	
Net Assets, June 30					77,372,479	33,667,153	111,039,630	111,639,992	

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

Comparative Balance Sheet
Governmental Funds
June 30, 2005

	School Categorical				Debt Service Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds	
	General	Grants Revenue Fund	Special Revenue Fund					2005	2004
ASSETS									
Cash and Cash Equivalents	\$ 679,252	\$ 2,507,780	\$ 520	\$ 373,311	\$ 92,541	\$ 2,902,034	\$ 3,653,404	\$ 27,790,977	
Investments	13,474,205			6,175,998	2,969,881		22,620,084		
Receivables:									
Taxes	1,262,436					1,391,330	1,262,436		
Accounts (Net of Allowance for Uncollectibles)	218,568	19,424		295,000	86,589	324,173	619,581		
Intergovernmental	1,318,314	376,779			253,837	1,534,631	1,948,930		
Loans (Net of Allowance for Uncollectibles)					3,689,696	3,902,469	3,689,696		
Due From Other Funds	1,731,515					2,219,225	1,731,515		
Advances to Other Funds	179,632		6,080,000			2,035,000	179,632		
Advance to Component Unit	254,591					912,852	6,334,591		
Inventory	399,978	15,541				293,818	415,519		
Total Assets	\$ 19,518,491	\$ 2,919,524	\$ 6,080,520	\$ 6,844,308	\$ 7,092,544	\$ 43,306,509	\$ 42,455,388	\$ 43,306,509	

LIABILITIES AND FUND BALANCE

Liabilities:									
Accounts Payable	\$ 811,388	\$ 4,934	\$ 187,279	\$ 1,824,696	\$ 29,777	\$ 2,767,797	\$ 2,828,297	\$ 1,929,730	
Accrued Wages and Taxes Payable	2,296,341	78,148				1,122,649	2,404,267		
Compensated Absences Payable									
Due to Other Funds		1,449,907		1,903	279,651	2,219,225	1,731,461	2,219,225	
Notes Payable					95,858	105,000	95,858	105,000	
Deferred Revenue	1,161,914					1,403,306	1,161,914	1,403,306	
Unearned Revenue	26,990					22,656	26,990	22,656	
Customer's Deposits	4,000					24,204	4,000	24,204	
Advances From Other Funds					179,632	2,035,000	179,632	2,035,000	
Matured Interest Coupon Payable			520			260	520	260	
Total Liabilities	\$ 4,300,632	\$ 1,532,990	\$ 772,197	\$ 1,826,599	\$ 8,432,937	\$ 11,629,828	\$ 8,432,937	\$ 11,629,828	

**Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2005**

						<u>Total Governmental Funds</u>	
	General	School Grants Special Revenue Fund	Debt Service Fund	Capital Projects	Other Governmental Funds	2005	2004
REVENUES							
Taxes	\$ 44,242,163				\$ 794,164	\$ 45,036,326	\$ 44,601,175
Licenses and Permits	430,714					430,714	351,680
Intergovernmental	31,373,464	\$ 6,256,250		\$ 1,263,515	2,157,286	41,050,515	39,456,667
Charges For Services	1,310,566	770,807			151,682	2,233,055	1,967,785
Fines	223,439					223,439	170,370
Interest, Rents and Gain on Investments	1,263,463			152,997	698,374	2,114,834	2,073,715
Donations				1,053,000	166,544	1,219,544	564,739
Miscellaneous	663,168				26,924	690,092	625,354
Total Revenues	<u>79,506,978</u>	<u>7,027,057</u>		<u>2,469,512</u>	<u>3,994,972</u>	<u>92,998,520</u>	<u>89,811,485</u>
EXPENDITURES							
Current:							
General Government	3,383,674				2,275,826	5,659,501	6,782,409
Public Safety	9,599,005					9,599,005	9,328,518
Public Works	6,794,981					6,794,981	6,765,039
Human Services	507,710				129,148	636,858	702,671
Culture and Recreation	1,957,093				93,216	2,050,309	2,114,215
Intergovernmental	3,045,464					3,045,464	3,019,453
Education	39,643,636	4,803,462				44,447,097	44,739,770
Nutrition		1,897,929				1,897,929	1,599,173
Miscellaneous	4,672,231					4,672,231	6,066,147
Debt Service:							
Redemption of Serial Bonds			\$ 5,901,937			5,901,937	5,395,702
Redemption of Refunded Bond			2,365,000			2,365,000	1,861,500
Interest on Serial Bonds			3,475,332			3,475,332	2,933,285
Capital Lease Debt			102,541			102,541	111,949
Bond Issuance Costs			39,144			39,144	211,890
Capital Outlay				15,686,537	1,454,194	17,140,731	15,639,850
Total Expenditures	<u>69,603,795</u>	<u>6,701,391</u>	<u>11,883,955</u>	<u>15,686,537</u>	<u>3,952,384</u>	<u>107,828,062</u>	<u>107,271,572</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,903,183	325,667	(11,883,955)	(13,217,025)	42,588	(14,829,542)	(17,460,086)
OTHER FINANCING SOURCES (USES)							
Transfers In	399,348		9,518,955	263,380	2,230,427	12,412,109	9,778,376
Transfers Out	(10,271,017)	(327,512)		(705,916)	(1,070,001)	(12,374,445)	(9,730,973)
Issuance of General Obligation Bonds			6,080,000	7,570,000		13,650,000	20,075,000
Issuance of Refunded Bonds			2,365,000			2,365,000	
Total Other Financing Source (Uses)	<u>(9,871,669)</u>	<u>(327,512)</u>	<u>17,963,955</u>	<u>7,127,464</u>	<u>1,160,427</u>	<u>16,052,664</u>	<u>20,122,403</u>
Net Change in Fund Balance	31,514	(1,845)	6,080,000	(6,089,561)	1,203,014	1,223,122	2,662,317
Fund Balance, July 1	14,063,697	1,388,380		11,107,271	5,117,334	31,676,679	29,014,364
Prior Period Adjustment - Compensated Absences Payable	1,122,649					1,122,649	
Fund Balance, July 1(Restated)	<u>15,186,346</u>	<u>1,388,380</u>		<u>11,107,271</u>	<u>5,117,334</u>	<u>32,799,328</u>	<u>29,014,364</u>
Fund Balance, June 30	<u>\$ 15,217,860</u>	<u>\$ 1,386,534</u>	<u>\$ 6,080,000</u>	<u>\$ 5,017,710</u>	<u>\$ 6,320,348</u>	<u>\$ 34,022,450</u>	<u>\$ 31,676,679</u>

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

**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, 2005**

Net Change in Fund Balances - Total Governmental Funds Reported on Statement 4	\$	1,223,122
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense of \$4,978,807 in the current period.		8,496,352
The net effect of the disposition of capital assets which resulted in a loss that decreased net assets. Disposed assets were historically valued at \$3,926,125, with accumulated depreciation of \$576,902, and proceeds received of \$244,112.		(3,349,223)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(18,197)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net assets. This amount is the net effect of these differences in the treatment of long-term debt.		(7,768,944)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(361,414)
		(361,414)
Change in net assets of governmental activities (see Statement 2)	\$	(1,778,304)

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual & Year End Encumbrances	Variance With Final Budget - Positive (Negative)
	Original & 2004 Encumbrances	Final & 2004 Encumbrances		
REVENUES				
Taxes:				
Real Estate	\$ 40,118,255	\$ 40,118,255	\$ 40,217,331	\$ 99,076
Excise	3,720,000	3,720,000	4,024,831	304,831
Licenses and Permits	368,444	368,444	430,714	62,270
Intergovernmental	26,599,338	26,599,338	27,805,051	1,205,713
Charges For Services	1,029,024	1,029,024	1,310,566	281,542
Fines	288,225	288,225	223,439	(64,786)
Interest, Rents and Royalties	984,935	984,935	1,263,463	278,528
Miscellaneous	410,000	410,000	663,168	253,168
Total Revenues	<u>73,518,221</u>	<u>73,518,221</u>	<u>75,938,564</u>	<u>2,420,343</u>
EXPENDITURES				
Current:				
General Government:				
Mayor and City Council	45,800	47,981	45,284	2,696
Economic Development	233,303	245,318	238,955	6,363
City Administrator	240,320	280,772	279,970	802
City Attorney	187,500	187,500	159,834	27,666
City Clerk	225,010	248,933	257,465	(8,532)
Human Resources	254,157	277,087	276,741	345
Finance and Administration	1,427,705	1,555,160	1,541,483	13,677
Buildings and Parking Facilities	623,408	663,678	654,498	9,180
Total General Government	<u>3,237,203</u>	<u>3,506,428</u>	<u>3,454,230</u>	<u>52,197</u>
Public Safety:				
Police	4,622,395	4,841,587	4,784,595	56,992
Fire	4,453,200	4,601,133	4,631,382	(30,249)
Inspection	232,588	256,309	255,873	437
Other	15,905	15,800	15,675	125
Total Public Safety	<u>9,324,088</u>	<u>9,714,829</u>	<u>9,687,524</u>	<u>27,305</u>
Public Works:				
Administration	184,801	198,930	182,697	16,234
Engineering	152,371	191,201	169,996	21,205
Maintenance and Sanitation	7,134,361	7,482,809	7,004,353	478,456
Total Public Works	<u>7,471,533</u>	<u>7,872,941</u>	<u>7,357,046</u>	<u>515,895</u>
Social Services	487,748	501,976	507,710	(5,733)
Recreation	1,124,205	1,181,610	1,129,470	52,140
Library	833,934	890,167	885,107	5,060
Intergovernmental	3,043,464	3,043,464	3,045,464	(2,000)
Education	35,601,431	35,601,431	36,433,366	(831,935)

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual & Year End Encumbrances	Variance With Final Budget - Positive (Negative)
	Original & 2004 Encumbrances	Final & 2004 Encumbrances		
Miscellaneous:				
Insurances	3,655,925	3,655,925	3,287,074	368,851
Pensions and Retirement	1,508,500	524,628	453,587	71,041
Reserves and Contingencies	230,352	21,845		21,845
Other Miscellaneous	586,875	590,015	933,970	(343,956)
Total Miscellaneous	<u>5,981,652</u>	<u>4,792,413</u>	<u>4,674,631</u>	<u>117,782</u>
Total Expenditures	<u>67,105,258</u>	<u>67,105,258</u>	<u>67,174,548</u>	<u>(69,290)</u>
Excess of Revenues Over Expenditures	6,412,963	6,412,963	8,764,016	2,351,053
OTHER FINANCING SOURCES (USES)				
Transfers In	311,000	311,000	399,348	88,348
Transfers Out	(9,440,786)	(10,840,786)	(10,271,017)	569,770
Total Other Financing Sources and Uses	<u>(9,129,786)</u>	<u>(10,529,786)</u>	<u>(9,871,669)</u>	<u>658,117</u>
Net Change in Fund Balance - Budgetary Basis	(2,716,824)	(4,116,824)	(1,107,653)	3,009,171
Add Back Encumbrances	623,029	623,029	1,139,167	516,138
Net Change in Fund Balance - GAAP Basis	(2,093,795)	(3,493,795)	31,514	3,525,309
Fund Balance, July 1, as previously reported	14,063,697	14,063,697	14,063,697	
Prior Period Adjustment - Compensated Absences Payable			<u>1,122,649</u>	
Fund Balance, July 1 (Restated)	<u>14,063,697</u>	<u>14,063,697</u>	<u>15,186,346</u>	
Fund Balance, June 30	<u>\$ 11,969,902</u>	<u>\$ 10,569,902</u>	<u>\$ 15,217,860</u>	<u>\$ 3,525,309</u>

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

Comparative Statement of Net Assets
Proprietary Funds
June 30, 2005
Business-Type Activities - Enterprise Funds

	Water	Sewer	Total All Funds	
	Enterprise Fund	Enterprise Fund	2005	2004
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 189,709	\$ 121,478	\$ 311,186	\$ 99,725
Investments	3,125,685	1,765,725	4,891,410	4,162,266
Accounts Receivable (Net of Allowance for Uncollectibles)	599,422	766,465	1,365,887	1,298,552
Notes & Interest Receivable		450	450	8,582
Total Current Assets	3,914,815	2,654,118	6,568,933	5,569,125
Noncurrent Assets:				
Notes & Interest Receivable		1,662	1,662	3,866
Restricted Cash - Customer Deposits	12,827	243,985	256,812	150,619
Other Assets:				
Deferred Charges	171,379	100,816	272,195	253,255
Intangible Assets (Net of Amortization)	1,417	1,416	2,833	7,979
Investment in Joint Ventures	1,655,653	7,522,370	9,178,023	8,544,223
Total Other Assets	1,828,449	7,624,602	9,453,051	8,805,457
Capital Assets:				
Land	94,350	171,294	265,644	265,644
Buildings	3,105,379	3,578,896	6,684,275	6,525,816
Pipelines and Mains	28,465,815	8,924,581	37,390,396	35,480,459
Machinery & Equipment	1,047,162	906,815	1,953,977	1,828,920
Less: Accumulated Depreciation	(8,528,684)	(4,579,445)	(13,108,129)	(12,258,633)
Construction in Progress	3,975,402	1,007,172	4,982,574	1,545,862
Total Net Capital Assets	28,159,424	10,009,313	38,168,737	33,388,068
Total Noncurrent Assets	30,000,700	17,879,562	47,880,262	42,348,010
Total Assets	\$ 33,915,515	\$ 20,533,680	\$ 54,449,195	\$ 47,917,135

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

**Comparative Statement of Net Assets
Proprietary Funds
June 30, 2005
Business-Type Activities - Enterprise Funds**

	Water	Sewer	<u>Total All Funds</u>	
	Enterprise Fund	Enterprise Fund	2005	2004
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable - Current	\$ 1,054,215	\$ 348,643	\$ 1,402,858	\$ 1,120,578
Accounts Payable	873,054	234,633	1,107,687	438,327
Accrued Payroll	34,508	13,175	47,683	25,452
Compensated Absences Payable	40,451	15,100	55,551	53,933
Accrued Interest Payable	168,707	56,823	225,530	190,790
Due to Other Funds		54	54	
Total Current Liabilities	<u>2,170,935</u>	<u>668,428</u>	<u>2,839,363</u>	<u>1,829,080</u>
Current Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	<u>12,827</u>	<u>243,985</u>	<u>256,812</u>	<u>150,619</u>
Total Current Liabilities Payable From Restricted Assets	12,827	243,985	256,812	150,619
Noncurrent Liabilities:				
Deferred Credits	57		57	81
Revenue Bonds Payable	<u>13,306,794</u>	<u>4,379,016</u>	<u>17,685,810</u>	<u>13,448,138</u>
Total Noncurrent Liabilities	13,306,851	4,379,016	17,685,867	13,448,219
Total Liabilities	<u>\$ 15,490,613</u>	<u>\$ 5,291,429</u>	<u>\$ 20,782,042</u>	<u>\$ 15,427,918</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 13,798,358	\$ 5,281,654	\$ 19,080,012	\$ 18,819,271
Unrestricted	<u>4,626,544</u>	<u>9,960,597</u>	<u>14,587,141</u>	<u>13,669,946</u>
Total Net Assets	<u>\$ 18,424,902</u>	<u>\$ 15,242,251</u>	<u>\$ 33,667,153</u>	<u>\$ 32,489,217</u>

**Comparative Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005
Business-Type Activities - Enterprise Funds**

	Water Enterprise Fund	Sewer Enterprise Fund	<u>Total All Business-Type Activities</u>	
			2005	2004
OPERATING REVENUES				
Charges for Services	\$ 3,102,759	\$ 4,120,294	\$ 7,223,053	\$ 7,195,308
OPERATING EXPENSES				
Cost of Sales and Services	1,287,094	3,080,660	4,367,754	4,104,656
Administration	516,859	374,740	891,599	884,105
Depreciation	648,110	269,416	917,526	836,127
Total Operating Expenses	<u>2,452,063</u>	<u>3,724,817</u>	<u>6,176,879</u>	<u>5,824,888</u>
Operating Income	650,696	395,477	1,046,173	1,370,420
NONOPERATING REVENUES (EXPENSES)				
Interest Revenues	20,314	36,859	57,173	52,529
Increase in Fund Equity of Joint Ventures	64,661	569,139	633,800	593,863
Interest Expense	(398,687)	(194,518)	(593,205)	(558,669)
Gain (Loss) on Sale of Capital Assets	(11,347)		(11,347)	(688,989)
Amortization of Deferred Charges	(32,715)	(13,997)	(46,712)	(51,067)
Total Nonoperating Revenue (Expenses)	<u>(357,774)</u>	<u>397,483</u>	<u>39,709</u>	<u>(652,333)</u>
Income Before Contributions & Transfers	292,922	792,960	1,085,882	718,087
Transfers Out	(28,469)	(9,195)	(37,664)	(47,404)
Capital Contributions	68,004	61,713	129,717	843,241
Change in Net Assets	332,457	845,478	1,177,935	1,513,924
Total Net Assets, July 1	<u>18,092,445</u>	<u>14,396,772</u>	<u>32,489,217</u>	<u>30,975,294</u>
Total Net Assets, June 30	<u>\$ 18,424,902</u>	<u>\$ 15,242,251</u>	<u>\$ 33,667,153</u>	<u>\$ 32,489,217</u>

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

Comparative Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2005
Business-Type Activities - Enterprise Funds

	Water	Sewer	Total	
	Enterprise Fund	Enterprise Fund	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 3,088,735	\$ 4,180,293	\$ 7,269,028	\$ 7,341,737
Cash Paid to Suppliers for Goods and Services	(343,975)	(3,057,911)	(3,401,886)	(3,998,892)
Cash Paid to Employees for Services	(781,341)	(382,865)	(1,164,206)	(1,228,068)
Net Cash Provided by Operating Activities	<u>1,963,419</u>	<u>739,517</u>	<u>2,702,936</u>	<u>2,114,777</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	(28,469)	(9,195)	(37,664)	(47,404)
Net Cash (Used For) Noncapital Financing Activities	<u>(28,469)</u>	<u>(9,195)</u>	<u>(37,664)</u>	<u>(47,404)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds From Sale of Revenue Bonds	5,255,000	325,000	5,580,000	1,275,000
Acquisition and Construction of Capital Assets	(4,171,409)	(1,538,132)	(5,709,541)	(3,859,225)
Principal Paid on Revenue Bonds	(787,397)	(333,181)	(1,120,578)	(1,131,413)
Interest Paid on Revenue Bonds	(369,255)	(189,210)	(558,465)	(488,723)
Cost of Issuing Revenue Bonds				6,646
Capital Contributions	68,003	61,713	129,716	843,240
Payments Received from Capital Notes		3,197	3,197	6,679
Net Cash (Used For) Capital & Related Financing Activities	<u>(5,058)</u>	<u>(1,670,613)</u>	<u>(1,675,671)</u>	<u>(3,347,796)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Sales (Purchases) of Investments	1,339,367	2,822,900	4,162,267	1,208,956
Interest Earned (Paid) on Investments	20,314	36,883	57,197	52,654
Net Cash Provided By Investing Activities	<u>1,359,681</u>	<u>2,859,783</u>	<u>4,219,464</u>	<u>1,261,610</u>
Net Increase (Decrease) in Cash	3,289,573	1,919,492	5,209,065	(18,813)
Cash and Cash Equivalents, July 1	<u>38,647</u>	<u>211,696</u>	<u>250,343</u>	<u>269,157</u>
Cash and Cash Equivalents, June 30	<u>\$ 3,328,220</u>	<u>\$ 2,131,188</u>	<u>\$ 5,459,408</u>	<u>\$ 250,344</u>
Cash and Cash Equivalents	189,709	121,478	311,187	99,725
Investments	3,125,685	1,765,725	4,891,410	
Restricted Cash	12,827	243,985	256,812	150,619
Total Cash and Cash Equivalents	<u>\$ 3,328,220</u>	<u>\$ 2,131,188</u>	<u>\$ 5,459,408</u>	<u>\$ 250,344</u>

Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 650,696	\$ 395,478	\$ 1,046,173	\$ 1,370,420
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	648,110	269,416	917,526	836,127
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(19,348)	(40,871)	(60,219)	134,109
Increase (Decrease) in Customer Deposits	5,324	100,870	106,194	12,319
Increase (Decrease) in Accounts Payable	658,400	10,959	669,359	(217,567)
Increase (Decrease) in Accrued Payroll	16,682	5,549	22,231	(23,033)
Increase (Decrease) in Accrued Leave	6,555	(1,938)	4,617	2,472
Increase (Decrease) in Due to Other Funds		54	54	(69)
Total Adjustments	<u>1,315,723</u>	<u>344,039</u>	<u>1,659,762</u>	<u>744,358</u>
Net Cash Provided By Operating Activities	<u>\$ 1,966,419</u>	<u>\$ 739,517</u>	<u>\$ 2,705,935</u>	<u>\$ 2,114,778</u>

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

Comparative Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
ASSETS				
Cash	\$ 823	\$ 193	\$ 138,765	\$ 125,348
Investments	175,714	175,640		
Total Assets	<u>176,537</u>	<u>175,833</u>	<u>138,765</u>	<u>125,348</u>
LIABILITIES				
School Activities Payable			126,840	123,417
DAB Payable			9,825	
SSI Client Payable			2,100	1,931
Total Liabilities			<u>138,765</u>	<u>125,348</u>
NET ASSETS				
Held in trust for scholarships and other purposes	<u>\$ 176,537</u>	<u>\$ 175,833</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Comparative Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005**

	Private Purpose Trust Funds	
	2005	2004
ADDITIONS		
Contributions:		
Bequests	\$ 207	
Investment Earnings	3,035	\$ 1,427
Total Additions	3,242	1,427
DEDUCTIONS		
Scholarship Awards	2,538	1,250
Total Deductions	2,538	1,250
Change in Net Assets	704	177
Net Assets - Beginning	175,833	175,656
Net Assets - Ending	\$ 176,537	\$ 175,833

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

CITY OF LEWISTON, MAINE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

The financial statements of the City of Lewiston have been prepared in conformity with accounting principles generally accepted in the United States as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lewiston is a municipal corporation governed by an elected mayor and a seven-member council. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth by accounting principles generally accepted in the United States. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of the type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. As required by accounting principles generally accepted in the United States, these financial statements present the City, one discretely presented component unit, and one blended component unit, an entity for which the City is considered to be financially accountable. The City of Lewiston's discretely presented component unit is disclosed in the entity-wide statements as a separate column to demonstrate its legal independence from the primary government and is presented as a business-type activity. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are combined with data of the City.

Discretely Presented Component Unit On February 6, 2004, the Community Facility Corporation (CFC) was formed and incorporated as a nonprofit corporation to serve as the parent company of the for-profit entity Lewiston Urban Civic Center Enterprise (LUCCE). CFC was formed as a result of acquiring the assets, to include the ice rink of the formerly known Central Maine Civic Center, and assuming the former owner's outstanding obligations. The arena, in turn, is leased to LUCCE; the home ice rink of the Quebec Major Junior Hockey League team, the Lewiston Maineiacs. A four member board comprised of City of Lewiston's management staff oversees CFC. A separate nine member Board of Directors was formed to preside over LUCCE operations. LUCCE's board consists of six City officials and employees, a Lewiston Development Corporation representative, a Youth Hockey League member, and the Lewiston Maineiac's Governor.

In applying the criteria established in GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units.*" CFC qualifies as a discretely presented component unit due to the oversight and financial responsibility born by the City. The critical elements in the classification of CFC as a discretely presented component unit are: the economic resources obtained by CFC through LUCCE directly benefit both CFC and the municipality's constituency, rather than the City; and individual corporations were formed with separate board of directors.

The City of Lewiston has issued general obligation bonds on behalf of CFC, in the amount of \$6,080,000, for construction improvements to the facility. Further financial information on CFC and LUCCE can be found in complete financial statements obtained through the Corporation's Treasurer at 27 Pine Street, Lewiston, Maine.

Blended Component Unit. The Lewiston Mill Redevelopment Corporation (LMRC) was incorporated as a nonprofit entity on November 18, 1992, to act on behalf of the City Council in the management of the tax acquired former Bates Mill Complex. During this past fiscal year, the LMRC sold a portion of the complex to a local developer for further rehabilitation and economic development. The upcoming charge of the Board is now to engage in activities to support redevelopment of the Bats Mill Building #5 and manage the boiler plant that services the majority of the entire mill complex. The LMRC operates under a six-member Board of Directors comprised of the Mayor of the City of Lewiston; two members of its City Council; the City Administrator; the Assistant City Administrator, and the City Finance Director. The LMRC is included in the City's financial statements as a nonmajor governmental special revenue fund because, although the entity is legally separate from the City, it only acts as a managing agent on behalf of the City. As such, it is essentially an extension of the City government. Financial Statements for the LMRC can be obtained from the City of Lewiston's Finance Department, 27 Pine Street, Lewiston, Maine 04240.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, which encompass the Statement of Net Assets and the Statement of Changes in Net Assets, report financial information on the City of Lewiston's nonfiduciary activities and component units. The effect of significant interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on user fees and charges for service for support. In addition, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of the respective function or segment. Taxes and other items not directly applicable to one function or segment are reported as general revenues.

The City of Lewiston has provided separate financial statements for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are not included in the government-wide financial statements. Individual governmental and enterprise funds that qualify as a major fund are reported as separate columns. Individual funds deemed to be nonmajor are condensed to one column on the fund financial statements.

C. Measurement Focus, Basis of Accounting and Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Under this basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the flow of cash. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues at the completion of all imposed eligibility requirements.

The modified accrual basis of accounting and the current financial resources measurement focus is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as expenditures deriving from long-term compensated absences, claims, and

judgments are recorded as fund liabilities when due or when amounts have been accumulated for payments to be made early in the following year.

Property taxes, licenses, and governmental reimbursements are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City of Lewiston reports the following major governmental funds:

General Fund – is used to account for resources traditionally associated with the general operation of the government, which are not legally required or by sound financial management to be accounted for in another fund.

School Categorical Grants Special Revenue Fund – reports the activity of various federal and state educational grants for special programs administered by the Lewiston School Department.

Debt Service Fund – records the accumulation of governmental resources to fund capital lease and general obligation bond principal and interest payments.

Capital Projects – a consolidated fund to account for the acquisition of municipal fixed assets or the construction of capital projects and infrastructure funded through general obligation bonds financed by governmental funds.

The City of Lewiston discloses the following major proprietary funds:

Water Enterprise Fund – reports the operating and construction activity of the water system for the City of Lewiston. This fund also provides half of the operating and land acquisition costs associated with the Lake Auburn Watershed Protection Commission.

Sewer Enterprise Fund – accounts for the operation of the sanitary sewer system in Lewiston and payment of Lewiston's share of the costs of waste water treatment provided by the Lewiston-Auburn Water Pollution Control Authority.

Additionally, the City of Lewiston reports the following fund types:

Private Purpose Trust Funds – funds used to report the activity for bequests left for charitable payments of medical expenditures and scholarship awards. These assets are held by the City in a trustee capacity, whereby the original bequest is preserved as nonexpendable and the accumulated interest earnings are available to provide for educational awards and medical support.

Agency Funds – account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds. The City of Lewiston serves as an agent for the various school activity accounts, a downtown advisory board and the Social Security pass-through client program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City of Lewiston has the option of following subsequent private-sector guidance for our business-type activities and enterprise funds, subject to the same limitation. The City of Lewiston has elected not to follow subsequent private-sector guidance.

As a general rule, the City has eliminated the effect of interfund activity from the entity-wide financial statements, with the exception of the water and sewer charges, and other governmental functions

between the proprietary and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

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

Proprietary Funds distinguish operating revenues and expenses from nonoperating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Revenues and expenses that are not derived directly from operations are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit with original maturities of less than three months. The City primarily invests in repurchase agreements and certificates of deposit. The City does not participate in any external investment pools. The investments are reported at their fair value on the balance sheet. For Statement of Cash Flow purposes, the City considers cash and cash equivalents to be demand deposits, certificates of deposit with maturities of less than three months and money market mutual funds.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet for current activities and "advances to/from other funds" for noncurrent activities. Outstanding interfund balances between governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

The advance from General Fund to the Lewiston Mill Redevelopment Corporation Special Revenue Fund and the advance from the General Fund and Debt Service Fund to the component unit, Community Facility Corporation, as reported on the Governmental Funds Balance Sheet, are offset by a reservation of fund balance. This reservation is made to indicate that these funds are not available for appropriation and are not expendable available financial resources.

All trade, property tax and loan receivables, where applicable, are shown net of an allowance for uncollectible accounts.

3. Inventories

Inventories are valued at cost in the School Categorical Grants Special Revenue Fund and at a weighted average cost method in the General Fund. The costs of inventory items are recognized as expenditures when purchased in the governmental funds, except for the School Categorical Special Revenue Fund, and the Highway and Central Service Departments of the General Fund, where inventory items are recorded as expenditures when used. The business-type activities-Enterprise Funds utilize a just in time inventory system whereby inventory is delivered when needed and items are recognized as expenses when used. Therefore, no inventory is held for these funds.

4. Restricted Assets

Deposits placed on customer accounts for water and sewer service are classified as restricted assets on the balance sheet due to their limited use. It is the City's water and sewer policy to require an account deposit for all new service users. This deposit, with applicable interest, is restricted from general operating use in order to preserve monies to refund the customer after remaining in good standing for one year. If favorable credit standing is jeopardized within a year, the deposit proceeds are applied to delinquent balances.

5. Capital Assets

Capital assets, which include land, buildings, capital improvements, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the statement of net assets financial statement. Assets are capitalized if their total cost exceeds \$5,000 and their useful life extends beyond one year. Capital assets are recorded at historical costs or estimated historical costs if constructed. Donated fixed assets are recorded at estimated fair value at the time received.

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

Capital assets of the City of Lewiston are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Public Improvements	20 - 50 years
Infrastructure	10 - 100 years
Equipment	3 - 15 years
Vehicles	5 - 10 years
Intangible Assets	10 years

6. Compensated Absences

Under terms of union contracts and an employment agreement, City employees are granted vacation and sick leave in varying amounts. City employees, including teachers, may accumulate up to 150 days of unused sick leave. Teachers are reimbursed for up to 50 days of accumulated sick leave upon retirement; all other City employees are reimbursed for up to 75 days of accumulated sick leave upon retirement. Employees, with the exception of teachers, may accumulate up to 35 vacation days and are entitled to full payment upon termination.

Matured accumulated vacation and sick leave are reported as a liability in the governmental funds. All other vacation accumulations are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is created for amounts of accumulated sick leave that are not matured, yet qualified employees are entitled to these benefits upon separation or retirement. Noncurrent, vested sick balances are reported as a liability in the statement of net assets for governmental and business-type activities.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. In the fund financial statements, governmental fund types recognized long-term obligations as a liability when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

In governmental fund types, bond issuance costs are recognized in the current period. Issuance costs for the Enterprise Funds are amortized on a straight-line basis over the life of the related bond. Unamortized discounts and premiums are displayed as deferred credits and deferred charges respectively.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Comparative Data and Reclassifications

Selected comparative total data for the prior year have been presented throughout this financial report in order to provide an understanding of the changes in the financial position and operations of these funds. Additionally, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The Governmental Fund Balance Sheet includes a reconciliation between total governmental fund balance and governmental activities net assets as reported in the Government-wide Statement of Net Assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds." The components of this \$98,795,580 difference are as follows:

Bonds Payable	\$	85,800,150
Accrued Interest Payable		405,057
Obligation for Workers Compensation Claims		4,012,667
City Pension Plan Unfunded Actuarial Liability		3,079,530
Compensated Absences Payable – Sick		1,918,529
Compensated Absences Payable – Vacation		1,218,605
Capital Lease Payable		238,331
Landfill Closure and Post-Closure Care Costs		<u>2,181,878</u>
Net Adjustment to reduce total governmental fund balances to arrive at governmental activities net assets	\$	<u>98,854,751</u>

B. Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

Statement 5 provides a reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities. One element of that reconciliation explains that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on the net assets." The details of this \$7,768,944 difference are as follows:

Debt Issued:	
Issuance of General Obligation Bonds	\$ 13,650,000
Outstanding Principal Adjustment from Refunded Bonds	114,430
Principal Repayments:	
General Obligation Debt	(5,901,937)
Capital Lease Payments	<u>(93,549)</u>
Net Adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>7,768,944</u>

Another component of the reconciliation states that “Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The elements that comprise the \$302,243 reconciling item are noted below:

Accrued Interest Adjustment	\$ (3,509)
Workers Compensation Claims	(387,826)
Compensated Absences - Sick	14,252
Compensated Absences – Vacation	(95,963)
Landfill Closure & Postclosure Care	(80,761)
City Pension Plan Costs	<u>192,393</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>(361,414)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States with the exception that encumbrances are treated as expenditures for budgetary purposes. Budgets for the General Fund, Enterprise Funds and Community Development Block Grant (CDBG) Special Revenue Fund are formally adopted each year through the passage of an appropriation resolve. Other Special Revenue Funds and all Capital Projects Funds have adopted project-length budgets. Unencumbered appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because goods and services have not been received in the current year. However, for budgetary purposes, encumbrances are treated as expenditures.

Each year, on or before April 1, the City Administrator submits to the City Council a budget for the ensuing fiscal year along with an accompanying message. The Administrator's message explains the budget both in fiscal terms and in terms of work programs. It outlines the proposed financial policies of the City for the coming fiscal year; describes the important features of the budget; indicates any major changes from the current year's financial policies, expenditures, and revenues, together with the reasons for such changes; summarizes the City's debt position; and includes such other materials as the Administrator deems desirable. It also describes the tax impact of the proposed budget.

The budget is prepared using accounting principles generally accepted in the United States basis with the exception that encumbrances are treated as expenditures for budgetary purposes and the on behalf payments by the State of Maine for the teacher's retirement plan are not budgeted. It provides a complete financial plan of the City's General and Enterprise Funds for the ensuing fiscal year. It begins with a general summary of its contents and shows in detail, all estimated income, indicating the proposed property tax levy affecting the general fund, and all proposed expenditures, including debt service, for the ensuing fiscal year, arranged to show comparative figures for actual and estimated income and expenditures to the preceding fiscal year. It indicates in separate sections:

- (a) Proposed expenditures for current operations during the ensuing fiscal year, detailed by department in terms of their respective work programs, and methods of financing such expenditures;
- (b) Proposed capital expenditures during the ensuing fiscal year, detailed by department, and proposed method of financing such capital expenditures;
- (c) Anticipated net surplus or deficit for the ensuing fiscal year of each utility owned or operated by the City and the proposed method of its disposition; and
- (d) Comparative statements reflecting actual expenditures for the current year and estimated expenditures for the next succeeding fiscal year.

The Administrator makes allotments to various City departments in accordance with needs. No expenditures may be made or obligation incurred without his certification. The legal level of budgetary control is at the department level for the General Fund and at the federal program level for the CDBG Special Revenue Fund. The federal program level is established by HUD for program categories serviced by CDBG funds. Within each of these categories, the City of Lewiston outlines projects to be completed to satisfy HUD's national objectives. At any time during the fiscal year, the Administrator may transfer part or all of any unencumbered appropriation balance among programs within a department. Also, upon written request by the Administrator, the City Council may, by resolution, transfer part or all of any unencumbered balance to another department. If, during the fiscal year, the Administrator certifies that there are revenues in excess of the total estimated budget, the Council may make, after a public hearing, supplemental resolutions up to the amount of the excess revenues. Also, to meet a public emergency, the Council may make emergency appropriations by resolution. During the fiscal year ended June 30, 2005, there was one supplemental appropriation adopted by the City Council, in the amount of \$1,400,000. An additional transfer was made in that amount, to fund self-insured workers compensation expenditures.

Every budgetary account lapses at the close of the fiscal year to the extent that it has not been expended or encumbered. Encumbered appropriations are carried forward into the following year's budget. Copies of the budget, as adopted, are public records and are made available for inspection by the public at designated places.

B. Budgetary Basis vs. GAAP Basis

The City's budget is reported on a modified accrual basis, except that current year encumbrances are treated as expenditures for budgetary purposes. For financial reporting on the budgetary basis, funds encumbered in the previous year are added to the current year's budgeted figures. Expenditures against the prior year's encumbrances are included with current year expenditures.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund and Special Revenue Fund - Budgetary Basis (Statement 6 and Exhibit B-3) presents comparisons of legally adopted budgets, modified by the inclusion of the previous year's encumbrances and with actual expenditures modified by the inclusion of current year encumbrances. Since accounting principles applied for the purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States, a reconciliation of the entity's timing differences in Excess (Deficiency) of Revenues & Other Financing

Sources Over (Under) Expenditures & Other Financing (Uses) of financial resources is provided on each financial statement.

As required by accounting principles generally accepted in the United States, the City has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the City of Lewiston School Department. This amount has not been budgeted in the General Fund and results in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States. An intergovernmental revenue of \$3,568,414, and additional expenditure of \$3,568,414 in education have been included on Statement 2, Statement of Activities, and in the General Fund, and on Statement 4, Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (GAAP basis) and have not been reported on Statement 6 (Budgetary basis). Outstanding encumbrances are treated as expenditures under the Budgetary Basis. Total encumbrances amount to \$1,139,167 for General Fund on Statement 6, but have been properly excluded on Statement 4, under the GAAP basis of accounting. For the current year, the Community Development Block Grant Special Revenue Fund had no outstanding encumbrances at year end. There is no effect on the fund balance at the end of the year.

The City of Lewiston General Fund had significant budget deficits in the following departments: City Clerk, \$8,532; Fire, \$30,249; Social Services, \$5,733; Education, \$831,935; and Other Miscellaneous, \$343,956. These budget deficits were funded in part by greater than expected revenues and available fund balance in the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City of Lewiston has formally adopted an investment policy, whereby all available funds are invested at the highest possible rates, in conformance with legal requirements, while avoiding unreasonable risk.

Deposits. At June 30, 2005, the carrying amount of the City's deposits was \$4,274,147 and the related bank balance was \$5,141,256.

Investments. Maine statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, corporate securities, stocks of financial institutions, and other stock investments.

At year end, the City's investments consisted of the following:

	<u>Fair Value</u>	<u>Wt. Average Maturity in Years</u>
U.S. Treasuries	\$109,437	2.38
Certificates of Deposits	\$6,139,000	.55
Corporate Stocks	\$738,989	N/A
Corporate Bonds	\$195,612	Less than 1 year
Repurchase Agreements	<u>\$20,504,170</u>	Less than 1 year
Total Fair Value	\$27,687,208	

Interest Rate Risk – The City has a policy which dictates that less than 20% of its portfolio maybe invested in maturities between one and ten years. As a result, the City elects to invest the majority of its funds in short term deposits to satisfy cashflow needs and limit their exposure to declines in fair value. Excess monies in the governmental funds are swept daily by the financial institution into overnight repurchase agreements.

Credit Risk – Maine statutes authorizes the City to invest in U.S. Treasury and agencies, repurchase agreements and certain corporate stocks and bonds. The Library Endowment Permanent Fund is the only

fund that utilizes equity investments. The Library Board of Directors contracted with R.M. Davis to manage and invest the endowment funds through Charles Schwab in safe and secure equities. In accordance with City policy, investments in certificates of deposits must be F.D.I.C insured and the principal shall not exceed the amount covered by the insurance at a single financial institution. Credit ratings for the City's investments were not available. The City's investment in perfected repurchase agreements as a cash management tool is insured up to \$20 million, agreements in excess of that aggregate amount are fully collateralized at 105%, in accordance with the City's policy.

Custodial Credit Risk for Deposits – The City of Lewiston does not have a formal policy that addresses custodial risk for deposits, which is the risk that the funds may not be returned in the case of bank failure. A portion of this risk is mitigated by the fact the financial institutions holding these deposits are F.D.I.C insured. Of the bank balance noted above, \$1,968,492 was insured by federal depository insurance. The remaining \$3,172,765 of deposits held in the City's name, were exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk for Investments – This is the investment risk taken by the City of Lewiston in the event that we will not be able to recover the value of our investments or collateral securities that are in the possession of an outside entity. The City limits its custodial risk by purchasing its perfected repurchase agreements through the trust department of TD Banknorth, in the City's name and are held at the Federal Reserve Bank in Boston. The investment in corporate equities and U.S. Treasuries, in the amount of \$1,044,038, has custodial credit risk because those securities are uninsured, unregistered and are held by the City's brokerage firm.

B. Receivables

Receivables at June 30, 2005, for the City of Lewiston's individual major funds, nonmajor, and Business-type - Enterprise funds consist of the following:

	General	School Categorical	Capital Projects	Other Governmental	Enterprise	Total
Taxes	\$1,262,436					\$1,262,436
Accounts	220,228	\$19,424	\$295,000	\$86,589	\$1,384,477	2,005,718
Notes\Loans				4,013,854	2,112	4,015,966
Intergovernmental	1,318,314	376,779		253,837		1,948,930
Gross receivables	2,800,978	396,203	295,000	4,354,280	1,386,589	9,233,050
Less: Allowance for uncollectibles	(1,660)			(324,158)	(18,590)	(344,408)
Net Receivables	\$2,799,318	\$396,203	\$295,000	\$4,030,122	\$1,367,999	\$8,888,642

Property taxes for the current year were committed June 1, 2004, on the assessed value listed as of April 1, 2004, for all real and personal property located in the City. Taxes were due in two installments: September 16, 2004, and March 16, 2005. Interest was charged at 6.5% on all taxes unpaid as of the due date. Under state statute, the Tax Collector, after the expiration of eight (8) months, and within one year after the date of the original tax commitment, records a tax lien certificate against any unpaid real estate property tax.

The last revaluation occurred in 1988 and was effective for the 1988 assessment. The assessed value for the list of April 1, 2004, upon which the 2005 levy was based, was at approximately 85.3% of the estimated market value.

Property taxes levied during fiscal year 2005 are recorded as receivables. The receivables collected during the fiscal year ended June 30, 2005 and during the 1st 60 days of fiscal year 2006 are recognized as revenues in the Governmental Funds, in fiscal year 2005. Receivables of \$1,135,268, estimated to be collectible subsequent to the 60 day period are considered to be deferred revenues. Prior year tax levies were recorded using this same principle.

The non-current portion of the notes/loans receivable in the Special Revenue Fund has been offset by a reservation of fund balance in that fund because these assets do not represent "Available Expendable Resources".

Intergovernmental receivables consist primarily of funds due from the State of Maine.

C. Capital Assets

The following is a summary of changes in the Primary Government's Governmental Activities' Capital Assets during the fiscal year:

	Balance			Balance
	July 1,			June 30,
	2004	Additions	Retirement	2005
Capital Assets not depreciated:				
Land	\$ 10,493,866	\$ 1,176,085	\$ 900,620	\$ 10,769,331
Construction in Progress	10,929,757	10,223,534	5,408,840	15,744,452
Total Capital Assets not depreciated	21,423,623	11,399,619	6,309,460	26,513,783
Capital Assets being depreciated:				
Buildings	38,229,663	4,728,578	2,393,893	40,564,348
Improvements Other Than Buildings	16,691,224	655,421	14,292	17,332,352
Machinery and Equipment	18,646,318	1,582,906	617,318	19,611,905
Infrastructure	100,056,164	517,469		100,573,638
Total Capital Assets being depreciated	173,623,369	7,484,374	3,025,503	178,082,238
Less Accumulated Depreciation for:				
Buildings	(17,239,949)	(1,153,276)	(86,977)	(18,306,248)
Improvements Other Than Buildings	(2,414,737)	(575,928)	(6,789)	(2,983,876)
Machinery and Equipment	(10,134,535)	(1,146,640)	(483,138)	(10,798,037)
Infrastructure	(29,335,391)	(2,102,963)		(31,438,354)
Total Accumulated Depreciation	(59,124,612)	(4,978,807)	(576,904)	(63,526,517)
Total Net Capital Assets				
Being Depreciated	114,498,757	2,564,682	2,507,714	114,555,723
Governmental Activities Capital				
Assets, Net	\$ 135,922,380	\$ 13,964,301	\$ 8,817,174	\$ 141,069,509

Depreciation expense was charged to the various governmental functions as follows: general government, \$487,923; public safety, \$386,960; public works, \$2,753,584; culture and recreation, \$330,033; urban redevelopment, \$188,791; and education and nutrition, \$831,516.

At June 30, 2005, the City had entered into contracts for, or had otherwise committed to, the construction or renovation of various facilities as follows:

	Project Authorization	Expended To Date	Commitment	Required Further Financing
Downtown Revitalization	\$ 4,646,415	\$ 3,307,904	\$ 134,732	None
GIS Implementation	84,504	13,757	3,225	None
Library Expansion	2,823,000	2,643,832	93,730	None
Municipal Parking Facilities	8,370,000	6,505,149	1,376,480	None
Municipal Property Renov.	648,000	518,645	58,137	None
General Street Rehab	1,735,000	1,186,052	256,975	None
CSO & Storm Drainage	1,385,000	518,803	767,836	None
City-wide Equalization	100,000	16,739	82,161	None

The following is a summary of the Primary Government's Business-type fixed assets for the City's Enterprise Funds at June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital Assets not depreciated:				
Land	\$ 265,644			\$ 265,644
Construction in Progress	1,545,862	\$ 5,408,770	\$ 1,972,058	4,982,574
Total Capital Assets not depreciated	1,811,506	5,408,770	1,972,058	5,248,218
Capital Assets being depreciated:				
Buildings	6,525,816	158,459		6,684,275
Equipment	1,828,920	152,575	27,518	1,953,977
Sewer and Water Lines	35,480,459	1,962,995	53,058	37,390,396
Total Capital Assets being depreciated	43,835,195	2,274,029	80,576	46,028,648
Less Accumulated Depreciation for:				
Buildings	(2,436,946)	(118,858)		(2,555,804)
Equipment	(1,066,970)	(168,661)	(27,518)	(1,208,113)
Sewer and Water Lines	(8,754,717)	(630,006)	(40,511)	(9,344,212)
Total Accumulated Depreciation	(12,258,633)	(917,525)	(68,029)	(13,108,129)
Total Net Capital Assets Being Depreciated	31,576,562	1,356,504	12,547	32,920,519
Business-type Capital Assets, Net	\$ 33,388,068	\$ 6,765,274	\$ 1,984,605	\$ 38,168,737

Assets for the Community Facility Corporation discretely presented component unit are as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital Assets not depreciated:				
Land	\$ 244,300			\$ 244,300
Construction in Progress	155,996		\$ 155,966	
Total Capital Assets not depreciated	400,296		155,966	244,300
Capital Assets being depreciated:				
Buildings	3,430,495			3,430,495
Improvements to Buildings		\$ 2,133,261		2,133,261
Equipment		209,140		209,140
Total Capital Assets being depreciated	3,430,495	2,342,401		5,772,896
Less Accumulated Depreciation for:				
Buildings	(32,161)	(85,762)		(117,923)
Improvements Other Than Buildings		(25,901)		(25,901)
Machinery and Equipment		(10,842)		(10,842)
Total Accumulated Depreciation	(32,161)	(122,505)		(154,666)
Total Net Capital Assets Being Depreciated	3,399,334	2,219,896		5,618,230
CFC Capital Assets, Net	\$ 3,798,630	\$ 2,219,896	\$ 155,966	\$ 5,862,530
Intangible Assets being amortized:				
Closing Costs	\$ 360,847			\$ 360,847
Less Accumulated Amortization	(10,242)	\$ (24,582)		(34,824)
CFC Intangible Assets, Net	\$ 350,605	\$ (24,582)		\$ 326,023

D. Interfund Transactions

As of June 30, 2005, the balances of interfund activity were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,731,515	
School Categorical Grants		\$ 1,449,907
Capital Projects		1,903
Nonmajor Governmental Funds		279,651
Sewer Enterprise Fund		54
Total	\$ 1,731,515	\$ 1,731,515

Interfund Advances:

	<u>Advance Receivable</u>	<u>Advance Payable</u>
General Fund	\$ 179,632	
LMRC		\$ 179,632
Total	\$ 179,632	\$ 179,632

Additionally, the City of Lewiston's General Fund made a \$550,000 advance to its component unit, Community Facility Corporation (C.F.C.) for working capital. General obligation bonds were issued by the City's Debt Service Fund, in the amount of \$6,080,000, on behalf of C.F.C. The Debt Service Fund advanced the proceeds to C.F.C. for improvements to the façade, ticket box office, administrative offices, and the concession and banquet facilities.

Transfers In/Out:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 399,348	\$ 10,271,017
School Categorical Grants		327,512
Debt Service Fund	9,518,955	
Capital Projects Fund	263,380	705,916
Nonmajor Governmental Funds	2,230,427	1,070,001
Water Enterprise Fund		28,469
Sewer Enterprise Fund		9,195
Total	\$ 12,412,110	\$ 12,412,110

E. Leases

Operating Leases. The City of Lewiston renovated the old District Court Building in order to prepare for the State of Maine's Violation Bureau's operations. The City has a 15 year lease with the Judicial Department, with a 5 year renewal option. Rental income from this operating lease in 2005 was \$112,176.

As part of the Southern Gateway Development, the municipality, as a lessee, entered into an operating lease for three parcels of land. The security of this land affords the City the opportunity to construct a new municipal parking garage in our targeted development area. Rental expenditures for this lease were \$30,000, for the fiscal year end June 30, 2005.

Operating leases do not give rise to property rights and therefore the results of the lease agreements are not reflected in the City's capital assets. The lessees are responsible for paying all executory costs such as maintenance and insurance.

The following is a schedule by year, of minimum future rental income and expenditures on the City's non-cancelable operating leases as of June 30, 2005:

Fiscal Year Ended June 30	General Fund Rental Income	General Fund Rental Expenditures
2006	\$ 112,176	\$ 30,000
2007	112,176	30,000
2008	112,176	30,000
2009	118,478	30,000
2010	124,780	30,000
Thereafter	1,136,251	1,292,500
TOTAL	\$ 1,716,037	\$ 1,442,500

Minimum future rentals do not include contingent rentals which may be received as stipulated in the lease contracts. There were no contingent rental payments received in fiscal year 2005.

Capital Leases. The City has entered into two capital lease agreements as a lessee for financing municipal equipment, and for land acquisition. These leases have given rise to property rights and qualify as a capital lease for accounting purposes. These assets have been recorded at the present value of the future minimum lease payments as capital assets in the respective Governmental Activities Fund.

Payment obligations for these capital leases have been satisfied as of year end. The future minimum lease obligations of the remaining leases, and the net present value (PV) of these minimum lease payments as of June 30, 2005, were as follows:

Fiscal Year Ended June 30	Lease Payment Amount
2006	\$ 102,541
2007	102,541
2008	28,333
2009	14,167
Less: Amount of Interest	(9,251)
PV of Lease Payments	\$ 238,331

F. Long-Term Debt

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20 year serial bonds, with equal amounts of principal maturing annually.

The general obligation bonds currently outstanding, of the original \$124,652,378 issued, are as follows:

Municipal Improvements	Interest Rate	Balance At 6/30/05
Capital Improvement – 1977	5.2%	\$ 45,000
Capital Improvement – 1987	7.4%	89,700
Capital Improvement – 1989	6.8%	643,404
Capital Improvement – 1991	6.5%	818,209
Capital Improvement – 1992	5.0%	365,400
Capital Improvement – 1993	4.7%	711,563
Capital Improvement – 1994	4.4%	1,514,936
Capital Improvement – 1995	6.0%	1,563,899
Economic Development Initiative	6.9%	260,000
Capital Improvement – 1996	4.7%	2,665,000
Capital Improvement – 1997	5.1%	601,469
Capital Improvement – 1998	4.6%	1,092,500
Capital Improvement – 1999	4.5%	3,125,000
Capital Improvement – 2000	5.2%	2,671,961
Education Loan Fund – 2001	0%	376,659
Capital Improvement – 2001	4.3 & 6.9%	8,165,000
Qualified Zone Academy Bonds – 2002	0%	574,000
Capital Improvement – 2002	4.3%	4,352,500
Municipal Pension Bonds	6.4%	15,785,000
Qualified Zone Academy Bonds – 2003	0%	1,783,200
Capital Improvement – 2003	3.2%	5,462,000
Capital Improvement – 2004	4.25%	19,483,750
Capital Improvement – 2005	4.01%	13,650,000
		\$ 85,800,150

Annual debt service requirements to maturity for general obligation bonds, including interest of \$33,491,757 are as follows:

Fiscal Year	Total Debt		
Ended	Principal	Interest	Service
June 30	Requirements	Requirements	Requirements
2006	\$ 6,471,994	\$ 3,907,064	\$ 10,379,058
2007	6,274,931	3,695,087	9,970,017
2008	6,211,687	3,435,166	9,646,854
2009	6,045,413	3,173,562	9,218,975
2010	5,984,939	2,908,222	8,893,161
2011-2015	26,661,615	10,694,350	37,355,964
2016-2020	18,900,572	4,524,954	23,425,526
2021-2025	9,249,000	1,153,354	10,402,354
Total	\$ 85,800,150	\$ 33,491,757	\$ 119,291,907

Revenue Bonds. The City also issues bonds through its Enterprise Fund, where the City pledges income derived from acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2005, of the total \$28,242,000 originally issued, are as follows:

Municipal	Interest	Balance
Improvements	Rate	at 6/30/05
<u>Water Division</u>		
Water Improvement – 1977	5.2%	\$ 90,000
Lake Auburn Chemical Facility	7.9%	69,000
Water Improvement – 1989	6.8%	31,206
Water Improvement – 1991	6.5%	661,791
Water Improvement – 1992	5.7%	217,800
Water Improvement – 1993	4.7%	72,188
Water Improvement – 1994	4.4%	616,998
Water Improvement – 1995	6.0%	206,100
Water Improvement – 1996	4.7%	330,000
Water Improvement – 1997	5.1%	527,176
Water Improvement – 1998	4.6%	197,500
Water Improvement – 1999	4.5%	350,000
Water Improvement – 2000	5.4%	79,000
Water Improvement – 2001	4.3%	240,000
Water Improvement – 2002	4.3%	598,500
Water Improvement – 2003	3.2%	4,320,000
Water Improvement – 2004	4.25%	498,750
Water Improvement – 2005	4.02%	5,255,000
		<u>14,361,009</u>

Sewer Division

Sewer Improvement – 1987	8.0%	21,300
Sewer Improvement – 1989	6.8%	325,390
Sewer Improvement – 1992	5.7%	136,800
Sewer Improvement – 1993	4.7%	41,250
Sewer Improvement – 1994	4.4%	33,065
Sewer Improvement – 1997	5.1%	62,753
Sewer Improvement – 1999	4.5%	70,000
Sewer Improvement – 2000	5.4%	347,601
Sewer Improvement – 2001	4.3%	1,070,000
Sewer Improvement – 2002	4.3%	724,000
Sewer Improvement – 2003	3.2%	858,000
Sewer Improvement – 2004	4.25%	712,500
Sewer Improvement – 2005	4.02%	<u>325,000</u>
		<u>4,727,659</u>
Total Revenue Bond Debt		19,088,668
Less: Current Installments		<u>1,402,858</u>
Long-Term Revenue Bond Debt		<u>\$ 17,685,810</u>

Revenue bond debt service requirements to maturity, including \$6,662,345 of interest, are as follows:

Fiscal Year	Annual Debt		
Ended	Principal	Interest	Service
June 30	Requirements	Requirements	Requirements
2006	\$ 1,402,858	\$ 719,607	\$ 2,122,465
2007	1,402,224	690,315	2,092,539
2008	1,343,245	641,525	1,984,770
2009	1,284,522	594,018	1,878,540
2010	1,275,005	546,631	1,821,636
2011-2015	5,278,185	2,068,635	7,346,820
2016-2020	4,371,628	1,110,232	5,481,860
2021-2025	<u>2,731,000</u>	<u>291,381</u>	<u>3,022,381</u>
TOTAL	\$ 19,088,668	\$ 6,662,345	\$ 25,751,011

At June 30, 2005, the City had \$33,560,749 bonds authorized by the City Council but have not been issued. There are no restrictive bond covenants with which the City must comply.

Changes in Long-Term Liabilities. During the year ended June 30, 2005, the following changes occurred in long-term liabilities for the City of Lewiston:

	Balance			Balance	Due Within
	July 1	Additions	Reductions	June 30	One Year
General Obligation Debt	\$77,937,657	\$13,764,430	\$5,901,937	\$85,800,150	\$6,471,994
Workers Comp Claims	3,624,841	713,101	325,275	4,012,667	623,500
Compensated Absences	1,932,781	61,495	75,747	1,918,529	70,000
Capital Leases	331,880		93,549	238,331	96,418
City Pension Plan Unfunded					
Actuarial Liability	3,271,923	151,692	344,085	3,079,530	335,000
Landfill Closure and Post- closure Care	2,101,117	111,761	31,000	2,181,878	31,000
	\$89,200,200	\$14,802,479	\$6,771,592	\$97,231,086	\$7,627,913

The City is subject to the laws of the State of Maine which limits the amount of long-term debt to 15% of the state's assessed valuation of the City. At June 30, 2005, the statutory limit for the City was \$256,860,000.

In accordance with the Tax Reform Act of 1986, governments issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit the rebate to the federal government, subject to certain exceptions. Since the effective date of these rules, the City has not been subject to any arbitrage refunds due to exceptions to the regulations. The City has issued bonds, including the bond issue for the year ended 2005, which may be subject to an arbitrage calculation. The amount will not be determined until the related projects are completed or the five year anniversary has lapsed.

Advance & Current Refundings. On May 15, 2005, the City issued \$2,365,000 of general obligation refunding bonds to advance refund the outstanding callable maturities of the City's 1997 and 2000 series general obligation bonds. Proceeds received from these bonds were placed in an irrevocable trust for the purpose of generating resources to satisfy the remaining debt obligations. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. The reacquisition price exceeded the prior carrying value of those bonds by \$114,430. This amount has been included with the new debt addition and amortized over the remaining life of the old debt. The true interest rate on the advance refunded bonds was 3.858%, which resulted in a total present value savings of \$102,521 or 4.7%.

In prior years the City defeased certain general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2005, \$10,995,000 of bonds outstanding are considered defeased.

Overlapping Debt. The actual direct and overlapping debt at June 30, 2005, of \$111,438,863 was \$145,421,137 less than the statutory limit. The City's proportionate share of all local governmental units which provide services within the City and which must be borne by properties in the City, is summarized below:

	Debt	Percentage	
	Outstanding	Applicable to the City	City's Share of Debt
Municipal & School Debt	\$85,800,150	100.00%	\$85,800,150
Water & Sewer Debt	19,088,668	100.00%	19,088,668
Androscoggin County Jail	1,855,000	29.13%	540,361
L.A. Water Pollution Control Authority	9,687,493	57.06%	5,527,684
L.A. Watershed Protection Comm.	542,000	50%	271,000
L.A. 911 Committee	422,000	50%	211,000
			<u>\$111,438,863</u>

This results in a ratio of City debt to April 1, 2004 assessed valuation of 7.18% and a ratio of overlapping debt to April 1, 2004 valuation of 7.63%.

Conduit Debt. The City has from time to time, assisted third parties in financing capital activities by participating in conduit debt transactions. The City is not obligated in any manner for this debt, and as a result has not reported these liabilities or any related assets in the basic financial statements. The outstanding principal balance of conduit debt, as of June 30, 2005, was \$8,929,599.

V. OTHER INFORMATION

A. Risk Management

The City is self-insured in the areas of workers' compensation and unemployment compensation, and accounts for and finances its uninsured risks of loss in the General Fund.

The City established a limited risk management program for Workers' Compensation in 1979. The program is self-insured for up to \$450,000 per occurrence on all employees. Excess coverage is purchased above this retained level. The City has contracted with outside parties for claims administration. All funds of the City participate in the program. Funds are appropriated in the General Fund and premiums are assessed to all other participating funds to pay claims, claim reserves and administrative costs of the program. These payments are based primarily on rates established by the State of Maine for various job classifications and are adjusted to cover the liability for future claims, as determined by annual actuarial estimates. The actuarial estimates reflect discounting at 3.5% to recognize the significant time lag between when claim obligations are recognized by the City and when claims are paid.

During the fiscal year ended June 30, 2005, a total of \$325,275, net of insurance proceeds, was paid in benefits and administrative costs. The outstanding future claim settlements estimation is reported on the Statement of Net Assets-Governmental Activities as a noncurrent liability. Consistent with accounting principles generally accepted in the United States, a liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Workers' Compensation claims liability amount in fiscal years 2004 and 2005 were as follows:

	<u>2004</u>	<u>2005</u>
Beginning liability balance	\$4,398,769	\$4,069,755
Current year claims and changes in estimates	1,074,273	268,187
Claims payments	(1,403,287)	(325,275)
Ending balance	<u>\$4,069,755</u>	<u>\$4,012,667</u>

Currently, there is a shortfall of \$1,397,233 between the amount available to pay the noncurrent workers' comp claims and the noncurrent workers' comp. liability. The City will fund this shortfall over the next few years, through increased budget appropriations. Claims for unemployment compensation do not represent a material amount and, therefore, have not been accrued at year end.

Other. Additionally, the City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City either carries commercial insurance or participates in a public entity risk pool. Currently, the City participates in a public entity risk pool sponsored by the Maine Municipal Association (MMA) for property and casualty. Based on the coverage provided by the pool, the City is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2005, nor were there any additional settlements that exceeded the maximum limitation.

B. Contingent Liabilities

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

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

C. Related Organizations

The Mayor has the responsibility for appointing all seven members of the Lewiston Housing Authority Board of Directors, who serve staggered five-year terms. Each appointment is subject to confirmation by the City Council. The City's accountability for the Housing Authority does not extend beyond making these appointments.

Certain members of the City of Lewiston's governing body and top management staff also serve as Board of Directors for the both the Community Facility Corporation and its subsidiary corporation, Lewiston Urban Civic Center Enterprise. CFC's Board of Directors consists of the City's City Administrator, Assistant City Administrator, Finance Director, and Deputy Finance Director. The Mayor, two City Councilors, the City Administrator, Assistant City Administrator, and Finance Director serve on LUCCE's Board of Directors. Additionally, the nine member board is completed by representatives appointed by the Youth Hockey League, the Lewiston Development Corporation, and the Governor of the Lewiston Maine/acs.

D. Joint Ventures

The City of Lewiston has entered into several joint ventures with other entities. These joint ventures are considered to be separate reporting entities and have not been included within the financial statements of the City. The joint ventures are as follows:

1. Lewiston-Auburn Water Pollution Control Authority

The Lewiston-Auburn Water Pollution Control Authority is a joint venture of the City of Lewiston and the Auburn Sewerage District. The Authority was incorporated in 1967, as a quasi-municipal corporation to provide and maintain facilities adequate for the treatment and disposal of waste water discharged by the sewage systems of the two cities.

Income and losses are allocated among the participating entities based on the service benefiting each city. The Lewiston-Auburn Water Pollution Control Authority meets the criteria for a joint venture of the Business-type Fund and is included as an investment in the City's Sewer Enterprise Fund using the equity method of accounting.

Management consists of a seven member Board of Directors comprised of (1) the Lewiston Assistant City Administrator; (2) the Lewiston Public Works Director; (3) an at-large citizen of Lewiston who is appointed by the Mayor and confirmed by the City Council; (4) the Auburn City Manager; (5) the Superintendent of the Auburn Water & Sewerage District; (6) the President or his appointee of the Auburn Water & Sewerage District; and (7) a resident of either Lewiston or Auburn elected by the Board.

The City's share of the net change in the Authority's fund balance is reported as a nonoperating revenue in its Sewer Enterprise Fund. At June 30, 2005, the City's equity interest in the LAWPCA was recorded at \$7,522,370, an increase of \$569,139 over 2004. In the fiscal year ended June 30, 2005, \$2,399,216 was paid to the Authority out of the City's Sewer Enterprise Fund. At December 31, 2004, the Authority was liable for unsecured bonds payable totaling \$9,687,493, a decrease of \$902,440 from 2003. The City's liability for the Authority's debt is limited to its share of the operations. In 2005, Lewiston's share was set at 57.06%. Complete financial statements can be obtained from the LAWPCA's main office at 535 Lincoln Street, Lewiston, Maine, 04240.

2. Auburn-Lewiston Municipal Airport

The Auburn-Lewiston Municipal Airport is owned jointly by the cities of Auburn (50%) and Lewiston (50%). The board is comprised of the Auburn City Manager; the Lewiston Finance Director; one councilor from each city, appointed by their respective City Council; one member from each city, appointed by their respective City Council; one member nominated by the Chamber of Commerce and approved by the Board, with each appointment being a resident of the alternate city of the previous seventh member.

The City of Lewiston contributed \$130,000 for operating expenditures. In addition to contributions from the two municipalities, the Airport derives revenue through rents, user fees, interest from investments in time deposits and from federal and state grants. In the year ended June 30, 2004, the Airport's unrestricted net assets decreased by \$112,605 to \$564,103. Complete financial statements can be obtained from the Airport's main office at Lewiston Junction Rd, Auburn, Maine, 04210.

3. Lewiston-Auburn Transit Committee

The Lewiston-Auburn Transit Committee is a joint venture of the Cities of Lewiston and Auburn. The Committee was formed for the purpose of planning and implementing short-term and long-term bus transit development. The Committee also applies for and administers, federal and state capital acquisition and operating assistance grants, for mass transit benefiting the twin city area. Since 1982, the Transit Committee has leased its buses to a private operator, for transit system use. The Committee is made up of seven members, three each from the cities of Lewiston and Auburn, appointed by their respective City Councils, and an at large member from either city appointed by the Committee.

The Committee's sources of revenue include rentals, federal and state grants, and contributions from the Cities of Lewiston and Auburn. For the fiscal year ended June 30, 2005, the City of Lewiston contributed \$112,583 for operating expenses. In the year ended September 30, 2004, the Committee's unrestricted net assets increased by \$9,676 to \$116,670. Complete financial statements can be obtained from the Androscoggin Valley Council of Governments, 125 Manley Rd, Auburn, Maine, 04210.

4. Lewiston-Auburn Economic Growth Council

The Lewiston-Auburn Economic Growth Council (LAEGC) is a non-profit corporation formed to stimulate industrial and commercial development and expansion in the Cities of Lewiston and Auburn. Lewiston participates equally in this joint venture with the City of Auburn. The Council is administered by a twelve member board comprised of three members from each city who are appointed by the Mayors of those cities. Three board members are appointed by the Lewiston Development Corporation and three board members are appointed by the Auburn Business Development Corporation.

The Council derives the bulk of its revenues from the participants, but also receives some funds from user fees. In fiscal year 2005, the City of Lewiston contributed \$92,260. In the year ended June 30, 2005, the LAEGC's unrestricted net assets increased by \$56,570 to \$499,350. Complete financial statements may be obtained at the LAEGC's main office at 37 Park St., Lewiston, Maine, 04240.

5. Lewiston-Auburn 9-1-1 Committee

The Lewiston-Auburn 9-1-1 Committee is a joint venture of the Cities of Lewiston and Auburn. Incorporated on January 26, 1978, the committee provides an emergency communication system for the Lewiston-Auburn area. The Committee is made up of nine members: the police and fire chiefs of each city; one councilor from each city; a citizen-at-large from each city, appointed by the respective city councils; and a citizen-at-large elected by those eight members.

The committee's sole source of revenues consists of equal contributions from the Cities of Lewiston and Auburn. In the fiscal year ended June 30, 2005, the City of Lewiston contributed \$830,000. In the year ended June 30, 2004, the Committee's total fund equity decreased by \$69,734 to a deficit of \$39,554. Complete financial statements may be obtained from the Lewiston-Auburn 9-1-1 Manager at 550 Minot Ave. Auburn, Maine, 04210.

6. Lake Auburn Watershed Protection Commission

The Lake Auburn Watershed Protection Commission is a joint venture of the City of Lewiston and the Auburn Water District. The Commission, incorporated in 1993, was created to preserve the purity of Lake Auburn, the main water source for the twin cities.

The Commission is administered by a nine member board made up of three members appointed by the Auburn Water District, of whom one must be the Trustee; three members appointed by the Lewiston City Council, of whom one must be a Councilor; two members appointed by the municipal officers of the following towns which border the watershed: Minot, Hebron, Buckfield, and Turner; and one member of the Androscoggin Valley Council of Governments who must be its Executive Director or his designee.

The Commission derives its revenues solely from equal contributions from the City of Lewiston and the Auburn Water District. The Lake Auburn Watershed Protection Commission meets the criteria for a joint venture of the Business-type Fund and is included as an investment in the City's Water Enterprise Fund. At June 30, 2005, the City's equity interest in the Commission was \$1,655,653, an increase of \$64,661. The City also contributed \$134,575 as its share of the Commission's operating expenses for the year. Complete financial statements can be obtained from the City of Lewiston's Finance Department, 27 Pine St., Lewiston, Maine, 04240.

E. Landfill Closure and Postclosure Care Cost

Under state and federal laws and regulations, the City is required to place a final cover on its landfills when waste is no longer accepted, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. In addition to operating expenditures related to current activities of the landfills, the City is recognizing a related liability based on estimated future closure and postclosure care costs that will be paid near or after the date that the landfills stop accepting waste and ash. The City

reports a portion of these closure and postclosure care costs as a long-term liability on the Statement of Net Assets under Governmental Activities based on landfill capacity used as of each balance sheet date.

In December 1992, the then existing River Road landfill stopped accepting waste. Work on the final cover was completed in the fiscal year ended June 30, 1995. The new landfill began accepting waste in April 1992 and is currently a recipient of ash, as part of an Ash for Trash Program. This landfill is expected to remain operational until 2013. The cumulative amount estimated to date for post-closure care costs of the closed landfill totals \$690,600. The closure and postclosure care costs, based on the usage to date of 31.5% of total estimated capacity of the new landfill, amount to \$1,491,278. The total liability of \$2,181,878 is reported as a noncurrent liability of the Statement of Net Assets. The liability increased by a net of \$111,761 based on utilization of the new landfill and the amortization of the postclosure landfill costs during the year. The balance of estimated closure and postclosure care costs for the new landfill, of \$3,242,722 will be recognized as the remaining capacity of the landfill is utilized. The estimated total current cost of the landfill closure and postclosure care, of \$5,424,600, is based on the amount that would be paid for all equipment, facilities, and services required to close, monitor, and maintain the landfill as of June 30, 2005.

The estimated cost of closure and postclosure care does not anticipate cost sharing with the State of Maine. Actual cost may be higher due to inflation, changes in technology, or changes in regulations, or lower if the State of Maine reimburses the City for a portion of the cost. The City expects to pay for the actual closure cost with general obligation bonds issued at the time of closure and for postclosure care costs through its annual operating budgets thereafter.

F. Deferred Compensation Plans

The City of Lewiston offers its employees two deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all city employees, permit them to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In 1997, the City amended the plan in accordance with the provisions of IRC Section 457(g). In that year, assets of the plan were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribes that the City no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, were removed from the City's financial statements.

Investments are managed by the plans' trustees under several investment options. The choice of investment options is made by the participants.

G. Employee Retirement Systems

Consolidated Plan

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

Description of Funding Policy. Plan members are required to contribute 6.5% of their annual covered salary and the City of Lewiston is required to contribute an actuarially determined rate. The current rate is

2.8% for municipal employees under Plan A, 6.5% for certain police officers under Special Plan Option #1 and 4.0% for certain firefighters under Special Plan Option #2, of annual covered payroll. The contribution rates of plan members and the City of Lewiston are established and may be amended by the MSRS Board of Trustees. The City's contributions to the MSRS Consolidated Plan for the years ended June 30, 2005, 2004, 2003, 2002, and 2001, were \$714,909, \$696,829, \$683,074, \$842,938, and \$1,722,897, respectively, equal to the required contributions for each year.

Unfunded Actuarial Liability. Upon joining the consolidated plan on July 1, 1997, the City's initial unfunded unpooled actuarial liability (IUUAL) was calculated. The IUUAL represents the remaining amount of the City's pension liability upon transitioning to the consolidated plan from a participating local district (PLD). The outstanding IUUAL at that time, was amortized over a 20 year period, with the annual payment increasing by 6%, until the IUUAL is paid in full. In December 2001, the City issued general obligation pension bonds, with a total par value of \$16,395,000, to pay off its outstanding IUUAL. As of June 30, 2005, the outstanding balance of the general obligation pension bonds was \$15,785,000.

Teachers Plan

Description of the Plan. All of the City's teachers, plus other qualified educators, participate in the MSRS teacher group. The teacher's group is a cost sharing plan with a special funding situation established by the Maine State legislature. The MSRS provides the retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the Maine State Legislature. The MSRS issues a publicly available financial report that includes financial statements and required supplementary information for the teacher's group. That report may be obtained by writing to MSRS, 46 State House Station, Augusta, Maine 04333-0046.

Description of Funding Policy. Employees are required, by state statute, to contribute 7.65% of their compensation to the retirement system. For employees compensated through federal pass-through grants, the City contributes amounts determined by the State of Maine. The Maine State Department of Education is required, by the same statute, to contribute the employer contribution. This amount has been reported as an intergovernmental revenue and education expenditure on the GAAP basis financial statements (Statement 4). There is no contribution required by the City. In the year ended June 30, 2005, employees contributed \$1,621,997, while the State of Maine Department of Education contributed \$3,568,414, on behalf of the City's educators.

City Pension Plan

Description of the Plan. The City Pension Plan is non-contributory, single-employer, defined benefit pension plan administered by the City and covers certain police, fire and public works employees who joined prior to the City's participation in the Maine State Retirement System. Once the City elected to participate in the MSRS, employees were no longer eligible to join this plan. Retirement benefits of 1/2 of the average, final compensation, are paid upon an employee attaining the age of 65, or having served not less than 25 years. Beneficiaries of fire and police retirees are also entitled to survivor benefits. Cost-of-living adjustments provided to the members and beneficiaries, and plan benefit revisions are made through City Council's authorization. At June 30, 2005, the plan consisted of 15 retirees and beneficiaries. There are no active employees in the plan.

Funding Policy. The City funds the plan on a pay-as-you-go basis and budgets sufficient funds, each year, to meet the annual pension cost. As a result, no funds have been accumulated, nor are any funds expected to be accumulated for the payment of these benefits. All benefits are paid directly by the City when they become due. The actual contributions by the City in fiscal year 2005 were \$344,085.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation as of June 30, 2005 were as follows:

Annual Required Contribution (ARC)	\$	216,581
Interest on Net Pension Obligation		261,754
Adjustments to Annual Required Contribution		(326,643)
Annual Pension Cost		151,692
Contributions Made		(344,085)
Increase (Decrease) in Net Pension Obligation		(192,393)
Net Pension Obligation at June 30, 2004		3,271,923
Net Pension Obligation at June 30, 2005	\$	3,079,530

Since the City's pension plan is a pay-as-you-go plan with no active employees, there are no accumulated assets which results in a zero funded ratio. Likewise, the ratio of liabilities to covered payroll is also zero. The actuarial assumptions used in the plan evaluation include: using a unit credit actuarial cost method, an 8% return on investment, 4% rate of inflation, and a 4% future cost-of-living adjustment. The unfunded actuarial accrued liability is being recognized as a level dollar amount on a closed basis. The remaining amortization period for this liability was 20 years as of June 30, 2005. Other than the approved City Council cost-of-living adjustment, which for the year ending June 30, 2005 was 6.75%, postretirement benefits are not expected to change.

Three Year Trend Information for the City of Lewiston's City Pension Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	\$251,139	207%	\$3,458,867
June 30, 2004	\$225,233	183%	\$3,271,923
June 30, 2005	\$151,692	227%	\$3,079,530

Schedule of Employer Contributions

Fiscal Year End	Actuarial Required Contributions (ARC)	Percent of ARC Contributed
1997	\$459,428	135%
1998	\$408,887	142%
1999	\$381,073	145%
2000	\$364,792	151%
2001	\$339,623	153%
2002	\$309,605	167%
2003	\$312,352	166%
2004	\$287,604	143%
2005	\$216,581	159%

H. Prior Period Adjustments

The City of Lewiston previously reported accumulated vacation pay that was expected to be liquidated with expendable available resources as an expenditure and a fund liability in the governmental fund that would pay it. Although employees had rights to this payment, the accrued time did not constitute a liability for governmental fund purposes because it had yet to mature. Therefore, the accrued vacation previously reported in the General Fund has been added back to the prior year fund balance in the amount of \$1,122,649, on Statements 4 and 6. This prior period adjustment increased the beginning fund balance in the General Fund from \$14,063,697 to \$15,186,346.

CITY OF LEWISTON, MAINE
Required Supplementary Information
June 30, 2005

I. CITY PENSION PLAN.

A. Schedule of Funding Progress.

The City Pension Plan is a pay-as-you-go, defined benefit plan. This plan is provided for and administered by the City of Lewiston, therefore separate financial statements are not available for this plan.

Actuarial		Actuarial	
Valuation	Plan	Accrued	Employer
Date	Assets	Liability	Contributions
1997	0	\$5,126,476	\$618,225
1998	0	4,518,637	579,004
1999	0	4,167,100	551,715
2000	0	3,943,391	549,040
2001	0	3,625,395	520,489
2002	0	3,259,755	515,670
2003	0	3,239,417	519,711
2004	0	2,933,774	412,177
2005	0	2,169,445	344,085

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grants

To record federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the development of viable urban communities.

Urban Development Action Grant

To account for federal awards obtained and expended under the Housing and Community Development Act of 1974, for the redevelopment of the downtown commercial core of the city.

Rehabilitation Loan Program

To account for the residential rehabilitation loans received from the Housing Opportunity Zone Program. Funds are targeted to the development of a low/mod residential section of the City.

Lewiston Mill Redevelopment Corporation

A blended component unit that reports the operating activity of a 360,000 square foot, multi-use complex acquired by the City through matured tax liens.

Urban Development Fund

A fund used to record restricted federal and state grant awards received by the City to fund targeted rehabilitation projects, tax increment financing districts, environmental remediation, and infrastructure improvements in our core urban area.

Recreational Activity Programs

Funds generated by offering various recreational activities in which the City provides facilities.

Public Safety, Culture and Other Grants

To account for grants received from various sources, primarily from drug enforcement, but also from other state grants and their related programs.

PERMANENT FUNDS

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

GAR Cemetery Care Fund

The cemetery care fund was established by various donors for the perpetual care of several old cemeteries, maintenance is provided from the investment income received.

Library Endowment Fund

The Library Endowment Fund is used to purchase library books, videos and periodicals, as well as fund approved capital expenditures.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(With Comparative Totals for June 30, 2004)

	Special Revenue Funds	Permanent Funds			Total Nonmajor Governmental Funds	
		GAR Cemetery	Library Endowment	Total	2005	2004
ASSETS						
Cash & Cash Equivalents	\$ 92,411		\$ 130	\$ 130	\$ 92,541	\$ 53,049
Investments	1,836,424	\$ 19,679	1,113,779	1,133,458	2,969,881	4,318,074
Receivables:						
Accounts	86,589				86,589	31,425
Rehabilitation Loans (Net of Allowance for Uncollectibles)	3,689,696				3,689,696	3,902,470
Intergovernmental	253,837				253,837	498,142
Total Assets	<u>\$ 5,958,957</u>	<u>\$ 19,679</u>	<u>\$ 1,113,909</u>	<u>\$ 1,133,588</u>	<u>\$ 7,092,544</u>	<u>\$ 8,803,160</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 187,279				\$ 187,279	\$ 476,777
Due to Other Funds	250,651		\$ 29,000	\$ 29,000	279,651	1,009,860
Accrued Payroll	29,777				29,777	38,767
Notes Payable	95,858				95,858	105,000
Deferred Revenue						20,423
Advances From Other Funds	179,632				179,632	2,035,000
Total Liabilities	<u>743,197</u>		<u>29,000</u>	<u>29,000</u>	<u>772,197</u>	<u>3,685,827</u>
Fund Balance						
Reserved for Encumbrances	107,601				107,601	121,628
Reserved for Long-Term Notes Receivable	3,390,171				3,390,171	3,584,662
Reserve for Perpetual Care & Endowments		\$ 12,043	1,110,563	1,122,606	1,122,606	1,111,407
Unreserved, Undesignated	1,717,988	7,636	(25,654)	(18,018)	1,699,970	299,637
Total Fund Balance	<u>5,215,760</u>	<u>19,679</u>	<u>1,084,909</u>	<u>1,104,588</u>	<u>6,320,347</u>	<u>5,117,334</u>
Total Liabilities & Fund Balance	<u>\$ 5,958,957</u>	<u>\$ 19,679</u>	<u>\$ 1,113,909</u>	<u>\$ 1,133,588</u>	<u>\$ 7,092,544</u>	<u>\$ 8,803,160</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for Year Ended June 30, 2004)**

	Special Revenue Funds	Permanent Funds			Total Nonmajor Governmental Funds	
		GAR Cemetery	Library Endowment	Total	2005	2004
REVENUES						
Taxes	\$ 794,164				\$ 794,164	\$ 367,208
Intergovernmental	2,157,286				2,157,286	2,628,767
Charges For Services	151,682				151,682	132,988
Interest, Rents and Gain on Investments	662,952	\$ 387	\$ 35,035	\$ 35,422	698,374	966,116
Miscellaneous	26,924				26,924	9,785
Donations	158,634		7,910	7,910	166,544	178,453
Total Revenues	<u>3,951,640</u>	<u>387</u>	<u>42,945</u>	<u>43,332</u>	<u>3,994,972</u>	<u>4,283,317</u>
EXPENDITURES						
Current:						
General Government	2,268,246		7,580	7,580	2,275,826	3,266,503
Human Services	129,148				129,148	148,573
Culture & Recreation	93,216				93,216	166,049
Capital Outlay	1,425,194		29,000	29,000	1,454,194	2,859,248
Total Expenditures	<u>3,915,804</u>		<u>36,580</u>	<u>36,580</u>	<u>3,952,384</u>	<u>6,440,373</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,836	387	6,365	6,752	42,588	(2,157,056)
OTHER FINANCING SOURCES (USES)						
Proceeds From General Obligation Bonds						4,790,000
Transfers In	2,230,427				2,230,427	558,185
Transfers Out	(1,070,001)				(1,070,001)	(886,693)
Total Other Financing Sources (Uses)	<u>1,160,427</u>				<u>1,160,427</u>	<u>4,461,492</u>
Net Change in Fund Balance	1,196,262	387	6,365	6,752	1,203,014	2,304,436
Fund Balance, July 1	<u>4,019,498</u>	<u>19,292</u>	<u>1,078,544</u>	<u>1,097,836</u>	<u>5,117,334</u>	<u>2,812,898</u>
Fund Balance, June 30	<u>\$ 5,215,760</u>	<u>\$ 19,679</u>	<u>\$ 1,084,909</u>	<u>\$ 1,104,588</u>	<u>\$ 6,320,348</u>	<u>\$ 5,117,334</u>

**Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2005
(With Comparative Totals for June 30, 2004)**

	Community Development Block Grant	Urban Development Action Grant	Rehab Loan Program	Lewiston Mill Redevelopment Corporation	Urban Development	Recreation Activity Programs	Public Safety, Culture & Other Grants	Total All Funds
	2005	2005	2005	2005	2005	2005	2005	2004
ASSETS								
Cash & Cash Equivalents	\$ 5,915	\$ 1,803	\$ 7,460	\$ 21,397	\$ 33,764	\$ 10,836	\$ 11,237	\$ 53,049
Investments	143,281	44,428	183,814	353,989	758,044	181,846	171,021	3,191,238
Receivables:								
Accounts					71,936	10,378	4,275	86,589
Rehabilitation Loans (Net of Allowance for Uncollectibles)	1,268,096	534,508	119,204	1,767,888	1,767,888		35,135	3,689,696
Intergovernmental	108,217			110,485				498,142
Total Assets	\$ 1,525,510	\$ 580,738	\$ 310,478	\$ 375,386	\$ 2,742,117	\$ 203,060	\$ 221,669	\$ 7,676,324
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts Payable	\$ 15,268		\$ 9,000	\$ 63,158	\$ 86,943	\$ 6,565	\$ 6,345	\$ 476,777
Due to Other Funds	80,411				170,239			980,860
Accrued Payroll	18,030				508	2,757	8,482	38,767
Notes Payable				95,858				95,858
Deferred Revenue				179,632				20,423
Advances From Other Funds				338,648				2,035,000
Total Liabilities	113,709		9,000	338,648	257,691	9,322	14,827	3,656,827
Fund Balance:								
Reserved for Encumbrances				36,738	66,543	805	3,515	121,628
Reserve for Long-Term Notes Receivable	1,172,697	492,744	110,327		1,614,402			3,584,662
Unreserved, Undesignated	239,103	87,995	191,151	0	803,481	192,933	203,327	313,208
Total Fund Balance	1,411,800	580,738	301,478	36,738	2,484,427	193,738	206,842	4,019,498
Total Liabilities & Fund Balance	\$ 1,525,510	\$ 580,738	\$ 310,478	\$ 375,386	\$ 2,742,117	\$ 203,060	\$ 221,669	\$ 7,676,324

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2005
(With Comparative Totals for June 30, 2004)

	Community Development Block Grant	Urban Development Action Grant	Urban Development Grant	Rehab Loan Program	Lewiston Mill Redevelopment Corporation	Urban Development	Recreation Activity Fund	Public Safety, Culture & Other Grants	Total All Funds
								2005	2004
REVENUES									
Taxes					\$	794,164		\$	367,208
Intergovernmental	\$ 1,045,579					508,156	6,331	\$	2,157,286
Charges For Services	3,047					148,634			132,988
Interest and Rents	34,156	\$ 12,655		\$ 6,307	\$ 478,582	123,636	3,935	662,952	815,690
Donations							2,353	156,281	178,453
Miscellaneous					6,424			26,924	9,785
Total Revenues	1,082,781	12,655		6,307	485,006	1,446,456	161,253	3,951,640	4,132,891
EXPENDITURES									
Current:									
General Government	373,590		28,066		777,872	634,206		2,268,246	3,259,390
Human Services	129,148							129,148	148,573
Culture & Recreation							87,614	5,602	166,049
Capital Outlay	773,539			38,885	146,522	274,892	8,212	1,425,194	2,830,248
Total Expenditures	1,276,277	28,066		38,885	924,393	909,098	95,826	3,915,804	6,404,260
Excess (Deficiency) of Revenues Over (Under) Expenditures	(193,495)	(15,412)		(32,578)	(439,387)	537,358	65,428	35,836	(2,271,369)
OTHER FINANCING SOURCE (USES)									
Proceeds from General Obligation Bonds									4,790,000
Transfers In					2,230,427			2,230,427	558,185
Transfers Out	(1,029)					(1,036,165)	(11,000)	(1,070,001)	(886,693)
Total Other Financing Sources (Uses)	(1,029)				2,230,427	(1,036,165)	(11,000)	1,160,427	4,461,492
Net Change in Fund Balance	(194,524)	(15,412)		(32,578)	1,791,040	(498,807)	54,428	1,196,262	2,190,123
Fund Balance (Deficit), July 1	1,606,324	596,150		334,056	(1,754,302)	2,983,234	139,310	4,019,498	1,829,375
Fund Balance, June 30	\$ 1,411,800	\$ 580,738		\$ 301,478	\$ 36,738	\$ 2,484,427	\$ 193,738	\$ 5,215,760	\$ 4,019,498

Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	2005		
	Original & Final Budget & 2004 Encumbrances	Actual & Year End Encumbrances	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 1,251,000	\$ 1,048,626	\$ (202,374)
Interest		34,156	34,156
Total Revenues	<u>1,251,000</u>	<u>1,082,782</u>	<u>(168,219)</u>
EXPENDITURES			
Public Service Activities	139,296	129,148	10,148
Administration & Planning	571,477	210,081	361,396
Economic Development	429,198	163,509	265,689
Housing Rehabilitation	536,022	204,137	331,885
Neighborhood Improvements	858,952	569,402	289,550
Parks & Recreation	30,000		30,000
Total Expenditures	<u>2,564,945</u>	<u>1,276,277</u>	<u>1,288,669</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,313,945)	(193,495)	1,120,450
OTHER FINANCING (USES)			
Transfers Out	(1,029)	(1,029)	
Total Other Financing (Uses)	<u>(1,029)</u>	<u>(1,029)</u>	
Net Change in Fund Balance - Budgetary Basis	(1,314,974)	(194,524)	1,120,450
Add Back Encumbrances	<u>1,314,974</u>		<u>(1,314,974)</u>
Net Change in Fund Balance - GAAP Basis		(194,524)	(194,524)
Fund Balance, July 1	<u>1,606,324</u>	<u>1,606,324</u>	
Fund Balance, June 30	<u>\$ 1,606,324</u>	<u>\$ 1,411,800</u>	<u>\$ (194,524)</u>

Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Funds - Budget and Actual
For the Fiscal Year Ended June 30, 2005
Business-Type Activities - Enterprise Funds

	<u>Water Enterprise Fund</u>			<u>Sewer Enterprise Fund</u>		
	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES						
Charges for Services	\$ 3,072,900	\$ 3,102,759	\$ 29,859	\$ 4,248,063	\$ 4,120,294	\$ (127,769)
OPERATING EXPENSES						
Cost of Sales and Services	1,231,893	1,287,094	(55,201)	3,144,483	3,080,660	63,823
Administration	552,377	516,859	35,518	429,948	374,740	55,208
Depreciation	173,000	648,110	(475,110)	198,000	269,416	(71,416)
Total Operating Expenses	<u>1,957,270</u>	<u>2,452,063</u>	<u>(494,793)</u>	<u>3,772,431</u>	<u>3,724,816</u>	<u>47,615</u>
Operating Income	1,115,630	650,696	(464,934)	475,632	395,478	(80,154)
NONOPERATING REVENUES (EXPENSES)						
Interest Revenues		20,314	20,314	2,000	36,859	34,859
Increase in Fund Equity of Joint Ventures		64,661	64,661		569,139	569,139
Interest Expense	(371,498)	(398,687)	(27,189)	(192,413)	(194,518)	(2,105)
Gain (Loss) on Sale of Fixed Assets		(11,347)	(11,347)			
Amortization of Deferred Charges		(32,715)	(32,715)		(13,997)	(13,997)
Total Nonoperating Revenue (Expenses)	<u>(371,498)</u>	<u>(357,774)</u>	<u>13,724</u>	<u>(190,413)</u>	<u>397,483</u>	<u>587,896</u>
Income Before Contributions & Transfers	744,132	292,922	(451,210)	285,219	792,961	507,742
Transfers Out	(28,469)	(28,469)		(9,195)	(9,195)	
Capital Contributions		68,004	68,004		61,713	61,713
Change in Net Assets	715,663	332,457	(383,206)	276,024	845,479	569,455
Total Net Assets, July 1	<u>18,092,445</u>	<u>18,092,445</u>		<u>14,396,772</u>	<u>14,396,772</u>	
Total Net Assets, June 30	<u>\$ 18,808,108</u>	<u>\$ 18,424,902</u>	<u>\$ (383,206)</u>	<u>\$ 14,672,796</u>	<u>\$ 15,242,251</u>	<u>\$ 569,455</u>

**Combining Statement of Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
June 30, 2005**

	Private Purpose Trust Funds		
	Farrar Fund	Scholarship Fund	Total
ASSETS			
Cash		\$ 823	\$ 823
Investments	\$ 44,349	131,365	175,714
Total Assets	<u>44,349</u>	<u>132,188</u>	<u>176,537</u>
NET ASSETS			
Held in trust for scholarships and other purposes	\$ <u>44,349</u>	\$ <u>132,188</u>	\$ <u>176,537</u>

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the Fiscal year Ended June 30, 2005**

	Private Purpose Trust Funds		
	Farrar Fund	Scholarship Fund	Total
ADDITIONS			
Bequests		\$ 207	\$ 207
Investment Earnings	\$ 872	2,162	3,035
Total Additions	<u>872</u>	<u>2,369</u>	<u>3,242</u>
DEDUCTIONS			
Scholarship Awards		2,538	2,538
Total Deductions		<u>2,538</u>	<u>2,538</u>
Change in Net Assets	872	(169)	704
Net Assets - Beginning	<u>43,477</u>	<u>132,357</u>	<u>175,833</u>
Net Assets - Ending	\$ <u>44,349</u>	\$ <u>132,188</u>	\$ <u>176,537</u>

**Combining Statement of Fiduciary Net Assets
Fiduciary Funds - Agency Funds
June 30, 2005**

	Agency Funds			
	School Activities	Downtown Advisory Board	Social Security Client Program	Total
ASSETS				
Cash	\$ 126,840	\$ 9,825	\$ 2,100	\$ 138,765
Total Assets	<u>126,840</u>	<u>9,825</u>	<u>2,100</u>	<u>138,765</u>
LIABILITIES				
School Activities Payable	126,840			126,840
Downtown Advisory Board Payable		9,825		9,825
SSI Client Payable			2,100	2,100
Total Liabilities	<u>126,840</u>	<u>9,825</u>	<u>2,100</u>	<u>138,765</u>
NET ASSETS				
Held in trust for scholarships and other purposes	\$ 0	\$ 0	\$ 0	\$ 0

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal year Ended June 30, 2005**

	Balance 07/01/2004	Additions	Deletions	Balance 06/30/2005
School Activities				
Assets				
Cash	\$ 123,417	\$ 556,051	\$ 552,628	\$ 126,840
Liabilities				
Payable to Student Groups	\$ 123,417	\$ 556,051	\$ 552,628	\$ 126,840
Downtown Advisory Board				
Assets				
Cash		\$ 9,825		\$ 9,825
Liabilities				
Payable to Downtown Advisory Board		\$ 9,825		\$ 9,825
Social Security Administration				
Assets				
Cash	\$ 1,931	\$ 54,686	\$ 54,517	\$ 2,100
Liabilities				
Client Disbursements Payable	\$ 1,931	\$ 54,686	\$ 54,517	\$ 2,100
Total - Agency Funds				
Assets				
Cash	\$ 125,348	\$ 620,562	\$ 607,145	\$ 138,765
Total Assets	<u>\$ 125,348</u>	<u>\$ 620,562</u>	<u>\$ 607,145</u>	<u>\$ 138,765</u>
Liabilities				
Payable to Student Groups	\$ 123,417	\$ 556,051	\$ 552,628	\$ 126,840
Payable to Downtown Advisory Board		9,825		9,825
Client Disbursements Payable	1,931	54,686	54,517	2,100
Total Liabilities	<u>\$ 125,348</u>	<u>\$ 620,562</u>	<u>\$ 607,145</u>	<u>\$ 138,765</u>

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NET ASSETS BY CATEGORY
Last Ten Fiscal Years

	Fiscal Year		
	2005	2004	2003
Governmental Activities			
Invested in Capital Assets Net of Related Debt	\$ 77,560,125	\$ 110,548,794	\$ 91,526,127
Restricted Net Assets:			
Recreation and Human Services	6,495,992	5,407,873	3,335,515
Debt Service	6,080,000		1,910,431
Capital Projects	5,017,710	11,107,271	8,130,883
Nonexpendable Perpetual Care	19,679	19,292	19,107
Nonexpendable Endowment Fund	1,084,909	1,078,544	964,416
Unrestricted Net Assets	(18,885,935)	(49,010,995)	(19,998,619)
Total Governmental Activities Net Assets	77,372,479	79,150,779	85,887,859
Business-Type Activities			
Invested in Capital Assets Net of Related Debt	19,080,069	18,819,271	16,628,725
Unrestricted Net Assets	14,587,084	13,669,946	14,346,569
Total Business-Type Activities Net Assets	33,667,153	32,489,217	30,975,294
Primary Government			
Invested in Capital Assets Net of Related Debt	96,640,194	129,368,065	108,154,852
Restricted Net Assets:			
Recreation and Human Services	6,495,992	5,407,873	3,335,515
Debt Service	6,080,000		1,910,431
Capital Projects	5,017,710	11,107,271	8,130,883
Nonexpendable Perpetual Care	19,679	19,292	19,107
Nonexpendable Endowment Fund	1,084,909	1,078,544	964,416
Unrestricted Net Assets	(4,298,851)	(35,341,049)	(5,652,050)
Total Primary Government Net Assets	\$ 111,039,630	\$ 111,639,992	\$ 116,863,153

Only years presented due to the implementation of GASB Statement No. 34 in fiscal year 2003.

CHANGES IN NET ASSETS
Last Ten Fiscal Years

	Fiscal Year		
	2005	2004	2003
Governmental Activities			
General Government	\$ 6,335,690	\$ 15,035,307	\$ 7,397,632
Public Safety	9,790,631	9,346,830	8,969,111
Public Works	17,633,091	9,956,954	6,303,973
Human Services	635,771	702,671	655,761
Culture and Recreation	2,233,771	2,334,334	2,545,683
Intergovernmental	2,606,124	3,019,453	2,762,813
Education and Nutrition	47,315,387	46,654,075	41,824,236
Other Miscellaneous	4,994,029	5,839,536	11,002,095
Interest on Long-Term Debt	3,517,985	3,058,363	3,609,207
Total Governmental Activities Expenses	95,062,479	95,947,524	85,070,511
Business-Type Activities			
Water	2,894,812	2,611,534	2,384,664
Sewer	3,933,332	3,823,091	3,630,763
Total Business-Type Activities Expenses	6,828,144	6,434,624	6,015,427
Total Primary Government Expenditures	101,890,623	102,382,148	91,085,938
Program Revenues			
Governmental Activities:			
Charges for Services	4,061,097	5,144,457	4,346,613
Operating Grants and Contributions	34,005,822	32,695,782	29,422,009
Capital Grants and Contributions	3,556,303	1,841,372	2,851,335
Total Governmental Activities Revenues	41,623,222	39,681,611	36,619,957
Business-Type Activities:			
Charges for Services	7,223,053	7,195,308	6,792,255
Capital Grants and Contributions	763,517	748,115	797,830
Total Business-Type Activities Revenues	7,986,570	7,943,423	7,590,085
Total Primary Government Program Revenues	49,609,792	47,625,034	44,210,042
Net (Expenses)/Revenue - Governmental Activities	(53,439,257)	(56,265,913)	(48,450,554)
Net (Expenses)/Revenue - Business-Type Activities	1,158,426	1,508,798	1,574,658
General Revenues			
Governmental Activities:			
Property Taxes	39,879,952	39,075,018	38,365,082
Payment in Lieu of Taxes	556,490	344,568	361,015
Motor Vehicle Excise Taxes	4,024,831	3,902,739	3,912,898
Franchise Fees	97,692	94,634	88,407
Homestead Exemption	1,113,346	1,131,126	1,177,380
State Revenue Sharing	4,683,822	4,568,044	4,351,643
Unrestricted Investment Earnings	1,267,157	365,295	433,143
Transfers	37,664	47,404	36,637
Total Governmental Activities Revenues	51,660,954	49,528,828	48,726,205
Business-Type Activities			
Unrestricted Investment Earnings	57,173	52,529	20,958
Transfers	(37,664)	(47,404)	(36,637)
Total Business-Type Activities Revenues	19,509	5,125	(15,679)
Total Primary Government General Revenues	51,680,463	49,533,953	48,710,526
Change in Net Assets			
Governmental Activities	(1,778,304)	(6,737,084)	275,650
Business-Type Activities	1,177,935	1,513,923	1,558,979
Total Primary Government Change in Net Assets	\$ (600,369)	\$ (5,223,161)	\$ 1,834,629

Only years presented due to the implementation of GASB Statement No. 34 in fiscal year 2003.

GOVERNMENTAL FUNDS FUND BALANCE
Last Ten Fiscal Years

	Fiscal Year		
	2005	2004	2003
General Fund			
Reserved for:			
Encumbrances	\$ 1,139,167	\$ 623,029	\$ 1,362,199
Inventory	399,978	235,094	229,309
Compensated Absences	1,218,605	1,122,649	
Advances	729,635	2,035,000	2,035,000
Asset Acquisition	206,730	241,599	268,791
Total Reserved Fund Balance	<u>3,694,115</u>	<u>4,257,371</u>	<u>3,895,299</u>
Designated for:			
Subsequent Year's Expenditures	1,943,508	2,430,090	2,134,717
Future Workers Comp. Expenditures	2,615,434	506,790	904,326
Future Unemployment Comp. Expenditures	18,738	(2,668)	18,702
Total Designated Fund Balance	<u>4,577,680</u>	<u>2,934,212</u>	<u>3,057,745</u>
Unreserved Fund Balance	6,946,068	7,994,764	7,700,966
Total Fund Balance - General Fund	<u>15,217,860</u>	<u>15,186,346</u>	<u>14,654,009</u>
Major Special Revenue Funds			
Lewiston Mills Redevelopment Corporation			
Reserved Fund Balance			15,208
Unreserved Fund Balance		(1,754,302)	(1,769,510)
Total Lewiston Mills Redevelopment Corp.		<u>(1,754,302)</u>	<u>(1,754,302)</u>
Urban Development			
Reserved Fund Balance		1,862,925	1,934,357
Unreserved Fund Balance		1,120,309	-1,084,010
Total Urban Development		<u>2,983,234</u>	<u>850,346</u>
School Categorical Grants			
Reserved Fund Balance	15,541		
Unreserved Fund Balance	1,370,994		
Total School Categorical Grants	<u>1,386,534</u>		
Debt Service Fund			
Reserved Fund Balance	6,080,000		
Capital Projects Funds			
Reserved Fund Balance	3,627,466	3,740,298	4,340,769
Unreserved Fund Balance	1,390,244	7,366,973	3,790,114
Total Capital Projects Funds	<u>5,017,710</u>	<u>11,107,271</u>	<u>8,130,883</u>
Other Governmental Funds			
Reserved Fund Balance	4,620,378	3,013,497	4,901,913
Unreserved Fund Balance:			
Special Revenue Funds	1,717,988	2,276,851	2,320,841
Permanent Funds	(18,018)	(13,571)	(89,332)
Total Other Governmental Funds	<u>6,320,348</u>	<u>5,276,777</u>	<u>7,133,424</u>
Total Governmental Funds	<u>\$ 34,022,450</u>	<u>\$ 32,799,328</u>	<u>\$ 29,014,361</u>

Only years presented due to the implementation of GASB Statement No. 34 in fiscal year 2003.

GOVERNMENTAL FUNDS CHANGE IN FUND BALANCES
Last Ten Fiscal Years

	Fiscal Year		
	2005	2004	2003
Revenues			
Taxes	\$ 45,036,326	\$ 44,601,175	\$ 43,787,363
Licenses and Permits	430,714	351,680	345,635
Intergovernmental	41,050,515	39,456,667	36,990,431
Charges For Services	2,233,055	1,967,785	1,947,635
Fines	223,439	170,370	139,572
Interest, Rents and Gains	2,114,834	2,073,715	2,082,245
Donations	1,219,544	564,739	100,493
Miscellaneous	690,092	625,354	251,222
Total Revenues	92,998,520	89,811,487	85,644,596
Expenditures			
Current:			
General Government	5,659,501	6,782,409	5,497,730
Public Safety	9,599,005	9,328,518	9,243,467
Public Works	6,794,981	6,765,039	6,563,196
Human Services	636,858	702,671	655,761
Culture and Recreation	2,050,309	2,114,215	2,234,191
Intergovernmental	3,045,464	3,019,453	2,923,324
Education	44,447,097	44,739,770	42,260,822
Nutrition	1,897,929	1,599,173	1,693,213
Miscellaneous	4,672,231	6,066,147	5,687,756
Debt Service:			
Redemption of Serial Bonds	5,901,937	5,395,702	5,054,567
Redemption of Refunded Bond	2,365,000	1,861,500	
Interest on Serial Bonds	3,475,332	2,933,285	2,977,897
Capital Lease Debt	102,541	111,949	334,742
Bond Issuance Costs	39,144	211,890	52,271
Capital Outlay	17,140,731	15,639,850	13,146,564
Total Expenditures	107,828,062	107,271,572	98,325,501
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,829,542)	(17,460,085)	(12,680,905)
Other Financing Sources/(Uses)			
Transfers In	12,412,109	9,778,376	10,027,646
Transfers Out	(12,374,445)	(9,730,973)	(9,991,009)
Proceeds From Loan			45,000
Proceeds From Capital Lease			515,565
Issuance of General Obligation Bonds	13,650,000	20,075,000	8,255,000
Issuance of Refunded Bonds	2,365,000		1,925,413
Total Other Financing Source (Uses)	16,052,664	20,122,403	10,777,615
Net Change in Fund Balance	\$ 1,223,122	\$ 2,662,319	\$ (1,903,291)
Debt Services as a Percentage of Noncapital Expenditures	10.3%	9.1%	9.4%

Only years presented due to the implementation of GASB Statement No. 34 in fiscal year 2003.

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year	Tax Rate	Total Tax Levy	Total Tax Collections	Ratio of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Tax Levy
1996	27.45	\$34,331,169	\$34,331,169	100.00%		0.00%
1997	27.30	\$34,599,685	\$34,599,685	100.00%		0.00%
1998	27.30	\$34,698,282	\$34,698,282	100.00%		0.00%
1999*	27.30	\$34,870,295	\$34,868,111	99.99%	\$2,184	0.01%
2000*	27.65	\$35,671,045	\$35,666,920	99.99%	\$4,125	0.01%
2001*	27.65	\$35,480,919	\$35,473,980	99.98%	\$6,939	0.02%
2002*	28.55	\$36,141,113	\$36,105,308	99.90%	\$35,805	0.10%
2003*	28.89	\$38,774,284	\$38,741,663	99.92%	\$32,621	0.08%
2004*	27.70	\$38,929,604	\$38,615,471	99.19%	\$314,133	0.81%
2005*	27.70	\$39,469,461	\$38,601,832	97.80%	\$867,629	2.20%

Note: Current taxes are due semiannually on September 15th and March 15th, with a 6.5% interest rate charged on taxes outstanding, after each respective due date. Outstanding, delinquent real estate taxes are subject to tax liens pursuant to State Statutes.

* Includes state homestead exemption.

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

Fiscal Year	Assessed Value				Assessed Value	Total Estimated Actual Value	Ratio of Assessed Value to Estimated Actual Value
	Residential	Commercial	Industrial	Utilities			
1996	\$721,098	\$291,666	\$135,284	\$93,085	\$1,241,133	\$1,263,100	98.26%
1997	\$717,933	\$302,486	\$140,574	\$94,134	\$1,255,127	\$1,292,000	97.15%
1998	\$721,796	\$333,310	\$123,299	\$90,185	\$1,268,590	\$1,283,600	98.83%
1999	\$728,319	\$317,887	\$135,642	\$92,333	\$1,274,181	\$1,289,750	98.79%
2000	\$730,667	\$332,943	\$141,743	\$94,295	\$1,299,648	\$1,299,380	100.02%
2001	\$736,144	\$347,408	\$145,593	\$96,237	\$1,325,382	\$1,337,500	99.09%
2002	\$741,433	\$354,755	\$151,573	\$95,659	\$1,343,420	\$1,375,550	97.66%
2003	\$746,904	\$368,899	\$152,595	\$95,020	\$1,363,418	\$1,486,050	91.75%
2004	\$814,639	\$386,613	\$148,715	\$96,269	\$1,446,236	\$1,589,800	90.97%
2005	\$822,915	\$386,749	\$151,603	\$98,782	\$1,460,049	\$1,712,400	85.26%

Note: Estimated actual valuation amounts are the state equalized values published by the Bureau of Property Taxation. Amounts expressed in thousands.

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years

Fiscal Year	City Rate*	Education Rate*	Total Direct Rate*	Overlapping Rate* County Govt.	Total Tax Rate*	Water Rates Per Cubic Feet**	Sewer Rates Per Cubic Feet
1996	\$13.97	\$12.17	\$26.14	\$1.31	\$27.45	\$21.60	\$.95-1.57
1997	\$15.05	\$11.04	\$26.09	\$1.21	\$27.30	\$23.00	\$1.00-1.65
1998	\$14.90	\$11.19	\$26.09	\$1.21	\$27.30	\$23.00	\$1.07-1.77
1999	\$14.83	\$11.32	\$26.15	\$1.15	\$27.30	\$23.00	\$1.07-1.77
2000	\$15.04	\$11.42	\$26.46	\$1.19	\$27.65	\$23.00	\$1.15-1.90
2001	\$14.94	\$11.48	\$26.42	\$1.23	\$27.65	\$23.00	\$1.15-1.90
2002	\$16.20	\$11.26	\$27.46	\$1.27	\$28.73	\$25.44	\$1.37-2.26
2003	\$16.30	\$11.17	\$27.47	\$1.42	\$28.89	\$25.44	\$1.41-2.33
2004	\$15.91	\$10.41	\$26.32	\$1.38	\$27.70	\$27.60	\$1.47-2.42
2005	\$16.19	\$10.15	\$26.34	\$1.36	\$27.70	\$27.60	\$1.54-2.54

* Tax rates are based upon \$1,000 of assessed Value

** Water rates are based upon the first rate tier of three rate tiers.

PRINCIPAL TAXPAYERS
As of June 30, 2005 and Nine Years Ago

Taxpayer	Type of Business	2005		1996	
		Assessed Valuation	Percentage of Total Assessed Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
Florida Power & Light	Utility	\$57,138,050	3.91%		
TD Banknorth N.A.	Banking	\$30,446,800	2.09%	\$7,614,000	0.61%
Central Maine Power	Utility	\$27,956,500	1.91%	\$83,456,400	6.72%
Elmet Technology	Metal/Wire Mfg.	\$23,588,350	1.62%	\$20,461,050	1.65%
F.R. Lepage	Bakery	\$13,471,350	0.92%	\$11,190,100	0.90%
Donald Toussaint	Real Estate	\$13,406,600	0.92%	\$8,912,750	0.72%
Geiger Brothers Inc.	Specialty Item Mfg.	\$11,201,950	0.77%	\$9,634,150	0.78%
Northern Utilities	Utility	\$11,175,400	0.77%		
L.L. Beans	Telemarketing	\$10,375,500	0.71%	\$10,530,250	0.85%
Twelve High Street	Medical Office	\$10,019,450	0.69%	\$7,977,800	0.64%
Dorlard Gendron	Real Estate			\$9,526,050	0.77%
Liberty Mutual	Insurance			\$9,178,650	0.74%
	Total	\$208,779,950	14.30%	\$178,481,200	14.38%

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Capital Leases	Total Governmental Activities	Water Revenue Bonds	Sewer Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita*
1996	\$35,144,546	\$424,734	\$35,569,280	\$6,409,996	\$1,721,447	\$8,131,443	\$43,700,723	9.02%	\$12,185
1997	\$35,478,977	\$583,098	\$36,062,075	\$6,529,838	\$1,681,174	\$8,211,013	\$44,273,088	9.14%	\$12,185
1998	\$35,211,501	\$680,034	\$35,891,535	\$6,361,968	\$1,536,521	\$7,898,489	\$43,790,024	9.04%	\$12,185
1999	\$34,963,814	\$843,991	\$35,807,805	\$6,418,383	\$1,510,817	\$7,929,200	\$43,737,005	9.03%	\$12,185
2000	\$34,726,280	\$626,052	\$35,352,332	\$5,988,770	\$1,814,949	\$7,803,719	\$43,156,051	7.10%	\$17,032
2001	\$41,658,421	\$400,739	\$42,059,160	\$5,768,950	\$2,992,917	\$8,761,866	\$50,821,026	8.36%	\$17,032
2002	\$59,967,247	\$252,387	\$60,219,634	\$5,927,218	\$3,592,513	\$9,519,730	\$69,739,364	11.47%	\$17,032
2003	\$63,258,359	\$440,477	\$63,698,836	\$10,160,790	\$4,264,340	\$14,425,130	\$78,123,966	12.85%	\$17,032
2004	\$77,937,657	\$331,880	\$78,269,537	\$9,854,230	\$4,714,486	\$14,568,716	\$92,838,253	15.27%	\$17,032
2005	\$85,800,150	\$238,331	\$86,038,481	\$14,361,009	\$4,727,659	\$19,088,668	\$105,127,149	17.29%	\$17,032

* Based upon the Federal Census.

LEGAL DEBT MARGIN CALCULATION
June 30, 2005 and for the Last Ten Fiscal Years

Total Estimated Actual Valuation Per State \$ 1,712,400,000

Legal Debt Margin Limit of 15% of Estimated Actual Valuation \$256,860,000

Debt Applicable to Debt Limit:

Purpose	Legal Maximum	Principal Debt Outstanding	Percentage Applicable to the City	Amount Applicable to the City	
Direct Debt:					
Municipal	7.5% \$128,430,000	\$78,944,324	100%	\$78,944,324	
School	10.0% \$171,240,000	\$6,855,827	100%	\$6,855,827	
Water	3.0% \$51,372,000	\$14,361,009	100%	\$14,361,009	
Sewer	7.5% \$128,430,000	\$4,727,659	100%	\$4,727,659	
					\$104,888,818
Overlapping Debt:					
Androscoggin County Jail		\$1,855,000	29.13%	\$540,361	
L.A. Water Pollution Control Authority		\$9,687,493	57.06%	\$5,527,684	
Lake Auburn Watershed Protection Commission		\$542,000	50%	\$271,000	
L.A. 9-1-1 Committee		\$422,000	50%	\$211,000	
Total	<u>\$479,472,000</u>			<u>\$111,438,862</u>	<u>\$6,550,044</u>
Total Bonded Debt Applicable to Debt Limit					<u>\$111,438,863</u>
Legal Debt Margin					<u>\$145,421,137</u>

Note: Statutory debt limit is in accordance with 30 MRSA, Section 5061, as amended.

Fiscal Year	Debt Limit	Total Debt Applicable to Limit	Legal Debt Margin	Total Debt Applicable to the Limit as a Percentage of Debt Limit
1996	\$189,465,000	\$52,269,616	\$137,195,384	38.10%
1997	\$193,800,000	\$52,782,134	\$141,017,866	37.43%
1998	\$192,540,000	\$51,550,509	\$140,989,491	36.56%
1999	\$192,462,500	\$53,481,418	\$139,981,082	38.21%
2000	\$194,907,000	\$51,814,838	\$143,092,162	36.21%
2001	\$200,625,000	\$59,057,123	\$141,567,877	41.72%
2002	\$206,332,500	\$78,236,918	\$128,095,582	61.08%
2003	\$222,907,500	\$85,707,716	\$137,199,784	62.47%
2004	\$238,470,000	\$102,898,184	\$135,571,816	75.90%
2005	\$256,860,000	\$111,438,863	\$145,421,137	76.63%

REVENUE BOND COVERAGE
Water Enterprise Fund
Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	\$2,185,310	\$1,157,389	\$1,027,921	\$565,190	\$353,312	\$918,502	112%
1997	\$2,161,975	\$1,122,156	\$1,039,819	\$510,159	\$341,015	\$851,174	122%
1998	\$2,444,339	\$999,711	\$1,444,628	\$525,117	\$345,060	\$870,177	166%
1999	\$2,354,327	\$1,225,796	\$1,128,531	\$492,883	\$310,308	\$803,191	141%
2000	\$2,330,504	\$1,348,163	\$982,341	\$529,613	\$299,358	\$828,971	119%
2001	\$2,418,272	\$1,430,334	\$987,938	\$539,820	\$280,900	\$820,720	120%
2002	\$2,781,848	\$1,354,645	\$1,427,203	\$551,731	\$266,106	\$817,837	175%
2003	\$2,831,228	\$1,515,056	\$1,316,172	\$831,560	\$326,457	\$1,158,017	114%
2004	\$3,189,201	\$1,595,561	\$1,593,640	\$787,397	\$369,255	\$1,156,652	138%
2005	\$3,102,759	\$1,803,953	\$1,298,806	\$787,397	\$398,687	\$1,186,084	110%

REVENUE BOND COVERAGE
Sewer Enterprise Fund
Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	\$2,799,512	\$2,769,134	\$30,378	\$158,250	\$112,139	\$270,389	11%
1997	\$2,941,218	\$2,538,394	\$402,824	\$135,273	\$97,411	\$232,684	173%
1998	\$3,077,525	\$2,669,538	\$407,987	\$144,654	\$89,298	\$233,952	174%
1999	\$3,104,369	\$2,636,249	\$468,120	\$140,854	\$80,611	\$221,465	211%
2000	\$3,397,472	\$2,790,808	\$606,664	\$145,868	\$71,472	\$217,340	279%
2001	\$3,314,303	\$3,224,458	\$89,845	\$172,032	\$87,751	\$259,783	35%
2002	\$3,691,510	\$3,207,289	\$484,221	\$250,405	\$137,200	\$387,605	125%
2003	\$3,961,027	\$3,215,632	\$745,395	\$299,853	\$162,266	\$462,119	161%
2004	\$4,006,107	\$3,393,201	\$612,906	\$333,181	\$189,210	\$522,391	117%
2005	\$4,120,294	\$3,455,401	\$664,893	\$333,181	\$194,518	\$527,699	126%

NOTE: Operating expenses are exclusive of depreciation

DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (1)	Median Age (1)	School Enrollment	Unemployment Rate (2)
1996	39,757	\$12,227	33.4	4,672	6.2%
1997	39,757	\$12,227	33.4	4,480	5.6%
1998	39,757	\$12,227	33.4	5,030	4.9%
1999	39,757	\$12,227	33.4	4,451	3.9%
2000	39,757	\$12,227	33.4	5,068	3.2%
2001	35,690	\$17,032	37.6	4,503	2.8%
2002	35,690	\$17,032	37.6	4,503	4.0%
2003	35,690	\$17,032	37.6	4,565	4.0%
2004	35,690	\$17,032	37.6	4,549	3.8%
2005	35,690	\$17,032	37.6	4,530	5.1%

Sources:

(1) U. S. Department of Commerce, Bureau of Census from 2000

(2) Maine Department of Labor

PRINCIPAL EMPLOYERS
As of June 30, 2005 and Nine Years Ago

Employer	Industry	2005		1996	
		Number of Employees	Rank	Number of Employees	Rank
Sisters of Charity Health Care Systems	Health Care	1,966	1	1,240	2
Central Maine Medical Center	Health Care	1,800	2	1,200	3
L.L. Bean, Inc - Maximum Seasonal	Catalog Sales	1,200	3	1,500	1
TD Banknorth N.A.	Banking	1,050	4		
Bates College	Education	720	5	650	5
Live Bridge	Telemarketing	490	6		
Liberty Mutual	Insurance	333	7	400	7
LePage Bakeries	Bakery	303	8		
Androscoggin Home Health	Health Services	300	9		
Per Se Technologies	Health Care	298	10	650	4
Elmet Technology	Metal/Wire Mfg.			430	6
State of Maine	Government			332	8
Geiger Brothers Inc.	Specialty Item Mfg.			325	9
Falcon Shoe	Shoe Mfg.			210	10

Source: Androscoggin Chamber of Commerce

**NUMBER OF MUNICIPAL EMPLOYEES BY FUNCTION
Last Ten Fiscal Years**

Function	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Mayor	0	0	0	1	1	0.5	0	0	0	0
Administration	3.5	3.5	4	3	3	3	3	3	3	3
City Clerk	5	5	6	6	6	6	6	6	6	6
Economic Dev.	2	2	2	3	3	1	0	0	0	0
Finance	15	15.5	26.5	26.5	27	27	27	26.6	25.6	25.6
M.I.S. (a)	4	4	0	0	0	0	0	0	0	0
Assessor	6	6	6	6	6	6	6	6	6	6
Dev./Code Enf.	8	8	11	12	11	12	12	12	11	11
Human Resources	4	3	3	3	3	3	3	3	3	3
Police	103	103	95	98	98	94	93	91	91	96.5
Fire	79	79	79	79	79	80	81	82	84	91
Public Works	95.5	96.5	100.25	105.75	104.85	103.85	106.5	107.5	106.5	110
Water & Sewer	24	24	29	31	27	27	27	27	29	30
Social Services	7	8	8	13	14.85	14.85	14.5	14	15	17
Recreation/MPC	14	15.75	14	8	8	7	7	7	7	7
Library	14.5	15.5	14	16	16	15	14	14	14	13
Education	384	372	367	347	347	356	355	352	336	358
Total Employees	768.5	760.75	764.75	758.25	754.7	756.2	755	751.1	737.1	777.1

a. The M.I.S. Department was previously a part of the Finance Department.

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Indicator	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
City Clerk:										
Marriage Licenses Issued	329	272	349	387	362	300	327	352	293	---
Birth Certificates Issued	1,411	1,400	1,367	1,322	1,209	1,251	1,172	1,151	1,178	---
Death Certificates Issued	899	978	921	914	820	879	781	724	723	---
Finance:										
Number of Tax Bills Generated	12,996	12,911	12,971	13,038	13,034	13,124	13,202	13,249	13,273	13,389
Number of Liens Recorded	506	460	551	618	705	720	831	905	955	1,070
Police:										
Number of Service Calls	43,621	40,283	39,844	39,503	40,577	39,142	44,264	46,623	46,596	28,776
Number of Physical Arrests	2,340	2,055	2,018	5,828	3,583	3,369	2,906	3,754	3,406	2,382
Fire:										
Number of Service Calls	1,923	1,963	1,938	2,216	2,057	2,068	2,156	1,652	1,599	1,652
Number of Inspections	1,489	976	775	2,476	1,389	1,159	1,566	2,129	1,902	2,382
Code Enforcement:										
Number of Commercial Permits Issued	136	101	88	99	105	98	100	106	106	109
Number of Residential Permits Issued	442	623	269	283	256	249	216	191	227	296
Public Works:										
Cubic Yards Utilized at the Landfill	16,384	9,612	12,681	24,320	20,078	26,862	21,249	23,421	32,862	42,767
Social Services:										
Number of Families Served	548	502	435	494	352	365	416	531	558	605
Number of People Served	961	887	828	956	557	506	584	584	725	830
Library:										
Number of Adult Books Borrowed	122,882	116,540	116,244	114,964	121,249	124,882	138,700	133,925	103,475	129,649
Number of Children Books Borrowed	101,902	96,643	90,884	85,669	81,189	62,909	69,504	70,870	52,450	77,748
Average Daily Door Count	N/A	624	619	585	531	482	508	N/A	N/A	483
Children's Program Attendance	10,047	8,059	7,410	7,665	8,173	5,788	3,124	5,685	1,177	2,059
Number of Cardholders	11,073	11,314	11,737	11,578	11,434	12,109	11,424	12,829	12,350	---

* N/A - not available due to construction

CAPITAL ASSET AND INFRASTRUCTURE BY FUNCTION
Last Ten Fiscal Years

Function	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	27	27	27	27	28	27	20	20	20	29
Fire:										
Number of Stations	4	4	4	4	4	4	4	4	4	4
Public Works:										
Miles of Streets	190	190	190	190	190	190	190	190	187	187
Number of Street Lights	4,538	4,538	4,538	4,538	4,538	4,538	4,533	4,533	4,533	4,525
Water:										
Miles of Water Mains	166	166	166	166	166	166	166	166	166	166
Number of Service Connections	9,849	9,849	9,849	9,849	9,849	9,849	9,849	9,849	9,849	9,849
Number of Fire Hydrants	691	691	688	686	686	684	681	680	680	679
Average Daily Consumption in Gallons	5,237,323	4,564,096	5,081,101	4,920,000	5,706,767	5,129,945	4,614,274	4,703,425	4,688,493	4,897,260
Thousand Gallons Pumped	1,911,623	1,665,895	1,854,602	1,795,800	2,082,970	1,872,430	1,684,210	1,716,750	1,711,300	1,787,500
Sewer:										
Miles of Sanitary & Storm Sewers	160	160	160	160	160	160	160	160	160	160
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Service Connections	8,700	8,700	8,700	8,700	8,700	8,700	8,700	8,700	8,700	8,700
Average Daily Consumption in Gallons	5,237,323	4,564,096	5,081,101	4,920,000	5,706,767	5,129,945	4,614,274	4,703,425	4,688,493	4,897,260
Recreation:										
Number of Parks	15	14	14	14	14	16	16	16	14	14
Park Acreage	76	75	75	75	75	75	75	75	75	75
Swimming Pools	1	1	1	1	1	1	2	2	2	2
Tennis Courts	12	12	12	12	12	12	12	12	12	12
Education:										
Number of Schools	7	7	7	7	7	7	7	7	8	8