

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2004

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, 2004

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November 19, 2004

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, 2004, 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, 2004. 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 complements this letter of transmittal and should be read in conjunction with it.

GOVERNMENTAL STRUCTURE AND SERVICES PROVIDED

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 major 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 unencumbered appropriation balance among programs within a department. The City Council may transfer part or all of any unencumbered balance to another department.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lewiston operates.

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 number of manufacturing jobs has decreased from 3,900 to 2,170 or 45%. During the same period the non-manufacturing jobs have increased from 16,130 to 20,670 or 28%. Major industries which have experienced the greatest employment growth over the past 10 years are health care services which have increased from 2,450 to 4,500 and financial services which have increased from 575 to 1,400. Total employment within the city over the past 10 years has increased from 20,040 to 22,840.

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 1,400 and banking operations and support services with employment totaling 1,200. 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 4.3% for the year is below the state's average rate of 4.7%.

Recent economic activity during the past year includes the development of the Southern Gateway

Project 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, lighting and roadway improvements along with the construction of a 386 car parking facility. A new state of the art fiber optic network company has located its main offices and its telecommunications and switching equipment in this gateway. The 18,000 square foot office building recently opened near the 3,000 square foot equipment building. A regional auto parts and tire retailer recently opened its 18,000 square foot flagship store in the southern gateway. A private business college recently constructed a 13,000 square foot administration and classroom facility in the same area. A 28,000 square foot signature office building for an area bank is also under construction in the area. This development will be supported by the municipally owned parking facility which is also under construction. All of this downtown development has occurred within the past 12 month period.

A Wal Mart mechanized distribution facility for both dry goods and food is currently under construction in the South Lewiston area of the City. The facilities which will encompass 880,000 square feet on a 130 acre site when finally completed in 2 years will employ a minimum of 450 people. The estimated \$70 million project is currently the largest single project, in physical size, under construction in the state. A new \$3.2 million electrical sub-station was also constructed in this area to support this development, as well as, future commercial and industrial development in the South Lewiston area. Construction of a 6 million gallon water storage facility at a cost of \$4.75 million will also support current and future development in the area. An adjacent 35 acre industrial park has already been constructed and is available for new development.

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 5% 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 6% to 35% during the same period.

During this same ten year period, expenditures for education have increased as a percentage of total governmental expenditures by 2% to a total of 48%. 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 is considering plans to redevelop the neighborhood and housing in the Southern Gateway to be known as the "Heritage Initiative". The area currently consists of 159 buildings with 1,058 housing units. The objectives of the initiative are to decrease sub-standard housing by 40% in 10 years; decrease code violations by 10% after 2 years and 45% after 5 years; decrease the density by 25% after 10 years; increase the amount of green space by 5 acres after 10 years; repair and or replace 65% of failed infrastructure in the target area within 10 years; increase the average livable square footage per unit by 15% after 10 years; increase the total value of taxable property by 75% after 10 years and increase the amount of owner occupied real estate by 200% within 10 years. Also included as part of the initiative is construction of a new boulevard to direct traffic to the Colisée and a 22,500 square foot \$1.6 million office building to house Community Concepts.

The School department is requesting approval from the State for the replacement of the Farwell Elementary School at an estimated cost of \$11 million. If approved by the City of Lewiston voters at a referendum, the project could be under construction in 2006. The State of Maine would finance approximately 95% of the project costs with the City of Lewiston financing the remainder.

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 Acknowledgments

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, 2003. This was the twenty-ninth 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 the Mayor, City Council and City Administrator for their interest and support in planning and conducting operations of the City in a responsible and progressive manner.

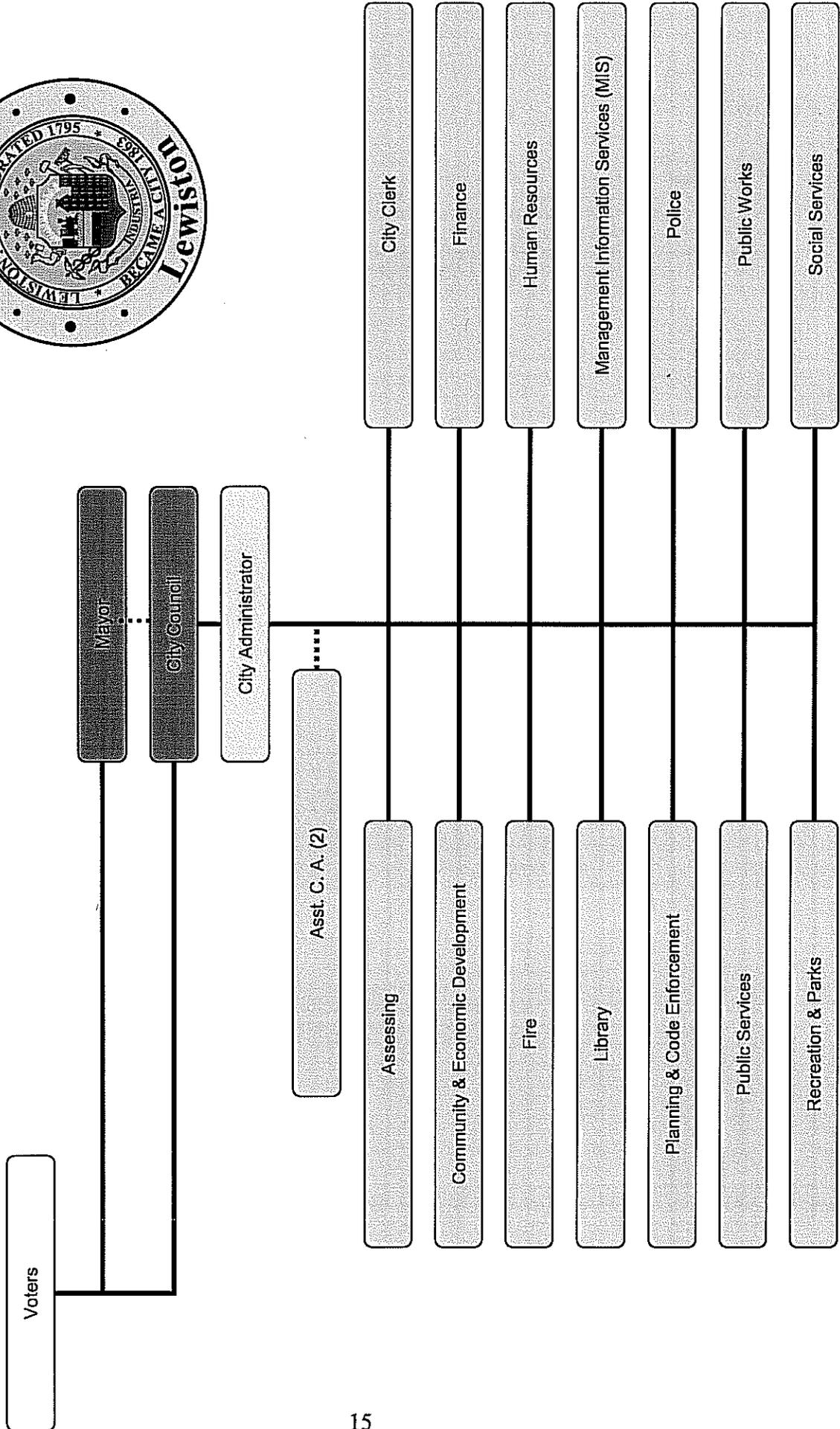
Respectfully submitted,



Richard T. Metivier
Finance Director

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City of Lewiston, Maine Organizational Chart



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, 2003

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.



A handwritten signature in cursive script, appearing to read "Edward Haney".

President

A handwritten signature in cursive script, appearing to read "Jeffrey R. Emer".

Executive 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 aggregate 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, 2004, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

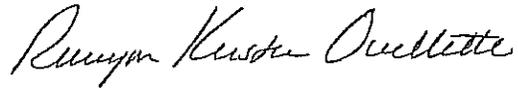
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lewiston, Maine, as of June 30, 2004, 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.

City Council
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



November 19, 2004
South Portland, Maine

CITY OF LEWISTON, MAINE
Management's Discussion and Analysis
June 30, 2004

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, 2004. 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 \$111,640 (*net assets*).
- The City's total net assets decreased by \$5,223, which represents a 4.4% decrease.
- As of the close of the current fiscal year, the City of Lewiston's governmental funds reported combined ending fund balances of \$31,677 an increase of \$2,662 in comparison with the prior year. Approximately 54% of this total amount, \$16,991 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 \$7,995 or 10.2% of general fund expenditures, including transfers out.
- The City of Lewiston's total debt increased by \$14,823 (19%) during the current fiscal year. The key factor in this increase was the issuance of \$4,930 in general obligation bonds for governmental infrastructure improvements, \$1,275 in general obligation bonds for water and sewer infrastructure improvements and \$15,145 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 36-37 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, Lewiston Mill Redevelopment Corporation and urban development special revenue funds 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 38-40 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 44-47 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 48-49 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 50-75 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 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 \$111,640 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	
	2004	2003	2004	2003	2004	2003
Assets:						
Current & Other Assets	\$39,052	\$37,378	\$14,529	\$15,362	\$53,581	\$52,740
Capital Assets	135,922	132,102	33,388	31,054	169,310	163,156
Total Assets	174,974	169,480	47,917	46,416	222,891	215,896
Liabilities:						
Noncurrent Liabilities	89,200	76,386	14,569	14,425	103,769	90,811
Other Liabilities	6,624	7,206	859	1,015	7,483	8,221
Total Liabilities	95,824	83,592	15,428	15,440	111,252	99,032
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	110,549	91,526	18,819	16,629	129,368	108,155
Restricted	17,613	14,360			17,613	14,360
Unrestricted (Deficit)	(49,011)	(19,999)	13,670	14,346	(35,341)	(5,652)
Total Net Assets	\$79,151	\$85,888	\$32,489	\$30,975	\$111,640	\$116,863

By far the largest portion of the City of Lewiston's net assets (\$129,368) 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 (\$17,613) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, a deficit of \$35,341 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 \$5,223 during the course of the year. A decrease in the capitalization of fixed assets in governmental activities of \$5,590 caused the majority of the decrease in net assets. Other contributing factors under governmental activities were the loss on the sale of disposable assets of \$1,183 and the increase in depreciation expense of \$542. Net assets in business-type activities increased by \$1,514 as a result of charges for services exceeding expenses by \$760 and capital grants and contributions amounting to \$843.

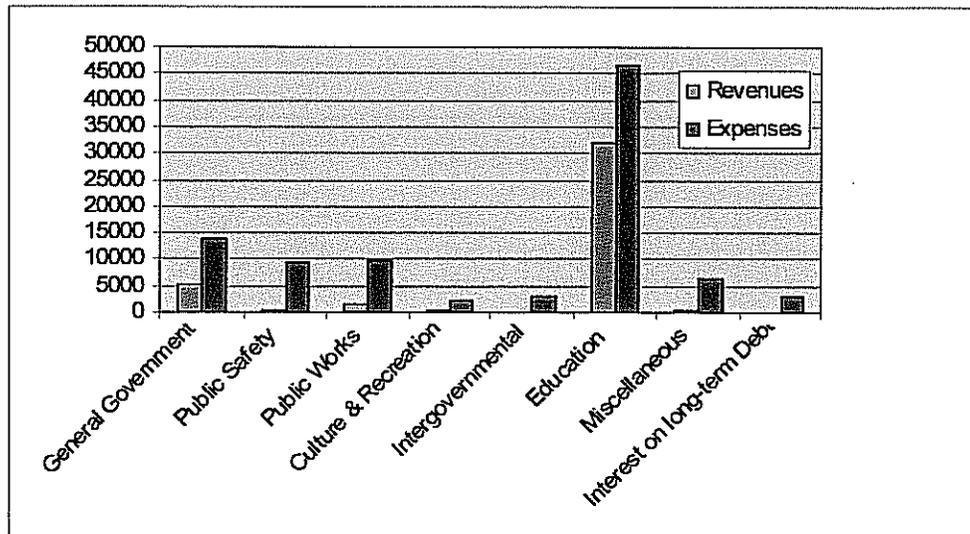
Governmental activities. Governmental activities decreased the City of Lewiston's net assets by \$6,737 thereby accounting for all of the reduction in the net assets of the City of Lewiston. Key elements of the decrease are as follows.

	City of Lewiston's Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$5,144	\$4,347	\$7,195	\$6,792	\$12,339	\$11,139
Operating grants & contributions	32,696	29,422	0	0	32,696	29,422
Capital grants & contributions	1,841	2,851	843	180	2,684	3,031
General revenues:						
Property taxes	39,075	38,365	0	0	39,075	38,365
Other taxes	4,342	4,362	0	0	4,342	4,362
Grants & contributions not restricted to specific programs						
Other	5,699	5,529	0	0	5,699	5,529
Other	(818)	(101)	(43)	638	(861)	537
Total revenues	87,979	84,775	7,995	7,610	95,974	92,385
Expenses:						
General government	13,767	7,397			13,767	7,397
Public safety	9,347	8,969			9,347	8,969
Public works	9,957	5,725			9,957	5,725
Human services	703	656			703	656
Culture & recreation	2,419	2,546			2,419	2,546
Intergovernmental	3,019	2,763			3,019	2,763
Education & nutrition	46,654	41,824			46,654	41,824
Other miscellaneous	5,840	11,047			5,840	11,047
Interest on long-term debt	3,058	3,609			3,058	3,609
Water			2,612	2,384	2,612	2,384
Sewer			3,823	3,631	3,823	3,631
Total Expenses	94,764	84,536	6,435	6,015	101,199	90,551
Increase (decrease) in net assets before transfers	(6,784)	239	1,560	1,595	(5,223)	1,834
Transfers	47	37	(47)	(37)	0	0
Increase (decrease) in net Assets	(6,737)	276	1,513	1,558	(5,223)	1,834
Net assets 7/1/2003	85,888	85,612	30,975	29,416	116,863	115,029
Net assets 6/30/2004	\$79,151	\$85,888	\$32,489	\$30,975	\$111,640	\$116,863

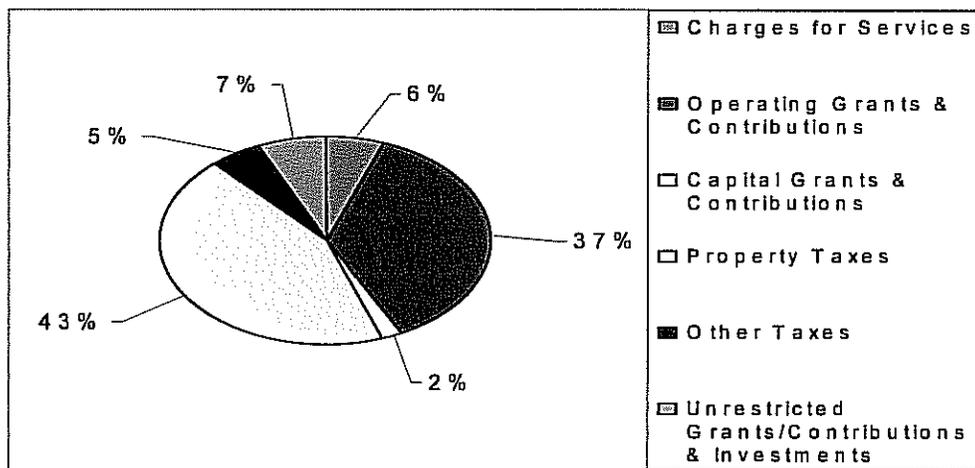
- Expenditures increased by \$10,648 while revenues only increased \$3,589.

- Expenditures in general government increased by \$6,370 largely due to the \$4,759 in capitalization expenses that were below the City's capitalization threshold of \$5.

Program Revenues Compared to Program Expenditures



Governmental Activities Revenue Sources



Business-type activities. Business-type activities increased the City of Lewiston's net assets by \$1,514. Key elements of this increase are as follows.

- Charges for services for business-type activities increased by \$403 or 6%. The Water department accounts for the majority of this increase (\$358) which was partially the result of a 13% increase in water user charges at the beginning of the year. A 4% increase in rates in the sewer department accounted for most of the remaining \$45 increase.
- Capital contributions for the Water department of \$592 were mostly generated from the Wal-Mart tax increment financing project (\$402) while the entire capital contributions of the Sewer department (\$251) were due to the same project.
- Increase in fund equity from joint ventures with the Auburn Water & Sewer Districts in Sewer (\$534) and in Water (\$59).

library endowments and the perpetual care of municipal cemeteries (\$1,111) or 5) a variety of other restricted purposes (\$535).

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 \$10,929 (\$2,934 of which has been designated by management for subsequent years' expenditures and self-insured funds) while total fund balance was \$14,064. 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 14.0% of total general fund expenditures (\$78,245), while total fund balance represents 18.0% of that same amount.

The fund balance of the City of Lewiston's general fund decreased by \$590 during the current fiscal year. Key factors in the decrease are as follows:

- A decrease in the amount of funds reserved for encumbrances at year end of \$739.
- A decrease of \$419 in the amount of funds reserved for future workers' compensation and unemployment compensation expenditures as a result of additional expenditures.
- An increase in the amount of funds designated for subsequent year expenditures of \$295.
- An increase in the undesignated fund balance of \$294 due to additional revenues collected above budget estimates.

The Lewiston Mill Redevelopment Corporation has a deficit fund balance of \$1,754 as a result of prior year advances from the General Fund for unfunded expenditures. The deficit fund balance did not change during the year. A reservation of \$2,035 in the General Fund has been established to cover the Lewiston Mill Redevelopment Corporation deficit.

The Urban Development Fund has a total fund balance of \$2,983. This fund includes certain special revenue purpose grants and tax increment financing districts. The fund balance increased by \$2,133 during the year as a result of the issuance of \$4,790 of general obligation bonds to finance capital expenditures for infrastructure improvements in the Wal-Mart and Central Maine Power tax increment financing districts.

The Capital Projects fund has a total fund balance of \$11,107. Expenditures for capital projects amounted to \$12,876 during the year while proceeds from general obligation bonds amounted to \$15,285. The fund balance increased by \$2,976 during the year.

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 \$10,371 and those for the Water fund amounted to \$3,299. The total growth in net assets for the Sewer fund was \$982 while the increase in net assets of the Water fund was \$532. 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 city budget was revised several times. These budget revisions fall into two categories. The first category includes amendments or supplemental appropriations that were approved by the City Council. The second category includes transfers within the amended budget approved by the City Council that were made by management to adjust for emergencies and or priorities that occurred during the course of the year.

The only amendment that was approved by the City Council was an additional appropriation of \$220 from the Public Works Equipment Reserve to finance the purchase of municipal garage vehicles.

Transfer of funds during the course of the year from and within department budgets resulted in the adjustment of departmental budgets. The adjustments included the transfer of \$980 from the retirement account, for the employer share of retirement cost and social security, into the various department budgets for the actual costs of retirement on a departmental basis. Another transfer of \$215 from the salary reserve account was to cover the cost of negotiated salary increases. A transfer of \$313 from various divisions within departments to other divisions was to cover the cost of salaries that were actually expended. A transfer of \$100 from the Contingency budget to the City Attorney budget was to cover the additional costs of legal representation during the year. A transfer of \$30 from the Contingency budget to the Hydro budget was to cover the cost of major repairs. A transfer of \$40 in the Fire department budget was to replace the squad van which broke down during the year. A transfer of \$25 from the Contingency budget was to pay the cost of an image campaign for the City. Other transfers made during the year were less significant and individually, did not exceed \$10.

The following schedule presents a comparison of final budgeted and actual General Fund revenues, on a budgetary basis of accounting, for the fiscal year ended June 30, 2004:

Revenues	Final Budget	Actual	Variance
Property Taxes	\$39,506	\$40,331	\$825
Excise Taxes	3,620	3,903	283
Licenses & Permits	320	352	32
Intergovernmental	25,625	26,249	624
Charges for Services	946	1,090	144
Fines	132	170	38
Interest, Rents & Royalties	971	992	21
Miscellaneous	378	616	238
Transfers In	10	409	399
Total Revenues	\$71,508	\$74,112	\$2,604

Property taxes continue to be the largest source of revenue for the city with 54% of the revenue collected coming from property taxes. The \$825 collected above estimates was a result of the \$1,415 of prior years' taxes collected that were unbudgeted.

Excise taxes on motor vehicles were \$283 above the budget estimates however, collections were \$10 less than they were in the previous year. The increase volume of new car sales in the previous year leveled-off, when the manufacturers' incentives were reduced.

The additional \$624 of intergovernmental revenues above budget estimates was the result of additional state revenue sharing funds of \$244; additional school revenues for special education which amounted to \$192; and additional school aid which amounted to \$149.

Charges for services amounted to \$1,090 and were \$144 above estimates. The additional revenue was due to \$259 of unbudgeted adult education revenues which was offset by a shortfall of \$76 in revenues from solid waste collection and tipping fees.

Revenues for fines exceeded budget estimates by \$38. Additional revenues of \$26 were received for court fees and fines and traffic violation fines resulted in additional revenue of \$12.

Miscellaneous revenues were above estimates by \$238 were due to additional revenue for solid waste recyclables of \$25; sale of surplus property of \$72 and miscellaneous school revenues of \$133.

The additional revenue collected of \$399 from transfers in was due to additional revenue of \$300 for special education cost and \$99 from special revenue and enterprise funds for workers' compensation costs.

The following schedule presents a comparison of final budgeted and actual General Fund expenditures, on a budgetary basis of accounting, for the fiscal year ended June 30, 2004

Expenditures	Final Budget	Actual	Variance
General Government	\$3,515	\$3,460	\$55
Public Safety	9,531	9,444	86
Public Works	7,713	7,055	658
Social Services	522	558	(36)
Culture & Recreation	2,113	2,037	76
Intergovernmental	3,020	3,020	
Education	35,134	35,787	(653)
Insurances	3,321	3,366	(45)
Pensions & Retirements	627	518	109
Reserves & Contingencies	20		20
Miscellaneous	1,811	2,182	(371)
Transfers Out	7,897	7,897	
Total Expenditures	\$75,224	\$75,325	\$(101)

Public Works expenditures were under budget by \$658. The mild winter was responsible for snow removal to be under budget by \$254 and highway expenditures due to position vacancies were \$164 below budget estimates. Municipal garage operations also provided a surplus of \$136.

The Social Services budget exceeded the budget appropriation by \$36 due to additional general assistance expenditures above estimates of \$38.

The Education budget exceeded the budget appropriation by \$653 due to additional expenses for special education tuition which were over budget by \$1,300. A portion of these additional expenses was offset by additional intergovernmental revenues received.

Insurance expenditures exceeded the budget appropriation by \$45 due to additional employer health insurance premiums of \$41.

Additional expenditures of \$371 above the budget appropriation in the miscellaneous category were due to expenditures for workers' and unemployment compensation which were over budget by \$535, which was partially offset by savings in debt service cost of \$161 due to lower than anticipated interest costs.

The General Fund budget overall, ended the year with expenditures exceeding budgetary estimates by (\$101) however, revenues exceeded the budget estimates by \$2,604 thereby reducing the planned reduction in fund balance from (\$2,135) to (\$590).

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, 2004, amounts to \$169,310 (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 3.8% (a 2.9% increase for governmental activities and a 7.5% increase for business type activities).

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

- Construction began on the Cultural Center at the Public Library and at the end of the year, construction in progress amounted to \$1,027.
- A number of highway construction projects were performed throughout the city during the year and at the end of the year amounted to \$887.
- 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 \$2,610.
- Replacement of the Webber Avenue Reservoir with 2 water storage facilities was completed during the year and the total value amounted to \$3,749.
- Construction of new traffic lights and street lights in various areas throughout the city occurred during the year and the construction in progress at the end of the year amounted to \$624.

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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$10,494	\$9,990	\$266	\$266	\$10,760	\$10,256
Buildings	20,989	20,097	3,522	4,208	24,511	24,305
Improvements Other Than Buildings	14,276	12,729			14,276	12,729
Machinery & Equipment	8,512	9,355	762	760	9,274	10,115
Infrastructure	70,721	68,476	27,292	21,303	98,013	89,779
Construction in Progress	10,930	11,455	1,546	4,517	12,476	15,972
Total Capital Assets	\$135,922	\$132,102	\$33,388	\$31,054	\$169,310	\$163,156

Additional information on the City of Lewiston's capital assets can be found in note IV.C on pages 60-61 of this report.

Long-term debt. At the end of the current fiscal year, the City of Lewiston had total bonded debt outstanding of \$92,507. 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:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Bonds Payable	\$77,938	\$63,258	\$14,569	\$14,425	\$92,507	\$77,683

The City of Lewiston's debt increased by \$14,824 or 19% during the current fiscal year. The key factor in the increase was the city's issuance of \$21,350 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 \$238,470 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 64-69 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Lewiston continues to be a viable and growing economic area for central Maine. Development in the downtown area as well the industrial parks and adjacent to the turnpike

interchange is continuing at 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 3.8% which is a decrease of 0.6% from the rate of 4.4% a year ago. This is below the State's average unemployment rate of 4.0% and compares favorably to the national average of 5.8%.
- Inflationary trends in the region, although slightly above the rest of the nation because of additional energy cost in the northeast, compare favorably to national indices.

In adopting the budget for the 2005 fiscal year, City officials considered many factors in making judgments and estimates prior to finalizing the budget. The first and foremost consideration was to hold the property tax rate at \$27.70 per thousand of valuation, the same level as it was in the previous year. Direct services to the public were not impacted while some fees and charges for services were slightly increased in areas in order to hold the line on property taxes.

Many projects under construction, including the Wal-Mart distribution facility, will have a fairly substantial impact on the growth in taxable valuation for the 2006 fiscal year. The Governor and leadership in the State Legislature have indicated that they will enact a plan during the next legislative session that will provide property tax relief throughout the State.

The Sewer Department user fee rates were increased by 5% for the 2005 budget year. The sewer rate increase was required in order to finance the additional debt service costs for the combined sewer overflow projects. The water rates, which were increased by an average of 13% in 2004, were not increased in the 2005 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.

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BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Assets
June 30, 2004

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Total 2004	Total 2003	Community Facility Corp. 2004
ASSETS					
Cash and Cash Equivalents	\$ 2,902,034	\$ 99,725	\$ 3,001,759	\$ 2,355,726	
Investments	27,790,977	4,162,266	31,953,243	30,189,575	
Receivables:					
Taxes	1,391,330		1,391,330	1,907,826	
Accounts (Net of Allowance for Uncollectibles)	324,173	1,298,552	1,622,725	2,018,390	\$ 202,185
Intergovernmental	1,534,631		1,534,631	1,529,869	
Loans (Net of Allowance for Uncollectibles)	3,902,469		3,902,469	4,102,988	
Advance to/from Component Unit	912,852		912,852		(912,852)
Notes and Interest Receivable		12,448	12,448	21,576	
Inventory	293,818		293,818	295,088	
Cash - Restricted		150,619	150,619	2,048,731	
Deferred Charges		253,255	253,255	302,701	
Intangible Assets (Net of Amortization)		7,979	7,979	16,271	350,605
Investment in Joint Ventures		8,544,223	8,544,223	7,950,359	
Capital Assets:					
Land	10,493,866	265,644	10,759,510	10,255,345	244,300
Buildings	38,229,663	6,525,816	44,755,479	42,895,679	3,430,495
Improvements Other Than Buildings	16,691,224		16,691,224	14,567,045	
Machinery and Equipment	18,646,318	1,828,920	20,475,238	20,360,333	155,996
Infrastructure	100,056,164	35,480,459	135,536,623	125,682,808	
Less: Accumulated Depreciation	(59,124,612)	(12,258,633)	(71,383,245)	(66,576,997)	(32,161)
Construction In Progress	10,929,757	1,545,862	12,475,619	15,971,797	
Total Net Capital Assets	135,922,380	33,388,068	169,310,448	163,156,010	3,798,629
Total Assets	174,974,665	47,917,135	222,891,800	215,895,110	3,438,567
LIABILITIES					
Accounts Payable	2,767,797	438,327	3,206,124	3,863,434	173,567
Accrued Wages and Taxes Payable	1,929,730	25,452	1,955,182	2,256,962	
Compensated Absences Payable	1,122,649	53,933	1,176,582	1,183,837	
Notes Payable	105,000		105,000	105,000	225,000
BAN Payable					3,040,000
Unearned Revenue	272,497		272,497	61,202	
Customer's Deposits	24,204		24,204	2,704	
Accrued Interest Payable	401,808	190,790	592,598	609,335	
Liabilities Payable From Restricted Assets		150,619	150,619	138,300	
Noncurrent Liabilities:					
Due Within One Year	7,879,386	1,120,659	9,000,045	10,552,249	
Due in More Than One Year	81,320,814	13,448,138	94,768,952	80,258,934	
Total Liabilities	95,823,886	15,427,918	111,251,804	99,031,957	3,438,567
NET ASSETS					
Invested in Capital Assets (Net of Related Debt)	110,548,794	18,819,271	129,368,065	108,154,852	
Restricted For:					
Recreation and Human Services	5,407,873		5,407,873	3,335,515	
Debt Service				1,910,431	
Capital Projects	11,107,271		11,107,271	8,130,883	
Nonexpendable Perpetual Care	19,292		19,292	19,107	
Nonexpendable Endowment Fund	1,078,544		1,078,544	964,416	
Unrestricted	(49,010,995)	13,669,946	(35,341,049)	(5,652,050)	
Total Net Assets	\$ 79,150,779	\$ 32,489,217	\$ 111,639,992	\$ 116,863,153	\$ 0

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

Comparative Statement of Activities
For the Year Ended June 30, 2004

Functions and Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Community Facility Corp. 2004	
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Primary Government Total		
							2004		2003
Primary Government:									
Governmental Activities:									
General Government	\$ 13,767,436	\$ 2,551,494	\$ 1,256,333	\$ 1,364,628	\$ (8,595,081)	\$	(8,595,081)	(1,967,193)	
Public Safety	9,346,830	385,255	5,627		(8,955,948)		(8,955,948)	(8,624,479)	
Public Works	9,956,954	836,914	346,647	476,844	(8,296,549)		(8,296,549)	(4,748,958)	
Human Services	702,671		180,911		(521,760)		(521,760)	(259,960)	
Culture and Recreation	2,418,831	194,287	7,906		(2,216,639)		(2,216,639)	(2,174,765)	
Intergovernmental	3,019,453				(3,019,453)		(3,019,453)	(2,762,813)	
Education & Nutrition	46,654,075	1,160,356	30,846,140		(14,647,579)		(14,647,579)	(12,786,079)	
Other Miscellaneous	5,839,536	16,151	52,218		(5,771,167)		(5,771,167)	(10,984,813)	
Interest on Long-Term Debt	3,058,363				(3,058,363)		(3,058,363)	(3,609,207)	
Total Governmental Activities	94,764,150	5,144,457	32,695,782	1,841,372	(55,082,539)		(55,082,539)	(47,916,268)	
Business-Type Activities:									
Water	2,611,534	3,189,201		592,344	\$	1,170,011	1,170,011	617,491	
Sewer	3,823,091	4,006,107		250,897		433,913	433,913	339,676	
Total Business-Type Activities	6,434,624	7,195,308		843,241		1,603,924	1,603,924	957,167	
Total Primary Government	101,198,774	12,339,765	32,695,782	2,684,613	(55,082,539)	1,603,924	(53,478,615)	(46,959,101)	
Component Unit:									
Community Facility Corp.	\$ 164,350	\$ 84,226	\$ 80,124					\$ 0	
General Revenues:									
Property Taxes					39,075,018		39,075,018	38,365,082	
Payment in Lieu of Taxes					344,568		344,568	361,015	
Motor Vehicle Excise Taxes					3,902,739		3,902,739	3,912,898	
Franchise Fees					94,634		94,634	88,407	
Homestead Exemption					1,131,126		1,131,126	1,177,380	
State Revenue Sharing					4,568,044		4,568,044	4,351,643	
Increase in Equity in Joint Ventures					593,863	593,863	593,863	620,933	
Gain (Loss) on Disposal of Assets					(1,183,374)	(688,989)	(1,872,363)	(582,728)	
Unrestricted Investment Earnings					365,295	52,529	417,824	454,101	
Miscellaneous Transfers					47,404	(47,404)	-	45,000	
Total General Revenues and Transfers					48,345,455	(90,001)	48,255,454	48,793,730	
Change in Net Assets					(6,737,084)	1,513,923	(5,223,161)	1,834,629	
Net Assets, July 1					85,887,859	30,975,294	116,863,153	115,028,524	
Net Assets, June 30					\$ 79,150,779	\$ 32,469,217	\$ 111,639,992	\$ 116,863,153	

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

Comparative Balance Sheet
Governmental Funds
June 30, 2004

	Special Revenue Funds				Other Governmental Funds	Total Governmental Funds	
	General	Lewiston Mill Redevelopment Corporation	Urban Development	Capital Projects		2004	2003
ASSETS							
Cash and Cash Equivalents	\$ 190,780	\$ 5,321	\$ 27,347	\$ 279,028	\$ 2,399,559	\$ 2,902,034	\$ 2,224,870
Investments	11,611,852	436,402	2,038,888	11,861,051	1,842,784	27,790,977	24,818,353
Receivables:							
Taxes	1,391,330					1,391,330	1,907,826
Accounts (Net of Allowance for Uncollectibles)	285,272	18,403	2,158	7,475	10,864	324,173	588,054
Intergovernmental	823,547		228,399		482,685	1,534,631	1,529,869
Loans (Net of Allowance for Uncollectibles)	2,219,225		1,904,415		1,998,055	3,902,469	4,102,988
Due From Other Funds	2,035,000					2,219,225	1,733,462
Advances to Other Funds	912,852					2,035,000	2,035,000
Advance to Component Unit	235,094				58,725	912,852	295,088
Inventory						293,818	1,910,431
Cash - Restricted							41,145,941
Total Assets	\$ 19,704,951	\$ 460,126	\$ 4,201,207	\$ 12,147,554	\$ 6,792,671	\$ 43,306,509	\$ 41,145,941

LIABILITIES AND FUND BALANCE

LIABILITIES:							
Accounts Payable	\$ 1,251,751	\$ 53,717	\$ 279,306	\$ 938,750	\$ 244,274	\$ 2,767,797	\$ 3,207,541
Accrued Wages and Taxes Payable	1,837,111		205		92,415	1,929,730	2,208,478
Compensated Absences Payable	1,122,649					1,122,649	1,132,375
Due to Other Funds		289	938,462	101,533	1,178,941	2,219,225	1,733,393
Notes Payable		105,000				105,000	105,000
Deferred Revenue	1,382,883	20,423				1,403,306	1,645,757
Unearned Revenue	22,656					22,656	61,202
Customer's Deposits	24,204					24,204	2,704
Advances From Other Funds		2,035,000				2,035,000	2,035,000
Matured Interest Coupon Payable					260	260	130
Total Liabilities	5,641,254	2,214,428	1,217,972	1,040,283	1,515,890	11,629,828	12,131,580

Fund Balance:									
Reserved for:									
Encumbrances	623,029	109,789	3,740,298	11,839	4,484,955	5,778,652			
Inventory	235,094			58,725	293,819	295,088			
Advances	2,035,000				2,035,000	2,035,000			
Long-Term Notes Receivable		1,753,136		1,831,526	3,584,662	3,726,730			
Refunded Bond Payment						1,910,431			
Asset Acquisition	241,589				241,599	268,791			
Perpetual Care and Endowments				1,111,407	1,111,407	1,072,854			
Unreserved:									
Designated for:									
Subsequent Year's Expenditures	2,430,090				2,430,090	2,134,717			
Future Workers Comp. Expenditures	506,790				506,790	904,326			
Future Unemployment Comp. Expend.	(2,668)				(2,668)	18,702			
Undesignated, Reported in:									
General Fund	7,994,764				7,994,764	7,700,966			
Special Revenue Funds		(1,754,302)		2,276,851	1,642,858	(532,678)			
Capital Projects Funds			7,366,973		7,366,973	3,790,114			
Permanent funds				(13,571)	(13,571)	(89,332)			
Total Fund Balance (Deficit)	<u>14,063,697</u>	<u>(1,754,302)</u>	<u>11,107,271</u>	<u>5,276,776</u>	<u>31,676,679</u>	<u>29,014,361</u>			
Total Liabilities and Fund Balance	<u>\$ 19,704,951</u>	<u>\$ 460,126</u>	<u>\$ 12,147,554</u>	<u>\$ 6,792,671</u>					

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

\$ 79,150,779 \$ 85,887,859

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

**Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2004**

	Special Revenue Funds					Total Governmental Funds	
	General	Lewiston Mill		Capital Projects	Other Governmental Funds	2004	2003
		Redevelopment Corporation	Urban Development				
REVENUES							
Taxes	\$ 44,233,967		\$ 367,208			\$ 44,601,175	\$ 43,787,363
Licenses and Permits	351,680					351,680	345,635
Intergovernmental	29,792,747		767,526	\$ 476,844	\$ 8,419,550	39,456,667	36,980,431
Charges For Services	1,089,655				878,131	1,967,785	1,947,635
Fines	170,370					170,370	139,572
Interest, Rents and Royalties	992,320	\$ 636,521	122,375	153,833	85,335	1,980,384	2,079,178
Donations				347,733	217,008	564,739	100,493
Miscellaneous	615,569	1,356	8,408		21	625,354	251,222
Total Revenues	77,246,308	637,877	1,265,518	978,410	9,600,044	89,728,156	85,641,529
EXPENDITURES							
Current:							
General Government	3,381,646	1,164,528	937,851	134,260	1,164,124	6,782,408	5,497,730
Public Safety	9,328,518					9,328,518	9,243,467
Public Works	6,765,039					6,765,039	6,563,196
Human Services	554,098				148,573	702,671	655,761
Culture and Recreation	1,948,166				166,049	2,114,215	2,234,191
Intergovernmental	3,019,453					3,019,453	2,923,324
Education	39,285,138				5,454,631	44,739,770	42,260,822
Nutrition					1,599,173	1,599,173	1,693,213
Miscellaneous	6,066,147					6,066,147	5,687,756
Debt Service:							
Redemption of Serial Bonds					5,395,702	5,395,702	5,054,567
Redemption of Refunded Bond					1,861,500	1,861,500	
Interest on Serial Bonds					2,933,285	2,933,285	2,977,897
Capital Lease Debt					111,949	111,949	334,742
Bond Issuance Costs					211,890	211,890	52,271
Capital Outlay		27,760	2,310,099	12,741,243	560,748	15,639,850	13,146,564
Total Expenditures	70,348,207	1,192,288	3,247,950	12,875,503	19,607,624	107,271,572	98,325,501
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,898,101	(564,411)	(1,982,432)	(11,897,093)	(10,007,580)	(17,543,416)	(12,683,973)
OTHER FINANCING SOURCES (USES)							
Transfers In	408,740	558,185		207,557	8,603,894	9,778,376	10,027,646
Transfers Out	(7,897,152)	(3,774)	(674,680)	(619,076)	(536,291)	(9,730,973)	(9,991,009)
Gain on Investments					83,331	83,331	3,067
Proceeds from General Obligation Bonds			4,790,000	15,285,000		20,075,000	8,255,000
Proceeds from Refunded Bonds Issuance						-	1,925,413
Proceeds from Loan						-	45,000
Proceeds from Capital Lease						-	515,565
Total Other Financing Source (Uses)	(7,488,413)	554,411	4,115,320	14,873,481	8,150,934	20,205,734	10,780,681
Net Change in Fund Balance	(590,312)	-	2,132,888	2,976,388	(1,856,646)	2,662,319	(1,903,292)
Fund Balance (Deficit), July 1	14,654,009	(1,754,302)	850,346	8,130,883	7,133,422	29,014,360	30,917,652
Fund Balance (Deficit), June 30	\$ 14,063,697	\$ (1,754,302)	\$ 2,983,234	\$ 11,107,271	\$ 5,276,776	\$ 31,676,679	\$ 29,014,360

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, 2004**

Net Change in Fund Balances - Total Governmental Funds Reported on Statement 4	\$	2,662,319
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 \$5,196,285 in the current period.		5,159,860
The net effect of the disposition of capital assets which resulted in a loss that decreased net assets. Disposed assets were historically valued at \$2,209,811, with accumulated depreciation of \$870,280.		(1,339,531)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(492,292)
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.		(12,660,272)
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.		<u>(67,169)</u>
Change in net assets of governmental activities (see Statement 2)	\$	<u>(6,737,084)</u>

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, 2004**

	Budgeted Amounts		Actual & Year End Encumbrances	Variance With Final Budget - Positive (Negative)
	Original & 2003 Encumbrances	Final & 2003 Encumbrances		
REVENUES				
Taxes:				
Real Estate	\$ 39,505,888	\$ 39,505,888	\$ 40,331,228	\$ 825,340
Excise	3,620,000	3,620,000	3,902,739	282,739
Licenses and Permits	320,072	320,072	351,680	31,608
Intergovernmental	25,625,294	25,625,294	26,249,516	624,222
Charges For Services	945,900	945,900	1,089,655	143,755
Fines	132,050	132,050	170,370	38,320
Interest, Rents and Royalties	970,805	970,805	992,320	21,515
Miscellaneous	377,740	377,740	615,569	237,829
Total Revenues	<u>71,497,749</u>	<u>71,497,749</u>	<u>73,703,077</u>	<u>2,205,328</u>
EXPENDITURES				
Current:				
General Government:				
Mayor and City Council	44,400	46,527	44,934	1,593
Economic Development	234,535	279,116	273,799	5,317
City Administrator	228,527	263,109	263,988	(879)
City Attorney	132,500	232,401	249,085	(16,684)
City Clerk	238,910	266,304	268,093	(1,788)
Human Resources	201,845	221,736	223,421	(1,685)
Finance and Administration	1,306,478	1,519,556	1,482,787	36,769
Buildings and Parking Facilities	654,542	686,225	654,226	31,999
Total General Government	<u>3,041,737</u>	<u>3,514,975</u>	<u>3,460,334</u>	<u>54,641</u>
Public Safety:				
Police	4,501,439	4,669,449	4,639,473	29,976
Fire	4,472,323	4,607,484	4,563,397	44,086
Inspection	252,096	238,433	229,071	9,362
Other	15,258	15,258	12,621	2,637
Total Public Safety	<u>9,241,116</u>	<u>9,530,623</u>	<u>9,444,562</u>	<u>86,062</u>
Public Works:				
Administration	220,424	286,278	262,001	24,277
Engineering	139,940	151,871	88,305	63,566
Maintenance and Sanitation	6,783,075	7,275,103	6,704,503	570,600
Total Public Works	<u>7,143,439</u>	<u>7,713,252</u>	<u>7,054,809</u>	<u>658,442</u>
Social Services	459,687	522,202	558,332	(36,130)
Culture and Recreation	1,957,682	2,113,259	2,036,879	76,379
Intergovernmental	3,019,453	3,019,453	3,019,453	-
Education	35,133,479	35,133,479	35,787,264	(653,785)

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		Actual & Year End Encumbrances	Variance With Final Budget - Positive (Negative)
	Original & 2003 Encumbrances	Final & 2003 Encumbrances		
Miscellaneous:				
Insurances	3,321,347	3,321,347	3,366,377	(45,030)
Pensions and Retirement	1,590,771	627,048	518,200	108,848
Reserves and Contingencies	390,000	20,399		20,399
Other Miscellaneous	1,808,801	1,811,176	2,181,794	(370,618)
Total Miscellaneous	<u>7,110,919</u>	<u>5,779,970</u>	<u>6,066,371</u>	<u>(286,401)</u>
Total Expenditures	<u>67,107,512</u>	<u>67,327,212</u>	<u>67,428,004</u>	<u>(100,792)</u>
Excess of Revenues Over Expenditures	4,390,237	4,170,537	6,275,072	2,104,536
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,000	408,740	398,740
Transfers Out	<u>(7,897,152)</u>	<u>(7,897,152)</u>	<u>(7,897,152)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(7,887,152)</u>	<u>(7,887,152)</u>	<u>(7,488,413)</u>	<u>398,740</u>
Net Change in Fund Balance - Budgetary Basis	(3,496,916)	(3,716,616)	(1,213,340)	2,503,275
Add Back Encumbrances	1,362,199	1,362,199	623,029	(739,170)
Net Change in Fund Balance - GAAP Basis	(2,134,717)	(2,354,417)	(590,312)	1,764,105
Fund Balance, July 1	<u>14,654,009</u>	<u>14,654,009</u>	<u>14,654,009</u>	
Fund Balance, June 30	<u>\$ 12,519,292</u>	<u>\$ 12,299,592</u>	<u>\$ 14,063,697</u>	<u>\$ 1,764,105</u>

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

Comparative Statement of Net Assets
Proprietary Funds
June 30, 2004
Business-Type Activities - Enterprise Funds

	Water	Sewer	<u>Total All Funds</u>	
	Enterprise Fund	Enterprise Fund	2004	2003
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 31,143	\$ 68,582	\$ 99,725	\$ 130,857
Investments	1,339,367	2,822,900	4,162,266	5,371,222
Accounts Receivable (Net of Allowance for Uncollectibles)	580,074	718,478	1,298,552	1,430,336
Notes & Interest Receivable	<u>8,582</u>	<u>8,582</u>	<u>8,582</u>	<u>15,576</u>
Total Current Assets	<u>1,950,584</u>	<u>3,618,542</u>	<u>5,569,125</u>	<u>6,947,991</u>
Noncurrent Assets:				
Notes & Interest Receivable		3,866	3,866	6,000
Restricted Cash - Customer Deposits	7,504	143,115	150,619	138,300
Other Assets:				
Deferred Charges	160,796	92,459	253,255	302,701
Intangible Assets (Net of Amortization)	5,562	2,417	7,979	16,271
Investment in Joint Ventures	<u>1,590,992</u>	<u>6,953,231</u>	<u>8,544,223</u>	<u>7,950,359</u>
Total Other Assets	<u>1,757,350</u>	<u>7,048,107</u>	<u>8,805,457</u>	<u>8,269,331</u>
Fixed Assets:				
Land	94,350	171,294	265,644	265,644
Buildings	3,089,066	3,436,750	6,525,816	6,525,816
Pipelines and Mains	27,689,711	7,790,748	35,480,459	29,829,759
Machinery & Equipment	987,227	841,693	1,828,920	1,693,912
Less: Accumulated Depreciation	(7,948,055)	(4,310,578)	(12,258,633)	(11,778,389)
Construction in Progress	<u>735,173</u>	<u>810,689</u>	<u>1,545,862</u>	<u>4,517,217</u>
Total Net Fixed Assets	<u>24,647,472</u>	<u>8,740,596</u>	<u>33,388,068</u>	<u>31,053,959</u>
Total Noncurrent Assets	<u>26,412,326</u>	<u>15,935,684</u>	<u>42,348,010</u>	<u>39,467,590</u>
Total Assets	<u>\$ 28,362,910</u>	<u>\$ 19,554,226</u>	<u>\$ 47,917,135</u>	<u>\$ 46,415,581</u>

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

Comparative Statement of Net Assets
Proprietary Funds
June 30, 2004
Business-Type Activities - Enterprise Funds

	Water	Sewer	<u>Total All Funds</u>	
	Enterprise Fund	Enterprise Fund	2004	2003
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable - Current	\$ 787,397	\$ 333,181	\$ 1,120,578	\$ 1,131,413
Accounts Payable	214,653	223,674	438,327	655,893
Accrued Payroll	17,826	7,626	25,452	48,484
Compensated Absences Payable	36,896	17,037	53,933	51,462
Accrued Interest Payable	139,275	51,515	190,790	120,845
Due to Other Funds				68
Total Current Liabilities	<u>1,196,047</u>	<u>633,033</u>	<u>1,829,080</u>	<u>2,008,165</u>
Current Liabilities Payable from Restricted Assets:				
Customer Deposits Payable	7,504	143,115	150,619	138,300
Total Current Liabilities Payable From Restricted Assets	<u>7,504</u>	<u>143,115</u>	<u>150,619</u>	<u>138,300</u>
Noncurrent Liabilities:				
Deferred Credits	81		81	105
Revenue Bonds Payable	9,066,833	4,381,305	13,448,138	13,293,716
Total Noncurrent Liabilities	<u>9,066,914</u>	<u>4,381,305</u>	<u>13,448,219</u>	<u>13,293,821</u>
Total Liabilities	<u>\$ 10,270,465</u>	<u>\$ 5,157,453</u>	<u>\$ 15,427,918</u>	<u>\$ 15,440,286</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 14,793,161	\$ 4,026,110	\$ 18,819,271	\$ 16,628,725
Unrestricted	3,299,284	10,370,662	13,669,946	14,346,569
Total Net Assets	<u>\$ 18,092,445</u>	<u>\$ 14,396,772</u>	<u>\$ 32,489,217</u>	<u>\$ 30,975,294</u>

**Comparative Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004
Business-Type Activities - Enterprise Funds**

	Water Enterprise Fund	Sewer Enterprise Fund	<u>Total All Business-Type Activities</u>	
			2004	2003
OPERATING REVENUES				
Charges for Services	\$ 3,189,201	\$ 4,006,107	\$ 7,195,308	\$ 6,792,255
OPERATING EXPENSES				
Cost of Sales and Services	1,088,051	3,016,605	4,104,656	3,950,112
Administration	507,510	376,595	884,105	780,576
Depreciation	593,018	243,109	836,127	819,913
Total Operating Expenses	<u>2,188,579</u>	<u>3,636,310</u>	<u>5,824,888</u>	<u>5,550,601</u>
Operating Income	1,000,622	369,797	1,370,419	1,241,654
NONOPERATING REVENUES (EXPENSES)				
Interest Revenues	20,481	32,048	52,529	20,903
Increase in Fund Equity of Joint Ventures	59,371	534,492	593,863	620,933
Interest Expense	(385,653)	(173,016)	(558,669)	(415,238)
Gain (Loss) on Sale of Fixed Assets	(687,810)	(1,179)	(688,989)	(3,442)
Amortization of Deferred Charges	(37,302)	(13,765)	(51,067)	(49,588)
Total Nonoperating Revenue (Expenses)	<u>(1,030,913)</u>	<u>378,580</u>	<u>(652,333)</u>	<u>173,568</u>
Income Before Contributions & Transfers	(30,291)	748,377	718,086	1,415,222
Transfers Out	(30,252)	(17,152)	(47,404)	(36,636)
Capital Contributions	592,344	250,897	843,241	180,339
Change in Net Assets	531,801	982,122	1,513,923	1,558,925
Total Net Assets, July 1	<u>17,560,644</u>	<u>13,414,650</u>	<u>30,975,294</u>	<u>29,416,369</u>
Total Net Assets, June 30	<u>\$ 18,092,445</u>	<u>\$ 14,396,772</u>	<u>\$ 32,489,217</u>	<u>\$ 30,975,294</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, 2004
Business-Type Activities - Enterprise Funds**

	Water	Sewer	Total	
	Enterprise Fund	Enterprise Fund	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received From Customers	\$ 3,131,114	\$ 4,210,623	\$ 7,341,737	\$ 6,847,197
Cash Paid to Suppliers for Goods and Services	(1,218,806)	(2,780,086)	(3,998,892)	(3,079,291)
Cash Paid to Employees for Services	(767,021)	(461,047)	(1,228,068)	(1,234,354)
Net Cash Provided by Operating Activities	<u>1,145,287</u>	<u>969,490</u>	<u>2,114,777</u>	<u>2,533,552</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	(30,252)	(17,152)	(47,404)	(36,636)
Net Cash (Used For) Noncapital Financing Activities	<u>(30,252)</u>	<u>(17,152)</u>	<u>(47,404)</u>	<u>(36,636)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds From Sale of Revenue Bonds	525,000	750,000	1,275,000	5,750,000
Acquisition and Construction of Capital Assets	(2,588,015)	(1,271,210)	(3,859,225)	(4,024,900)
Principal Paid on Revenue Bonds	(831,560)	(299,853)	(1,131,413)	(865,237)
Interest Paid on Revenue Bonds	(326,457)	(162,266)	(488,723)	(398,571)
Cost of Issuing Revenue Bonds	11,293	(4,647)	6,646	(26,204)
Capital Contributions	592,344	250,896	843,240	180,393
Payments Received from Capital Notes		6,679	6,679	4,532
Net Cash Provided By (Used For) Capital & Related Financing Activities	<u>(2,617,395)</u>	<u>(730,401)</u>	<u>(3,347,796)</u>	<u>620,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Sales (Purchases) of Investments	1,392,185	(183,230)	1,208,956	(3,034,581)
Interest Earned (Paid) on Investments	20,481	32,173	52,654	20,982
Net Cash Provided By (Used For) Investing Activities	<u>1,412,666</u>	<u>(151,057)</u>	<u>1,261,610</u>	<u>(3,013,599)</u>
Net Increase (Decrease) in Cash	(89,694)	70,880	(18,813)	103,330
Cash and Cash Equivalents, July 1	<u>128,341</u>	<u>140,816</u>	<u>269,157</u>	<u>165,827</u>
Cash and Cash Equivalents, June 30	<u>\$ 38,647</u>	<u>\$ 211,696</u>	<u>\$ 250,344</u>	<u>\$ 269,157</u>

Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating Income	\$ 1,000,622	\$ 369,797	\$ 1,370,419	\$ 1,241,654
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	593,018	243,109	836,127	819,913
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(3,600)	137,709	134,109	(29,811)
(Increase) Decrease in Inventory				190,668
Increase (Decrease) in Customer Deposits	(54,487)	66,806	12,319	84,753
Increase (Decrease) in Accounts Payable	(379,032)	161,465	(217,567)	209,553
Increase (Decrease) in Accrued Payroll	(13,706)	(9,327)	(23,033)	15,408
Increase (Decrease) in Accrued Leave	2,472		2,472	1,755
Increase (Decrease) in Due to Other Funds		(69)	(69)	(341)
Total Adjustments	<u>144,665</u>	<u>599,693</u>	<u>744,358</u>	<u>1,291,898</u>
Net Cash Provided By Operating Activities	<u>\$ 1,145,287</u>	<u>\$ 969,490</u>	<u>\$ 2,114,777</u>	<u>\$ 2,533,552</u>

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

Comparative Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Private Purpose Trust Funds</u>		<u>Agency Funds</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
ASSETS				
Cash	\$ 193	\$ 247	\$ 125,348	\$ 121,308
Investments	175,640	175,409		
Total Assets	<u>175,833</u>	<u>175,656</u>	<u>125,348</u>	<u>121,308</u>
LIABILITIES				
School Activities Payable			123,417	117,513
SSI Client Payable			1,931	3,795
Total Liabilities			<u>125,348</u>	<u>121,308</u>
NET ASSETS				
Held in trust for scholarships and other purposes	<u>\$ 175,833</u>	<u>\$ 175,656</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, 2004**

	Private Purpose Trust Funds	
	2004	2003
ADDITIONS		
Contributions:		
Federal Governments		\$ 2,508
Investment Earnings	\$ 1,427	2,243
Total Additions	1,427	4,751
DEDUCTIONS		
Contractual Services		168
Scholarship Awards	1,250	5,788
Total Deductions	1,250	5,956
Change in Net Assets	177	(1,205)
Net Assets - Beginning	175,656	176,861
Net Assets - Ending	\$ 175,833	\$ 175,656

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

CITY OF LEWISTON, MAINE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

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 Center 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 bond anticipation notes on behalf of CFC, in the amount of \$3,040,000, for construction improvements to the facility. It is anticipated that permanent financing will be issued in CFC's name. 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. The LMRC has entered into a nominal lease agreement with the City for that purpose and to perform repairs and improvements to the complex. The LMRC operates under a fifteen-member Board of Directors comprised of the Mayor of the City of Lewiston; two members of its City Council; three members of the City's senior management; one representative of the City Planning Board; and eight members of the public. The LMRC is included in the City's financial statements as a major 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.

Lewiston Mill Redevelopment Corporation Special Revenue Fund – a blended component unit that reports the operating activity of an 800,000 square foot, multi-use complex acquired by the City through matured tax liens.

Urban Development Special Revenue Fund – 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.

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 and the Social Security pass-through client program.

The accrual basis of accounting is utilized in both the entity-wide and proprietary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", whereby the City has elected to apply all applicable GASB Pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless the FASB pronouncements conflict with or contradict GASB pronouncements. Although optional, the City has elected not to follow subsequent private-sector guidance after that date.

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, as reported on the Governmental Funds Balance Sheet, is 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.

Accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental and business-type fund that will pay it. A liability is created for amounts of accumulated sick leave that are not expected to be liquidated with current available financial resources, yet qualified employees are entitled to these benefits upon separation or retirement. Noncurrent, matured 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 \$89,601,749 difference are as follows:

Bonds Payable	\$	77,937,657
Accrued Interest Payable		401,550
Obligation for Workers Compensation Claims		3,624,841
City Pension Plan Unfunded Actuarial Liability		3,271,923
Compensated Absences Payable		1,932,781
Capital Lease Payable		331,880
Landfill Closure and Post-Closure Care Costs		<u>2,101,117</u>
Net Adjustment to reduce total governmental fund balances to arrive at governmental activities net assets	\$	<u>89,601,749</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 \$12,660,272 difference are as follows:

Debt Issued:		
Issuance of General Obligation Bonds	\$	20,075,000
Principal Repayments:		
General Obligation Debt		(7,306,133)
Capital Lease Payments		<u>(108,595)</u>
Net Adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>12,660,272</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 \$67,169 reconciling item are noted below:

Accrued Interest Adjustment	\$	86,812
Workers Compensation Claims		268,899
Compensated Absences		(285,228)
Landfill Closure & Postclosure Care		(34,803)
City Pension Plan Costs		<u>(102,849)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(67,169)</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, 2004, there were no supplemental appropriations adopted by the City Council.

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 \$3,543,231, and additional expenditure of \$3,543,231 in education have been included on Statement 2, Statement of Activities, and in the General Fund, 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 \$623,029 for General Fund and \$1,648 for Community Development Block Grant Special Revenue Fund, as reported on each respective statement, but have been properly excluded on Statement 4, under the GAAP basis of accounting. 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 Attorney, \$16,684; Social Services, \$36,130; Education, \$653,785; Insurances, \$45,030; and Other Miscellaneous, \$370,618. These budget deficits were funded in part by surpluses in other departments and greater than expected revenues.

C. Deficit Fund Balance

The Lewiston Mill Redevelopment Corporation had a deficit fund balance of \$1,754,302 for the year ended June 30, 2004. The fund balance deficit held constant during the year. The general fund has a reservation of \$2,035,000 in fund balance to safeguard this deficit.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. At June 30, 2004, the carrying amount of the City's deposits was \$8,922,919 and the related bank balance was \$12,131,918. Of the bank balance, \$8,886,965 was insured by federal depository insurance or fully collateralized. The remaining \$3,244,953 was uninsured and uncollateralized. For financial statement purposes, certain Certificates of Deposit, totaling \$5,645,000, have been classified as investments to reflect their non-current nature.

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.

Investments are categorized as follows to give an indication of the level of risk assumed by the City at year end:

- (1) insured or registered or for which the securities are held by the City or its agent in the City's name,
- (2) uninsured and unregistered for which the securities are held by the bank's trust department or agent in the City's name.
- (3) uninsured and unregistered for which the securities are held by the bank's trust department or agent but not in the City's name.

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

	Category 1	Category 2	Fair Value
Corporate Stock & Bonds		\$997,091	\$997,091
Repurchase Agreements	\$20,000,000	5,486,792	25,486,792
	\$20,000,000	\$6,483,883	\$26,483,883

The City has utilized repurchase agreements as their cash management tool. These perfected repurchase agreements were purchased through the trust department of Peoples Heritage Bank, in the City's name, and are held at the Federal Reserve Bank in Boston. The City's repurchase agreements are insured up to \$20 million, agreements in excess of that aggregate amount are fully collateralized at 105%. The City had a gain on investments of \$83,331, in the Library Endowment Permanent Fund. The cost of all other City investments equaled fair value as of June 30, 2004.

Due to higher cash flows at certain times during the year, the City's investment in repurchase agreements and Certificates of Deposit fluctuates significantly.

B. Receivables

Receivables at June 30, 2004, for the City of Lewiston's individual major funds, nonmajor, and Business-type - Enterprise funds consist of the following:

	General	LMRC	Urban Development	Capital Projects	Other Governmental	Enterprise	Total
Taxes	\$1,391,330						1,391,330
Accounts	286,932	\$18,403	\$2,158		\$10,864	\$1,323,776	1,642,133
Notes/Loans			1,962,473		2,438,927	12,448	4,413,848
Intergovernmental	823,547		228,399	\$7,475	482,685		1,542,106
Gross receivables	2,501,809	18,403	2,193,030	7,475	2,932,476	1,336,224	8,989,417
Less: Allowance for uncollectibles	(1,660)		(58,058)		(440,872)	(25,224)	(525,814)
Net Receivables	\$2,500,149	\$18,403	\$2,134,972	\$7,475	\$2,491,604	\$1,311,000	\$8,463,603

Property taxes for the current year were committed July 15, 2003, on the assessed value listed as of April 1, 2003, for all real and personal property located in the City. Taxes were due in two installments: September 15, 2003, and March 15, 2004. Interest was charged at 7% 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, 2003, upon which the 2004 levy was based, was at approximately 92% of the estimated market value.

Property taxes levied during fiscal year 2004 are recorded as receivables. The receivables collected during the fiscal year ended June 30, 2004 and during the 1st 60 days of fiscal year 2005 are recognized as revenues in fiscal year 2004. Receivables of \$1,153,465, 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,
	2003	Additions	Retirement	2004
Capital Assets not depreciated:				
Land	\$ 9,989,701	\$ 661,499	\$ 157,334	\$ 10,493,866
Construction in Progress	11,454,580	8,382,555	8,907,376	10,929,757
Total Capital Assets not depreciated	21,444,281	9,044,054	9,064,710	21,423,623
Capital Assets being depreciated:				
Buildings	36,369,863	1,916,293	56,493	38,229,663
Improvements Other Than Buildings	14,567,045	2,287,711	163,531	16,691,224
Machinery and Equipment	18,666,421	1,357,711	1,377,814	18,646,318
Infrastructure	95,853,049	4,657,753	454,637	100,056,164
Total Capital Assets being depreciated	165,456,378	10,219,468	2,052,477	173,623,369
Less Accumulated Depreciation for:				
Buildings	(16,272,367)	(1,000,153)	(32,571)	(17,239,949)
Improvements Other Than Buildings	(1,838,153)	(642,735)	(66,151)	(2,414,737)
Machinery and Equipment	(9,311,673)	(1,482,892)	(660,030)	(10,134,535)
Infrastructure	(27,376,415)	(2,070,505)	(111,529)	(29,335,391)
Total Accumulated Depreciation	(54,798,608)	(5,196,285)	(870,280)	(59,124,612)
Total Net Capital Assets				
Being Depreciated	110,657,770	5,023,183	1,182,196	114,498,757
Governmental Activities Capital				
Assets, Net	\$ 132,102,051	14,067,237	10,246,906	135,922,380

Depreciation expense was charged to the various governmental functions as follows: general government, \$446,141; public safety, \$340,124; public works, \$3,132,802; culture and recreation, \$302,639; urban redevelopment, \$123,378; and education and nutrition, \$851,201.

At June 30, 2004, 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	\$ 1,741,415	\$ 1,478,354	\$ 280,073	\$ 17,012
GIS Implementation	84,504	2,686	7,950	None
Library Expansion	2,400,000	423,204	2,046,896	70,100
Municipal Parking Facilities	4,580,000	4,188,748	245,739	None
Municipal Property Renov.	305,000	214,740	49,017	None
Pollution Regulatory Comp.	1,050,000	246,128	258,159	None
General Street Rehab	1,180,000	246,128	258,159	None
CSO & Storm Drainage	1,010,000	788,532	225,446	3,978
Public Improvements	2,521,500	521,089	467,976	None

The following is a summary of the Primary Government's Business-type fixed assets for the City's Enterprise Funds at June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital Assets not depreciated:				
Land	\$ 265,644			\$ 265,644
Construction in Progress	4,517,217	\$ 3,488,587	\$ 6,459,942	1,545,862
Total Capital Assets not depreciated	4,782,861	3,488,587	6,459,942	1,811,506
Capital Assets being depreciated:				
Buildings	6,525,816			6,525,816
Equipment	1,693,912	169,273	34,265	1,828,920
Sewer and Water Lines	29,829,759	6,661,307	1,010,607	35,480,459
Total Capital Assets being depreciated	38,049,487	6,830,580	1,044,872	43,835,195
Less Accumulated Depreciation for:				
Buildings	(2,849,506)	(153,739)		(3,003,245)
Equipment	(934,023)	(167,212)	(34,265)	(1,066,970)
Sewer and Water Lines	(7,994,860)	(515,177)	(321,619)	(8,188,418)
Total Accumulated Depreciation	(11,778,389)	(836,128)	(355,884)	(12,258,633)
Total Net Capital Assets Being Depreciated	26,271,098	5,994,452	688,988	31,576,562
Business-type Capital Assets, Net	\$ 31,053,959	\$ 9,483,039	\$ 7,148,930	\$ 33,388,068

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

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital Assets not depreciated:				
Land	\$	244,300		\$ 244,300
Construction in Progress		155,996		155,996
Total Capital Assets not depreciated	\$ 0	400,296		400,296
Capital Assets being depreciated:				
Buildings		3,430,495		3,430,495
Total Capital Assets being depreciated	0	3,430,495		3,430,495
Less Accumulated Depreciation for:				
Buildings		(32,161)		(32,161)
Total Accumulated Depreciation	(0)	(32,161)		(32,161)
Total Net Capital Assets Being Depreciated	0	3,398,334		3,399,334
CFC Capital Assets, Net	\$ 0	\$ 3,798,630		\$ 3,798,630
Intangible Assets being amortized:				
Closing Costs	\$ 0	\$ 360,847		\$ 360,847
Less Accumulated Amortization	(0)	(10,242)		(10,242)
CFC Intangible Assets, Net	\$ 0	\$ 350,605		\$ 350,605

D. Interfund Transactions

As of June 30, 2004, the balances of interfund activity were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 2,219,225	
LMRC		\$ 289
Urban Redevelopment		938,462
Capital Projects		101,533
Nonmajor Governmental Funds		1,178,941
Total	\$ 2,219,225	\$ 2,219,225

Interfund Advances:

	Advance Receivable	Advance Payable
General Fund	\$ 2,035,000	
LMRC		\$ 2,035,000
Total	<u>\$ 2,035,000</u>	<u>\$ 2,035,000</u>

Operating Transfers In/Out:

	Operating Transfers In	Operating Transfers Out
General Fund	\$ 408,740	\$ 7,897,152
LMRC	558,185	3,774
Urban Development Fund		674,680
Capital Projects Fund	207,557	619,076
Nonmajor Governmental Funds	8,603,894	536,291
Water Enterprise Fund		30,252
Sewer Enterprise Fund		17,152
Total	<u>\$ 9,778,376</u>	<u>\$ 9,778,376</u>

E. Leases

Operating Leases. The Lewiston Mill Redevelopment Corporation has noncancelable lease agreements with three tenants renting space at the Bates Mill complex. Some of these agreements are effective through 2007. Rental income from these operating leases in 2004, excluding leases of less than one year or that are cancelable, was \$288,990. The City's investment in the Bates Mill Complex held for lease as of June 30, 2004, is valued at \$7,243,172.

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 2004 was \$105,356.

The School Department has one outstanding operating lease for a modular classroom which will expire as of August 31, 2004. Rental expenditure from this operating lease and operating leases that expired in 2004 was \$48,550.

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 the targeted development area. Rental expenditures for this lease were \$27,500, for the fiscal year end June 30, 2004.

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 noncancelable operating leases as of June 30, 2004:

Fiscal Year Ended June 30	LMRC Special Revenue Fund Rental Income	General Fund Rental Income	General Fund Rental Expenditures
2005	\$ 76,428	\$ 112,176	\$ 31,600
2006	44,025	112,176	30,000
2007	21,309	112,176	30,000
2008		112,176	30,000
2009		118,478	30,000
Thereafter		1,261,030	1,322,500
TOTAL	\$ 141,762	\$ 1,828,212	\$ 1,474,100

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 2004.

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 the majority of 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, 2004, were as follows:

Fiscal Year Ended June 30	General Long-Term Debt
2005	\$ 102,541
2006	102,541
2007	102,541
2008	28,333
2009	14,167
Less: Amount of Interest	(18,244)
PV of Lease Payments	\$ 331,879

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 \$114,967,378 issued, are as follows:

Improvements	Interest Rate	Balance At 6/30/04
Capital Improvement – 1977	5.2%	\$ 60,000
Capital Improvement – 1987	7.4%	119,600
Capital Improvement – 1989	6.8%	781,736
Capital Improvement – 1991	6.5%	1,195,132
Capital Improvement – 1992	5.0%	576,225
Capital Improvement – 1993	4.7%	806,438
Capital Improvement – 1994	4.4%	1,800,450
Capital Improvement – 1995	6.0%	2,041,703
Economic Development Initiative	6.9%	295,000
Capital Improvement – 1996	4.7%	3,105,000
Capital Improvement – 1997	5.1%	761,000
Capital Improvement – 1998	4.6%	1,320,000
Capital Improvement – 1999	4.5%	3,545,000
Capital Improvement – 2000	5.2%	2,883,000
Education Loan Fund – 2001	0%	458,574
Capital Improvement – 2001	4.3 & 6.9%	8,800,000
Qualified Zone Academy Bonds – 2002	0%	656,000
Capital Improvement – 2002	4.3%	4,795,000
Municipal Pension Bonds	6.4%	16,075,000
Qualified Zone Academy Bonds – 2003	0%	1,931,800
Capital Improvement – 2003	3.2%	5,856,000
Capital Improvement – 2004	4.25%	<u>20,075,000</u>
		<u>\$ 77,937,657</u>

Annual debt service requirements to maturity for general obligation bonds, including interest of \$30,593,410 are as follows:

Fiscal Year		Principal	Interest	Total Debt
Ended		Requirements	Requirements	Service
June 30				Requirements
2005	\$	5,901,937	\$ 3,875,332	\$ 9,377,269
2006		5,786,894	3,378,360	9,165,254
2007		5,609,871	3,137,931	8,747,802
2008		5,519,641	2,903,918	8,423,559
2009		5,342,890	2,669,600	8,012,490
2010-2014		24,055,625	9,877,647	33,933,272
2015-2019		18,252,550	4,164,944	22,417,494
2020-2024		7,468,250	985,678	8,453,928
Total	\$	77,937,657	\$ 30,593,410	\$ 108,531,068

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, 2004, of the total \$23,222,000 originally issued, are as follows:

Municipal	Interest	Balance
Improvements	Rate	at 6/30/04
<u>Water Division</u>		
Water Improvement – 1977	5.2%	\$ 120,000
Lake Auburn Chemical Facility	7.9%	92,000
Water Improvement – 1989	6.8%	37,915
Water Improvement – 1991	6.5%	774,868
Water Improvement – 1992	5.7%	251,075
Water Improvement – 1993	4.7%	81,813
Water Improvement – 1994	4.4%	753,762
Water Improvement – 1995	6.0%	238,297
Water Improvement – 1996	4.7%	360,000
Water Improvement – 1997	5.1%	505,500
Water Improvement – 1998	4.6%	205,000
Water Improvement – 1999	4.5%	375,000
Water Improvement – 2000	5.4%	80,000
Water Improvement – 2001	4.3%	260,000
Water Improvement – 2002	4.3%	634,000
Water Improvement – 2003	3.2%	4,560,000
Water Improvement – 2004	4.25%	<u>525,000</u>
		<u>9,854,230</u>

Sewer Division

Sewer Improvement – 1987	8.0%	28,400
Sewer Improvement – 1989	6.8%	395,349
Sewer Improvement – 1992	5.7%	157,700
Sewer Improvement – 1993	4.7%	46,750
Sewer Improvement – 1994	4.4%	35,787
Sewer Improvement – 1997	5.1%	63,500
Sewer Improvement – 1999	4.5%	75,000
Sewer Improvement – 2000	5.4%	352,000
Sewer Improvement – 2001	4.3%	1,140,000
Sewer Improvement – 2002	4.3%	766,000
Sewer Improvement – 2003	3.2%	904,000
Sewer Improvement – 2004	4.25%	<u>750,000</u>
		<u>4,714,486</u>
Total Revenue Bond Debt		14,568,716
Less: Current Installments		<u>1,120,578</u>
Long-Term Revenue Bond Debt		<u>\$ 13,448,138</u>

Revenue bond debt service requirements to maturity, including \$4,930,878 of interest, are as follows:

Fiscal Year	Annual Debt		
Ended	Principal	Interest	Service
June 30	Requirements	Requirements	Requirements
2005	\$ 1,120,578	\$ 558,466	\$ 1,679,044
2006	1,122,958	525,975	1,648,933
2007	1,122,324	485,073	1,607,397
2008	1,055,291	446,079	1,501,370
2009	997,045	408,804	1,405,849
2010-2014	4,175,520	1,516,332	5,691,852
2015-2019	3,088,250	791,812	3,880,062
2020-2024	<u>1,886,750</u>	<u>198,337</u>	<u>2,085,087</u>
TOTAL	<u>\$ 14,568,716</u>	<u>\$ 4,930,878</u>	<u>\$ 19,499,594</u>

At June 30, 2004, the City had \$18,830,000 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, 2004, 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	\$63,258,359	\$20,075,000	\$5,395,702	\$77,937,657	\$5,901,937
Current Refunded Bond	1,910,431		1,910,431		
Workers Comp Claims	3,893,740	1,134,388	1,403,287	3,624,841	1,420,000
Compensated Absences	1,647,553	342,173	56,945	1,932,781	45,000
Capital Leases	440,477		108,598	331,880	93,549
City Pension Plan Unfunded					
Actuarial Liability	3,169,074	515,026	412,177	3,271,923	387,900
Landfill Closure and Post-closure Care	2,066,314	65,803	31,000	2,101,117	31,000
	<u>\$76,385,949</u>	<u>\$22,132,390</u>	<u>\$9,318,140</u>	<u>\$89,200,200</u>	<u>\$7,879,386</u>

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, 2004, the statutory limit for the City was \$238,470,000.

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 2004, 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. 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, 2004, \$8,155,000 of bonds outstanding are considered defeased.

Overlapping Debt. The actual direct and overlapping debt at June 30, 2004, of \$102,898,184 was \$135,571,816 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	\$77,937,657	100.00%	\$77,937,657
Water & Sewer Debt	14,568,716	100.00%	14,568,716
Androscoggin County Jail	2,300,000	30.31%	697,130
CFC Bond Anticipation Note	3,040,000	100.00%	3,040,000
L.A. Water Pollution Control Authority	10,589,933	57.41%	6,079,681
L.A. Watershed Protection Comm.	630,000	50%	315,000
L.A. 911 Committee	520,000	50%	260,000
			<u>\$102,898,184</u>

This results in a ratio of City debt to April 1, 2003 assessed valuation of 5.39% and a ratio of overlapping debt to April 1, 2003 valuation of 7.11%.

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 general purpose financial statements. The outstanding principal balance of conduit debt, as of June 30, 2004, was \$9,731,665.

IV. 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 \$425,000 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, 2004, a total of \$1,403,287, net of insurance proceeds, was paid in benefits and administrative costs. At year end, the City has calculated the amount of claims already incurred and expected to be paid with expendable available financial resources and has recorded the liability in the General Fund. The long-term portion of estimated future claim settlements 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 2003 and 2004 were as follows:

	2003	2004
Beginning liability balance	\$4,440,293	\$4,398,769
Current year claims and changes in estimates	1,342,617	1,074,273
Claims payments	(1,384,141)	(1,403,287)
Ending balance	<u>\$4,398,769</u>	<u>\$4,069,755</u>

Currently, there is a shortfall of \$3,118,050 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, 2004, 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.

The 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 Lewiston Maineacs.

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 Services 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, 2004, the City's equity interest in the LAWPCA was recorded at \$6,953,231, an increase of \$534,492 over 2003. In the fiscal year ended June 30, 2004, \$2,387,595 was paid to the Authority out of the City's Sewer Enterprise Fund. At December 31, 2003, the Authority was liable for unsecured bonds payable totaling \$10,589,933, a decrease of \$873,181 from 2002. The City's liability for the Authority's debt is limited to its share of the operations. In 2004, Lewiston's share was set at 57.41%. 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, 2003, the Airport's total fund equity decreased by \$88,755 to \$954,345. 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, 2004, the City of Lewiston contributed \$97,925 for operating expenses. In the year ended September 30, 2003, the Committee's total fund equity increased by \$417,594 to \$1,091,027. 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 2004, the City of Lewiston contributed \$117,270. In the year ended June 30, 2004, the LAEGC's total fund equity increased by \$39,283 to \$228,567. 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, 2004, the City of Lewiston contributed \$788,421. In the year ended June 30, 2003, the Committee's total fund equity increased by \$15,287 to \$30,180. 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, 2004, the City's equity interest in the Commission was \$1,590,992, an increase of \$59,371. The City also contributed \$129,250 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 \$721,600. The closure and postclosure care costs, based on the usage to date of 29.14% of total estimated capacity of the new landfill, amount to \$1,379,517. The total liability of \$2,101,117 is reported as a noncurrent liability of the Statement of Net Assets. The liability increased by a net of \$34,803 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 \$3,354,483, 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 \$5,455,600, 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, 2004.

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, 2004, 2003, 2002, 2001, and 2000, were \$696,829, \$683,074, \$842,938, \$1,722,897, and \$1,574,908, 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, 2004, the outstanding balance of the general obligation pension bonds was \$16,075,000.

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, 2004, employees contributed \$1,656,288, while the State of Maine Department of Education contributed \$3,543,231, 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, 2004, the plan consisted of 17 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 2004 were \$412,177.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation as of June 30, 2004 were as follows:

Annual Required Contribution (ARC)	\$	287,604
Interest on Net Pension Obligation		276,709
Adjustments to Annual Required Contribution		(339,080)
Annual Pension Cost		<u>225,233</u>
Contributions Made		(412,177)
Increase (Decrease) in Net Pension Obligation		(186,944)
Net Pension Obligation at June 30, 2003		<u>3,458,867</u>
Net Pension Obligation at June 30, 2004	\$	<u>3,271,923</u>

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 21 years as of June 30, 2004. Other than the approved City Finance Committee cost-of-living adjustment, which for the year ending June 30, 2004 was 4%, 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, 2002	\$249,793	206%	\$3,727,439
June 30, 2003	\$251,139	207%	\$3,458,867
June 30, 2004	\$225,233	183%	\$3,271,923

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%

CITY OF LEWISTON, MAINE
Required Supplementary Information
June 30, 2004

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

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.

School Categorical Grants

The activity of various federal and state educational grants for special programs administered by the Lewiston School Department.

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.

DEBT SERVICE FUND

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.

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, 2004
(With Comparative Totals for June 30, 2003)**

	Special Revenue Funds	Debt Service Funds	Permanent Funds		Total	Total Nonmajor Governmental Funds	
			GAR Cemetery	Library Endowment		2004	2003
ASSETS							
Cash & Cash Equivalents	\$ 2,399,299	\$ 260	\$ 19,292	\$ 1,107,544	\$ 1,126,836	\$ 2,399,559	\$ 1,467,077
Investments	715,948					1,842,784	1,547,384
Receivables:							
Accounts	10,864					10,864	39,233
Rehabilitation Loans (Net of Allowance for Uncollectibles)	1,998,055					1,998,055	2,067,422
Intergovernmental	482,685					482,685	577,265
Inventory	58,725					58,725	65,779
Cash - Restricted							1,910,431
Total Assets	<u>\$ 5,665,575</u>	<u>\$ 260</u>	<u>\$ 19,292</u>	<u>\$ 1,107,544</u>	<u>\$ 1,126,836</u>	<u>\$ 6,792,671</u>	<u>\$ 7,674,591</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 244,274					\$ 244,274	\$ 107,009
Due to Other Funds	1,149,941		\$ 29,000	\$ 29,000	\$ 29,000	1,178,941	327,338
Accrued Payroll	92,415					92,415	106,693
Matured Interest Coupons Payable		260				260	130
Total Liabilities	<u>1,486,630</u>	<u>260</u>	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>	<u>1,515,890</u>	<u>541,170</u>
Fund Balance							
Reserved for Encumbrances	11,839					11,839	22,335
Reserved for School Lunch Inventory	58,725					58,725	65,779
Reserved for Long-Term Notes Receivable	1,831,526					1,831,526	1,830,514
Reserved for Refunded Bonds Payment						-	1,910,431
Reserve for Perpetual Care & Endowments		\$ 8,754		1,102,653	1,111,407	1,111,407	1,072,854
Unreserved, Undesignated	2,276,851	10,538	(24,109)	(24,109)	(13,571)	2,263,280	2,231,510
Total Fund Balance	<u>4,178,941</u>	<u>19,292</u>	<u>1,078,544</u>	<u>1,097,836</u>	<u>1,097,836</u>	<u>5,276,776</u>	<u>7,133,422</u>
Total Liabilities & Fund Balance	<u>\$ 5,665,575</u>	<u>\$ 260</u>	<u>\$ 19,292</u>	<u>\$ 1,107,544</u>	<u>\$ 1,126,836</u>	<u>\$ 6,792,671</u>	<u>\$ 7,674,591</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004
(With Comparative Totals for Year Ended June 30, 2003)**

	Special Revenue Funds	Debt Service Funds	Permanent Funds			Total	Total Nonmajor Governmental Funds	
			GAR Cemetery	Library Endowment			2004	2003
REVENUES								
Intergovernmental	\$ 8,419,550					\$	8,419,550	\$ 6,664,090
Charges For Services	878,131						878,131	838,672
Interest and Rents	56,784		\$ 185	\$ 28,357	\$ 28,542		85,335	106,700
Miscellaneous	21						21	
Donations	178,453			38,553	38,553		217,006	100,493
Total Revenues	<u>9,532,949</u>		<u>185</u>	<u>66,910</u>	<u>67,095</u>		<u>9,600,044</u>	<u>7,709,954</u>
EXPENDITURES								
Current:								
General Government	1,157,011			7,113	7,113		1,164,124	594,130
Human Services	148,573						148,573	200,763
Culture & Recreation	166,049						166,049	304,466
Education	5,454,631						5,454,631	3,808,692
Nutrition	1,599,173						1,599,173	1,693,213
Redemption of Serial Bonds		\$ 5,395,702					5,395,702	5,054,567
Redemption of Refunded Bonds		1,861,500					1,861,500	2,977,897
Interest on Serial Bonds		2,933,285					2,933,285	334,742
Capital Lease Debt		111,949					111,949	52,271
Bond Issuance Costs		211,890					211,890	788,400
Capital Outlay	531,748			29,000	29,000		560,748	
Total Expenditures	<u>9,057,185</u>	<u>10,514,325</u>	<u>-</u>	<u>36,113</u>	<u>36,113</u>		<u>19,607,624</u>	<u>15,808,141</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	475,765	(10,514,325)	185	30,797	30,982		(10,007,580)	(8,099,187)
OTHER FINANCING SOURCES (USES)								
Proceeds from Refunded Bonds Issuance								1,925,413
Gain on Investments				83,331	83,331		83,331	3,067
Transfers In		8,603,894					8,603,894	8,419,495
Transfers Out	(536,291)						(536,291)	(626,121)
Total Other Financing Sources (Uses)	<u>(536,291)</u>	<u>8,603,894</u>		<u>83,331</u>	<u>83,331</u>		<u>8,150,934</u>	<u>9,721,854</u>
Net Change in Fund Balance	(60,527)	(1,910,431)	185	114,128	114,313		(1,856,646)	1,622,667
Fund Balance, July 1	4,239,468	1,910,431	19,107	964,416	983,523		7,133,422	5,510,757
Fund Balance, June 30	<u>\$ 4,178,941</u>	<u>\$ -</u>	<u>\$ 19,292</u>	<u>\$ 1,078,544</u>	<u>\$ 1,097,836</u>		<u>\$ 5,276,776</u>	<u>\$ 7,133,422</u>

**Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2004
(With Comparative Totals for June 30, 2003)**

	Community Development Block Grant	Urban Development Action Grant	Rehab Loan Program	School Categorical Grants	Recreation Activity Programs	Public Safety, Culture & Other Grants	Total All Funds
	2004	2004	2004	2004	2004	2004	2004
ASSETS							
Cash & Cash Equivalents	\$ 5,427	\$ 2,998	\$ 7,399	\$ 2,378,918	\$ 3,387	\$ 1,171	\$ 2,399,299
Investments	180,660	101,676	250,945		144,982	37,685	715,948
Receivables:							
Accounts					7,364	3,500	10,864
Rehabilitation Loans (Net of Allowance for Uncollectibles)	1,422,769	492,696	82,589	212,942		96,032	1,998,055
Intergovernmental	173,711			58,725			482,685
Inventory							58,725
Total Assets	\$ 1,782,566	\$ 597,370	\$ 340,934	\$ 2,650,584	\$ 155,732	\$ 138,388	\$ 5,665,575
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts Payable	\$ 117,955	\$ 1,220	\$ 6,878	\$ 100,520	\$ 13,311	\$ 4,390	\$ 244,274
Due to Other Funds	42,110			1,107,832			1,149,941
Accrued Payroll	16,178			53,853	3,111	19,272	92,415
Total Liabilities	176,242	1,220	6,878	1,262,205	16,423	23,662	1,486,630
Fund Balance:							
Reserved for Encumbrances	1,648		2,500		7,691		11,839
Reserved for School Lunch Inventory				58,725			58,725
Reserve for Long-Term Notes Receivable	1,309,417	445,984	76,125				1,831,526
Unreserved, Undesignated	295,259	150,165	255,430	1,329,655	131,618	114,726	2,276,851
Total Fund Balance	1,606,324	596,148	334,056	1,388,380	139,310	114,726	4,178,941
Total Liabilities & Fund Balance	\$ 1,782,566	\$ 597,370	\$ 340,934	\$ 2,650,584	\$ 155,732	\$ 138,388	\$ 5,665,575
							\$ 4,780,508

Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	Community Development Block Grant	Urban Development Action Grant	Rehab Loan Program	School Categorical Grants	Recreation Activity Fund	Public Safety, Culture & Other Grants	Total All Funds	
							2004	2003
REVENUES								
Intergovernmental	\$ 1,108,419		\$ 200,000	\$ 6,558,309	\$ 7,906	\$ 544,916	\$ 8,419,550	\$ 6,664,090
Charges For Services	2,360			745,143	130,628		878,131	838,672
Interest and Rents	36,780	\$ 13,437	4,120		1,514	941	56,794	79,745
Donations					29,770	148,683	178,453	97,985
Miscellaneous		21					21	
Total Revenues	<u>1,147,559</u>	<u>13,459</u>	<u>204,120</u>	<u>7,303,452</u>	<u>169,819</u>	<u>694,541</u>	<u>9,532,949</u>	<u>7,680,492</u>
EXPENDITURES								
Current:								
General Government	660,007		500			496,504	1,157,011	587,286
Human Services	148,573						148,573	200,763
Culture & Recreation					106,829	59,220	166,049	304,466
Education				5,454,631			5,454,631	3,808,692
Nutrition				1,599,173			1,599,173	1,693,213
Capital Outlay	225,625	31,450	46,467	39,359	17,470	171,377	531,748	788,400
Total Expenditures	<u>1,034,205</u>	<u>31,450</u>	<u>46,967</u>	<u>7,093,163</u>	<u>124,299</u>	<u>727,101</u>	<u>9,057,185</u>	<u>7,382,820</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	113,354	(17,992)	157,154	210,289	45,520	(32,560)	475,765	297,672
OTHER FINANCING SOURCE (USES)								
Transfers In								15,000
Transfers Out	(176,747)			(328,052)	(10,000)	(21,492)	(536,291)	(626,121)
Total Other Financing Sources (Uses)	<u>(176,747)</u>			<u>(328,052)</u>	<u>(10,000)</u>	<u>(21,492)</u>	<u>(536,291)</u>	<u>(611,121)</u>
Net Change in Fund Balance	(63,392)	(17,992)	157,154	(117,763)	35,520	(54,052)	(60,527)	(313,449)
Fund Balance, July 1	1,669,715	614,140	176,902	1,506,143	103,790	168,778	4,239,468	4,552,917
Fund Balance, June 30	<u>\$ 1,606,324</u>	<u>\$ 596,148</u>	<u>\$ 334,056</u>	<u>\$ 1,388,380</u>	<u>\$ 139,310</u>	<u>\$ 114,726</u>	<u>\$ 4,178,941</u>	<u>\$ 4,239,468</u>

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, 2004

	2004		
	Original & Final Budget & 2003 Encumbrances	Actual & Year End Encumbrances	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 1,269,000	\$ 1,110,779	\$ (158,221)
Interest		36,780	36,780
Total Revenues	<u>1,269,000</u>	<u>1,147,559</u>	<u>(121,441)</u>
EXPENDITURES			
Public Service Activities	175,425	149,871	25,554
Administration & Planning	417,722	412,520	5,202
Economic Development	497,083	247,837	249,246
Housing Rehabilitation	534,614	150,458	384,156
Neighborhood Improvements	394,764	75,167	319,597
Parks & Recreation	20,000		20,000
Total Expenditures	<u>2,039,608</u>	<u>1,035,852</u>	<u>1,003,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(770,608)	111,707	882,315
OTHER FINANCING (USES)			
Transfers Out	<u>(176,747)</u>	<u>(176,747)</u>	
Total Other Financing (Uses)	<u>(176,747)</u>	<u>(176,747)</u>	
Net Change in Fund Balance - Budgetary Basis	(947,354)	(65,040)	882,315
Add Back Encumbrances	<u>947,354</u>	<u>1,648</u>	<u>(945,707)</u>
Net Change in Fund Balance - GAAP Basis		(63,392)	(63,393)
Fund Balance, July 1	<u>1,669,715</u>	<u>1,669,715</u>	
Fund Balance, June 30	<u>\$ 1,669,715</u>	<u>\$ 1,606,324</u>	<u>\$ (63,392)</u>

Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Funds - Budget and Actual
For the Fiscal Year Ended June 30, 2004
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	\$ 3,004,293	\$ 3,189,201	\$ 184,908	\$ 4,057,200	\$ 4,006,107	\$ (51,093)
OPERATING EXPENSES						
Cost of Sales and Services	1,167,512	1,088,051	79,461	3,121,007	3,016,605	104,402
Administration	530,087	507,510	22,577	415,093	376,596	38,497
Depreciation	89,150	593,018	(503,868)	205,000	243,109	(38,109)
Total Operating Expenses	<u>1,786,749</u>	<u>2,188,579</u>	<u>(401,830)</u>	<u>3,741,100</u>	<u>3,636,310</u>	<u>104,790</u>
Operating Income	1,217,544	1,000,622	(216,922)	316,100	369,797	53,697
NONOPERATING REVENUES (EXPENSES)						
Interest Revenues		20,481	20,481	2,000	32,048	30,048
Increase in Fund Equity of Joint Ventures		59,371	59,371		534,492	534,492
Interest Expense	(431,996)	(385,653)	46,343	(182,745)	(173,016)	9,729
Gain (Loss) on Sale of Fixed Assets		(687,810)	(687,810)		(1,179)	(1,179)
Amortization of Deferred Charges		(37,302)	(37,302)		(13,765)	(13,765)
Total Nonoperating Revenue (Expenses)	<u>(431,996)</u>	<u>(1,030,913)</u>	<u>(598,917)</u>	<u>(180,745)</u>	<u>378,580</u>	<u>559,325</u>
Income Before Contributions & Transfers	785,548	(30,291)	(815,839)	135,355	748,377	613,022
Transfers Out	(30,252)	(30,252)		(17,152)	(17,152)	
Capital Contributions		592,344	592,344		250,897	250,897
Change in Net Assets	755,296	531,801	(223,495)	118,203	982,122	863,919
Total Net Assets, July 1	<u>17,560,644</u>	<u>17,560,644</u>		<u>13,414,650</u>	<u>13,414,650</u>	
Total Net Assets, June 30	<u>\$ 18,315,940</u>	<u>\$ 18,092,445</u>	<u>\$ (223,495)</u>	<u>\$ 13,532,853</u>	<u>\$ 14,396,772</u>	<u>\$ 863,919</u>

**Combining Statement of Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
June 30, 2004**

	Private Purpose Trust Funds		
	Farrar Fund	Scholarship Fund	Total
ASSETS			
Cash		\$ 193	\$ 193
Investments	\$ 43,476	132,164	175,640
Total Assets	<u>43,476</u>	<u>132,357</u>	<u>175,833</u>
NET ASSETS			
Held in trust for scholarships and other purposes	\$ <u>43,476</u>	\$ <u>132,357</u>	\$ <u>175,833</u>

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Private Purpose Trust Funds
For the Fiscal year Ended June 30, 2004**

	Private Purpose Trust Funds		
	Farrar Fund	Scholarship Fund	Total
ADDITIONS			
Investment Earnings	\$ 416	\$ 1,011	\$ 1,427
Total Additions	<u>416</u>	<u>1,011</u>	<u>1,427</u>
DEDUCTIONS			
Scholarship Awards		1,250	1,250
Total Deductions		<u>1,250</u>	<u>1,250</u>
Change in Net Assets	416	(239)	177
Net Assets - Beginning	<u>43,060</u>	<u>132,596</u>	<u>175,656</u>
Net Assets - Ending	<u>\$ 43,476</u>	<u>\$ 132,357</u>	<u>\$ 175,833</u>

**Combining Statement of Fiduciary Net Assets
Fiduciary Funds - Agency Funds
June 30, 2004**

	Agency Funds		
	School Activities	Social Security Client Program	Total
ASSETS			
Cash	\$ 123,417	\$ 1,931	\$ 125,348
Total Assets	<u>123,417</u>	<u>1,931</u>	<u>125,348</u>
LIABILITIES			
School Activities Payable	123,417		123,417
SSI Client Payable		1,931	1,931
Total Liabilities	<u>123,417</u>	<u>1,931</u>	<u>125,348</u>
NET ASSETS			
Held in trust for scholarships and other purposes	\$ 0	\$ 0	\$ 0

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal year Ended June 30, 2004**

	Balance 07/01/2003	Additions	Deletions	Balance 06/30/2004
School Activities				
Assets				
Cash	\$ 117,513	\$ 399,131	\$ 393,227	\$ 123,417
Liabilities				
Payable to Student Groups	\$ 117,513	\$ 399,131	\$ 393,227	\$ 123,417
Social Security Administration				
Assets				
Cash	\$ 3,795	\$ 62,967	\$ 64,832	\$ 1,931
Liabilities				
Client Disbursements Payable	\$ 3,795	\$ 62,967	\$ 64,832	\$ 1,931
Total - Agency Funds				
Assets				
Cash	\$ 121,308	\$ 462,099	\$ 458,059	\$ 125,348
Total Assets	<u>\$ 121,308</u>	<u>\$ 462,099</u>	<u>\$ 458,059</u>	<u>\$ 125,348</u>
Liabilities				
Payable to Student Groups	\$ 117,513	\$ 399,131	\$ 393,227	\$ 123,417
Client Disbursements Payable	3,795	62,967	64,832	1,931
Total Liabilities	<u>\$ 121,308</u>	<u>\$ 462,099</u>	<u>\$ 458,059</u>	<u>\$ 125,348</u>

**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Governmental Funds Capital Assets		
Land	\$ 10,493,866	\$ 9,989,701
Buildings	38,229,663	36,369,863
Improvements Other Than Buildings	16,691,224	14,567,045
Machinery and Equipment	18,646,318	18,666,421
Infrastructure	100,056,164	95,853,049
Construction In Progress	10,929,757	11,454,581
Total Governmental Funds Capital Assets	<u>\$ 195,046,992</u>	<u>\$ 186,900,660</u>
Investments in Governmental Funds Capital Assets By Source		
General Fund	\$ 19,150,137	\$ 18,966,801
Special Revenue Funds	6,122,654	6,147,027
Capital Project Funds	169,033,958	161,046,587
Donations	740,244	740,244
Total Investments in Governmental Funds Capital Assets	<u>\$ 195,046,992</u>	<u>\$ 186,900,660</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2004

	Land	Buildings	Improvements Other Than Buildings	Machinery & Equipment	Infrastructure	Total
General Government:						
Mayor & City Council				\$ 7,220		\$ 7,220
City Administrator				6,878		6,878
City Clerk				64,897		64,897
Finance & Mgmt. Info. Services				841,618		841,618
Assessing				61,449		61,449
Human Resources				2,150		2,150
Planning				25,206		25,206
General Government Property	\$ 564,715	\$ 5,285,795	\$ 8,603,720	154,337		14,608,567
Total General Government	<u>564,715</u>	<u>5,285,795</u>	<u>8,603,720</u>	<u>1,163,755</u>		<u>15,617,985</u>
Public Safety:						
Police	154,864	1,548,275	259,479	952,852		2,915,470
Fire	62,300	1,157,213		1,968,753		3,188,266
Inspection				26,164		26,164
Total Public Safety	<u>217,164</u>	<u>2,705,488</u>	<u>259,479</u>	<u>2,947,769</u>		<u>6,129,900</u>
Public Works:						
Administration		92,588		41,618		134,206
Engineering				695,196		695,196
Highways	5,655,549	2,836,526	1,708,017	426,002	\$ 100,056,162	110,682,256
Municipal Garage			20,196	5,010,678		5,030,874
Total Public Works	<u>5,655,549</u>	<u>2,929,114</u>	<u>1,728,213</u>	<u>6,173,494</u>	<u>100,056,162</u>	<u>116,542,532</u>
Culture & Recreation	1,339,613	6,045,943	3,125,527	3,183,670		13,694,753
Urban Redevelopment	2,333,427	3,918,333	987,787	3,625		7,243,172
Education	208,849	17,168,301	1,442,717	4,450,866		23,270,733
Equity Interest in Joint Ventures	174,549	176,690	543,782	723,139		1,618,160
Construction Work in Progress		8,071,102	372,772	145,530	2,340,357	10,929,761
Total Governmental Funds Capital Assets	<u>\$ 10,493,866</u>	<u>\$ 46,300,766</u>	<u>\$ 17,063,997</u>	<u>\$ 18,791,848</u>	<u>\$ 102,396,519</u>	<u>\$ 195,046,992</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2004**

	Governmental Funds Capital Assets - 7/1/03	Additions	Deletions	Governmental Funds Capital Assets - 6/30/04
General Government:				
Mayor & City Council	\$ 7,220			\$ 7,220
City Administrator	6,878			6,878
City Clerk	63,048	\$ 7,547	\$ 5,698	64,897
Finance & Mgmt. Info. Services	837,262	7,547	3,192	841,618
Assessing	62,062	3,192	3,805	61,449
Human Resources	2,150			2,150
Planning	20,353	11,600	6,747	25,206
General Government Property	14,524,822	83,745		14,608,567
Total General Government	15,523,795	113,631	19,442	15,617,984
Public Safety:				
Police	2,859,598	153,513	97,641	2,915,470
Fire	3,229,878	224,320	265,932	3,188,266
Inspection	26,164			26,164
Total Public Safety	6,115,640	377,833	363,573	6,129,900
Public Works:				
Administration	125,824	14,921	6,539	134,206
Engineering	695,196			695,196
Highways	103,960,622	7,355,197	633,564	110,682,256
Municipal Garage	4,805,667	467,565	242,357	5,030,874
Total Public Works	109,587,309	7,837,683	882,460	116,542,532
Culture & Recreation	12,834,708	1,033,486	173,442	13,694,753
Urban Redevelopment	6,814,062	429,111		7,243,172
Education	22,532,001	738,731		23,270,733
Equity Interest in Joint Ventures	2,038,565	350,490	770,893	1,618,160
Construction Work in Progress	11,454,581	8,382,555	8,907,376	10,929,761
Total Governmental Funds Capital Assets	\$ 186,900,660	\$ 19,263,520	\$ 11,117,186	\$ 195,046,992

STATISTICAL SECTION

**Governmental-Wide Expenses by Function
Last Ten Fiscal Years**

Fiscal Year	General Government	Public Safety	Public Works	Human Services	Culture & Recreation	Intergovernmental	Education & Nutrition	Other Misc.	Interest on Long-Term Debt	Water	Sewer	Total
2004	\$13,767,436	\$9,346,830	\$9,956,954	\$702,671	\$2,418,831	\$3,019,453	\$46,654,075	\$5,839,536	\$3,058,363	\$2,611,534	\$3,823,091	\$101,198,774

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

**Governmental-Wide Revenues by Function
Last Ten Fiscal Years**

Fiscal Year	Program Revenues			General Revenues					Unrestricted Investment Earnings	Misc.	Total
	Charges For Service	Operating Grants & Contributions	Capital Grants & Contributions	Taxes	Homestead Exemption	State Revenue Sharing	Change in Joint Venture Equity	Gain (Loss) on Capital Assets Sale			
2003	\$11,138,868	\$29,422,009	\$3,031,674	\$42,727,402	\$1,177,380	\$4,351,643	\$620,933	(\$562,728)	\$454,101	\$45,000	\$92,386,282
2004	\$12,339,765	\$32,695,782	\$2,684,613	\$43,416,959	\$1,131,126	\$4,568,044	\$593,663	(\$1,872,363)	\$417,824	\$85,975,613	

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

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses & Permits	Inter-Government	Charges For Services	Fines	Interest Misc.	Totals
1995	\$35,700,601	\$322,597	\$25,266,675	\$1,685,231	\$106,402	\$13,734,839	\$76,816,345
1996	\$36,785,484	\$308,822	\$25,600,076	\$1,553,179	\$94,641	\$17,431,649	\$81,773,851
1997	\$37,823,129	\$240,849	\$25,691,547	\$1,673,494	\$110,574	\$12,284,442	\$77,824,035
1998	\$38,260,613	\$243,902	\$26,577,432	\$1,841,796	\$98,456	\$17,301,510	\$84,323,709
1999	\$38,385,680	\$259,301	\$27,646,635	\$1,826,234	\$92,719	\$20,844,859	\$89,055,428
2000	\$39,861,837	\$281,625	\$29,916,522	\$1,826,144	\$105,152	\$15,538,401	\$87,529,681
2001	\$40,500,014	\$320,366	\$32,798,247	\$1,848,726	\$152,963	\$28,098,441	\$103,718,757
2002	\$42,430,802	\$357,884	\$33,111,462	\$2,200,536	\$130,651	\$19,393,047	\$97,624,382
2003	\$43,787,363	\$345,635	\$36,990,431	\$1,947,635	\$139,572	\$23,202,584	\$106,413,220
2004	\$44,601,175	\$351,680	\$39,456,667	\$1,967,785	\$170,370	\$33,117,184	\$119,664,861

NOTE: Includes General Governmental Fund revenues and other financing sources.

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Liens	Excise Tax	Total
1995	\$27,226,926	\$3,316,624	\$2,555,712	\$2,601,339	\$35,700,601
1996	\$28,566,141	\$3,418,975	\$2,086,663	\$2,713,706	\$36,785,485
1997	\$28,781,789	\$3,538,414	\$2,644,626	\$2,858,300	\$37,823,129
1998	\$29,188,881	\$3,645,399	\$2,403,180	\$3,023,153	\$37,889,062
1999	\$29,286,832	\$3,746,245	\$2,175,368	\$3,177,235	\$38,385,680
2000	\$30,266,731	\$4,037,121	\$2,012,869	\$3,545,116	\$39,861,837
2001	\$30,667,291	\$4,620,769	\$1,697,662	\$3,514,292	\$40,500,014
2002	\$32,227,874	\$4,768,031	\$1,744,601	\$3,690,296	\$42,430,802
2003	\$33,308,090	\$5,011,534	\$1,554,842	\$3,912,898	\$43,787,363
2004	\$34,440,249	\$4,810,806	\$1,447,382	\$3,902,739	\$44,601,175

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Ten Fiscal Years**

Fiscal Year	General Government	Public Safety	Public Works	Human Services	Education Culture & Recreation	Debt Service & Misc. (a)	Totals
1995	\$4,344,345	\$7,324,372	\$5,413,499	\$695,065	\$29,729,500	\$25,792,447	\$73,299,228
1996	\$4,196,548	\$7,328,357	\$5,612,121	\$545,583	\$33,647,540	\$26,370,643	\$77,700,792
1997	\$4,274,008	\$7,325,088	\$5,674,179	\$649,705	\$33,748,454	\$27,089,317	\$78,760,751
1998	\$5,209,542	\$7,412,368	\$5,492,930	\$622,560	\$35,398,543	\$30,295,419	\$84,431,362
1999	\$4,594,743	\$7,424,257	\$5,561,563	\$541,383	\$36,031,008	\$32,755,864	\$86,908,818
2000	\$4,954,488	\$7,710,690	\$5,946,519	\$550,417	\$37,456,088	\$30,720,628	\$87,338,830
2001	\$5,135,698	\$7,902,295	\$6,193,811	\$536,295	\$41,210,820	\$34,436,776	\$95,415,695
2002	\$4,676,646	\$8,302,298	\$6,571,788	\$672,694	\$41,564,270	\$36,034,890	\$97,822,586
2003	\$5,497,730	\$9,243,467	\$6,563,196	\$655,761	\$46,188,226	\$40,168,130	\$108,316,510
2004	\$6,782,409	\$9,328,518	\$6,765,039	\$702,671	\$48,453,158	\$44,970,749	\$117,002,544

NOTE: Includes General Governmental Fund expenditures and other financing uses.

(a) Includes Capital Outlay, Intergovernmental, Miscellaneous and Operating Transfers Out

**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
1995	26.30	\$32,597,294	\$32,597,294	100.00%		0.00%
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	\$34,866,227	99.99%	\$4,068	0.01%
2000*	27.65	\$35,671,045	\$35,664,114	99.98%	\$6,931	0.02%
2001*	27.65	\$35,480,919	\$35,462,652	99.95%	\$18,267	0.05%
2002*	28.55	\$36,141,113	\$36,079,083	99.83%	\$62,030	0.17%
2003*	28.89	\$38,774,284	\$38,402,506	99.04%	\$371,778	0.96%
2004*	27.70	\$38,929,604	\$38,001,348	97.62%	\$928,256	2.38%

Note: Current taxes are due semiannually on September 15th and March 15th, with a 7% 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	Real Property		Personal Property		Total		Ratio of Assessed Value to Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995	\$1,109,733	\$1,191,380	\$118,874	\$127,620	\$1,228,607	\$1,319,000	93.15%
1996	\$1,117,254	\$1,137,028	\$123,880	\$126,072	\$1,241,134	\$1,263,100	98.26%
1997	\$1,123,444	\$1,156,448	\$131,683	\$135,552	\$1,255,127	\$1,292,000	97.15%
1998	\$1,135,959	\$1,150,491	\$132,631	\$133,109	\$1,268,590	\$1,283,600	98.83%
1999	\$1,136,234	\$1,150,151	\$137,947	\$139,599	\$1,274,181	\$1,289,750	98.79%
2000	\$1,146,671	\$1,146,435	\$152,978	\$152,946	\$1,299,648	\$1,299,380	100.02%
2001	\$1,163,385	\$1,174,022	\$161,997	\$163,478	\$1,325,382	\$1,337,500	99.09%
2002	\$1,175,294	\$1,203,403	\$168,126	\$172,147	\$1,343,420	\$1,375,550	97.66%
2003	\$1,187,635	\$1,294,456	\$175,783	\$191,594	\$1,363,418	\$1,486,050	91.75%
2004	\$1,271,783	\$1,387,751	\$174,453	\$202,049	\$1,446,236	\$1,589,800	90.97%

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

**PRINCIPAL TAXPAYERS
June 30, 2004**

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Florida Power & Light	Utility	\$57,585,250	3.98%
Central Maine Power Co.	Utility	26,373,900	1.82%
Banknorth	Banking	26,175,200	1.81%
Philips Elmet	Metal & Wire Mfg.	23,926,200	1.65%
Donald Toussaint	Real Estate	14,477,750	1.00%
F. R. Lepage	Bakery	13,341,450	0.92%
Geiger Brothers, Inc.	Manufacturing	11,866,250	0.82%
L. L. Bean Co.	Telemarketing	11,064,950	0.77%
Northern Utilities	Utility	10,420,350	0.72%
Twelve High Street	Medical Office	10,019,450	0.69%
	Totals	\$205,250,750	14.19%

**COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004**

Total Estimated Actual Valuation Per State \$ 1,589,800,000

Legal Debt Margin:

Debt limitation - 15% of Estimated Actual Valuation \$ 238,470,000

Debt Applicable to Debt Limitation:

Purpose	Legal Maximum	Bonded	Total
Direct			
Municipal	7.5% \$ 119,235,000	\$ 70,966,741	
School	10.0% 158,980,000	6,970,917	
Water	3.0% 47,694,000	9,854,230	
Sewer	7.5% 119,235,000	4,714,486	\$ 92,506,374
Overlapping:			
Androscoggin County Jail		697,130	
CFC Bond Anticipation Note		3,040,000	
L.A. Water Pollution Control Authority		6,079,681	
Lake Auburn Watershed Protection Commission		315,000	
L.A. 911 Committee		260,000	10,391,811
	<u>\$ 445,144,000</u>	<u>\$ 102,898,184</u>	

Total Bonded Debt Applicable to Debt Limit 102,898,184

Legal Debt Margin \$ 135,571,816

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

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2004**

Name of Governmental Unit	Principal Debt Outstanding	Percentage Applicable To Government	Amount Applicable to the City of Lewiston
Direct:			
Municipal and School Debt	\$ 77,937,657	100.00%	\$ 77,937,657
Water and Sewer Debt	14,568,716	100.00%	14,568,716
Overlapping:			
Androscoggin County Jail	2,300,000	30.31%	697,130
CFC Bond Anticipation Note	3,040,000	100.00%	3,040,000
L.A.W.P.C.A.	10,589,933	57.41%	6,079,681
L.A.W.P.C.	630,000	50.00%	315,000
L.A. 911 Committee	\$ 520,000	50.00%	<u>260,000</u>
Total of Direct & Overlapping Debt			<u>\$ 102,898,184</u>

**RATIO OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITA
Last Ten Fiscal Years**

Fiscal Year	Population	Assessed Value	Bonded Debt	Ratio of Bonded Debt to Assessed Value	Bonded Debt Per Capita
1995	39,757	\$1,228,607,330	\$30,505,464	2.48%	\$767.30
1996	39,757	\$1,241,133,380	\$34,644,545	2.79%	\$871.41
1997	39,757	\$1,255,127,390	\$35,478,977	2.83%	\$892.40
1998	39,757	\$1,268,589,840	\$35,211,501	2.78%	\$885.67
1999	39,757	\$1,274,180,710	\$34,963,814	2.74%	\$879.44
2000	39,757	\$1,299,648,460	\$34,726,280	2.67%	\$873.46
2001	35,690	\$1,325,381,570	\$41,658,421	3.14%	\$1,167.23
2002	35,690	\$1,343,420,130	\$59,967,247	4.46%	\$1,680.23
2003	35,690	\$1,363,417,810	\$63,258,359	4.64%	\$1,772.44
2004	35,690	\$1,446,235,710	\$77,937,657	5.39%	\$2,183.74

Note: Bonded debt is direct long-term debt

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT TO TOTAL
GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995	\$2,197,952	\$1,469,449	\$3,667,401	\$55,833,414	6.57%
1996	\$2,573,309	\$1,659,302	\$4,232,611	\$58,542,398	7.23%
1997	\$3,078,929	\$1,717,636	\$4,796,565	\$59,256,162	8.09%
1998	\$3,273,847	\$1,655,477	\$4,929,324	\$62,577,752	7.88%
1999*	\$5,187,813	\$1,556,551	\$6,744,364	\$64,213,156	10.50%
2000	\$4,063,779	\$1,455,937	\$5,519,715	\$64,930,518	8.50%
2001	\$4,129,309	\$1,471,611	\$5,600,921	\$69,220,786	8.09%
2002	\$4,396,917	\$2,374,245	\$6,771,163	\$72,749,503	9.31%
2003**	\$5,054,567	\$2,977,897	\$8,032,465	\$108,316,510	7.42%
2004	\$5,395,702	\$2,933,285	\$8,328,988	\$117,002,545	7.12%

Note: Total general expenditures includes general fund expenditures and operating transfers out.

* Amount includes debt reduction resulting from the sale of the Chapel Street Parking Garage.

** GASB 34 implementation converted the statistical data presented from General Fund only to Governmental Funds.

**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	
1995	\$2,189,101	\$1,251,658	\$937,443	\$607,548	\$358,624	\$966,172	97%
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%

**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	
1995	\$2,681,049	\$2,622,622	\$58,427	\$158,250	\$122,972	\$281,222	21%
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%

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)
1995	39,757	\$12,227	33.4	4,706	5.7%
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%

Sources:

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

(2) Maine Department of Labor

**PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
Last Ten Fiscal Years**

Fiscal Year	Property Value (3)	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
1995	\$1,228,607,330	117	\$7,494,526	303	\$5,701,753	\$571,680,000
1996	\$1,241,133,380	109	\$6,623,350	296	\$8,433,610	\$598,411,000
1997	\$1,255,127,390	106	\$8,765,392	227	\$4,107,820	\$592,918,000
1998	\$1,268,589,840	106	\$22,165,855	191	\$2,819,369	\$567,862,000
1999	\$1,274,180,170	100	\$11,695,177	216	\$4,491,491	\$572,297,000
2000	\$1,299,648,460	98	\$21,240,797	249	\$4,752,582	\$564,743,000
2001	\$1,325,381,570	105	\$26,112,300	256	\$8,433,610	\$580,387,000
2002	\$1,343,420,130	99	\$43,195,633	283	\$9,724,701	\$609,719,000
2003	\$1,363,417,810	88	\$64,885,201	269	\$10,778,319	\$703,924,000
2004	\$1,446,235,710	101	\$75,352,759	623	\$16,078,211	\$624,979,000

Sources:

- (1) Lewiston Department of Development
- (2) Bureau of Banking
- (3) Lewiston Department of Assessing

MISCELLANEOUS STATISTICS
June 30, 2004

Date of Incorporation	1795
Form of Government	Mayor, Council, and City Administrator
Number of Employees (excluding police & fire)	228
Area in Square Miles	35
Lewiston Facilities and Services:	
Miles of streets	190
Number of street lights	4,538
Culture and Recreation:	
Community centers	2
Parks	14
Park acreage	75
Swimming pools	2
Tennis courts	12
Fire Protection:	
Number of stations	4
Number of personnel and officers	79
Number of calls answered	1,963
Number of inspections conducted	976
Police Protection:	
Number of stations	1
Number of police personnel and officers	98
Number of patrol units	27
Number of law violations:	
Service Calls	40,283
Physical arrests	2,055
Sewage System:	
Miles of sanitary & storm sewers	160
Number of treatment plants	1
Number of service connections	8,700
Daily average treatment in gallons	6,100,000
Water System:	
Miles of water mains	166
Number of service connections	9,849
Number of fire hydrants	697
Daily average consumption in gallons	6,100,000
Education:	
Number of elementary schools	5
Number of elementary school instructors	250
Number of secondary schools	2
Number of secondary school instructors	122
Facilities and Services Not Included in the Reporting Entity:	
Education: Number of universities/colleges	3
Hospitals:	
Number of hospitals	2
Number of patient beds	483