

The University of Maine

DigitalCommons@UMaine

---

Maine Town Documents

Maine Government Documents

---

2006

## Town of Freeport Maine Annual Audit 2006

Freeport, Me.

Follow this and additional works at: <https://digitalcommons.library.umaine.edu/towndocs>

---

This Financial Report is brought to you for free and open access by DigitalCommons@UMaine. It has been accepted for inclusion in Maine Town Documents by an authorized administrator of DigitalCommons@UMaine. For more information, please contact [um.library.technical.services@maine.edu](mailto:um.library.technical.services@maine.edu).

**TOWN OF FREEPORT, MAINE**

**Annual Financial Report**

**June 30, 2006**

**TOWN OF FREEPORT, MAINE**  
**Annual Financial Report**  
**June 30, 2006**

---

Table of Contents

	<u>Statement</u>	<u>Page</u>
Independent Auditors' Report		3-4
Management's Discussion and Analysis		5-15
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	17
Statement of Activities	2	18
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	6	22
Statement of Net Assets - Proprietary Funds	7	23
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	8	24
Statement of Cash Flows - Proprietary Funds	9	25
Statement of Fiduciary Net Assets - Fiduciary Funds	10	26
Notes to Financial Statements		27-41
	<u>Exhibit</u>	<u>Page</u>
Combining and Individual Fund Statements:		
General Fund:		
Comparative Balance Sheets	A-1	43
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	A-2	44-47
All Other Governmental Funds:		
Combining Balance Sheet	B-1	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	50
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Funds	C-1	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Funds	C-2	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Individual Funds	C-3	54-55

**TOWN OF FREEPORT, MAINE**  
**Annual Financial Report**  
**June 30, 2006**

---

Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
Capital Project Funds:		
Combining Balance Sheet - Nonmajor Funds	D-1	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Funds	D-2	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Individual Funds	D-3	59-60
Nonmajor Permanent Funds:		
Combining Balance Sheet - Nonmajor Funds	E-1	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Funds	E-2	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Individual Funds	E-3	64
Capital Assets Used in the Operation of Governmental Funds:		
Summary of Capital Assets by Type	F-1	66
Schedule of Capital Asset Changes by Function and Activity	F-2	66
Schedule of Capital Assets By Function and Activity	F-3	67
Schedule of Deprecation By Function and Activity	F-4	68

# macdonaldpage & co llc

Certified Public Accountants and Management Advisors

## Independent Auditors' Report

Town Council  
Town of Freeport  
Freeport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed on the table of contents. These financial statements are the responsibility of the Town of Freeport's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2007, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 Town of Freeport's basic financial statements. The combining and individual nonmajor fund statements on pages 42 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The prior year summarized comparative information has been derived from the Town's 2005 financial statements and, in our report dated November 30, 2005, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Macdonell Page & Co LLC*

South Portland, Maine  
January 25, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF

### TOWN OF FREEPORT FISCAL YEAR 2006 AUDIT

As the management of the Town of Freeport, Maine, we are pleased to provide this Management Discussion and Analysis as part of our annual financial statements. We offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town of Freeport for the year ended June 30, 2006. It is the belief of management that all the information contained herein is accurate in all material respects and reflects fairly the financial position and operations of the Town. This Management Discussion and Analysis is designed to offer further explanation of the information contained herein. We encourage readers to consider the information that we have furnished in the Town's basic financial statements that follow this section.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Freeport's basic financial statements. The Town's 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. The Table of Contents in the front section of the audit provides the specific pages where the various statements and exhibits can be found.

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

The *statement of net assets* presents information on all of the Town'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 Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town'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 distinguish functions of the Town of Freeport 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 Town currently reports the activities of the Nonemergency Transportation Program (NET Program) as a business-type activity. The governmental activities of the Town include general government, public safety, public works, education, and community services.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Freeport, 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 Town 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 on *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 the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town'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*.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Freeport's own programs.

### **Governmental Funds**

For the reporting period, the Town had an increase in fund balance for total governmental funds (from statement 4) of \$238,130. The General Fund's fund balance increased by approximately \$488,668. A large portion of the increase in fund balance was due to higher than expected General Fund revenues, which exceeded estimated revenues by approximately \$966,000. Revenue surpluses and unspent appropriations exceeded the planned use of fund balance for capital reserves of \$350,000, capital project authorizations of \$225,000 and the budget use of surplus to reduce the tax rate of \$405,000. Offsetting those increases was the expenditure of various capital projects and various other factors in several of the non-major governmental funds.

## **ENTITY WIDE CONDENSED PRESENTATION OF NET ASSETS**

Net Assets over time will serve as a useful indicator of a government's financial position. The following information is condensed from Statement 1, Statement of Net Assets for Fiscal 2006. It distinguishes between capital and other assets, notes the Town's general liabilities and debt service, and shows the Town's net assets by restricted and unrestricted amounts. This information is for the Town's Governmental Activities and Business-type Activities as of June 30:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$5,656,144	7,012,563	-	-	5,656,144	7,012,563
Investments	10,626,094	8,911,224	-	-	10,626,094	8,911,224
Receivables	996,436	972,130	101,182	90,303	1,097,618	1,062,433
Internal balances	114,733	157,671	(114,733)	(157,671)	-	-
Inventory	39,257	38,072	-	-	39,257	38,072
Capital assets, net	29,351,299	27,942,333	32,677	25,129	29,383,976	27,967,462
Total assets	46,783,963	45,033,991	19,126	(42,239)	46,803,089	44,991,752
<b>LIABILITIES</b>						
Current liabilities	1,503,519	1,535,576	7,264	3,667	1,510,783	1,539,243
Noncurrent liabilities	14,613,241	16,055,361	-	-	14,613,241	16,055,361
Total liabilities	16,116,761	17,590,937	7,264	3,667	16,124,024	17,594,604
<b>NET ASSETS</b>						
Invested in capital assets, net of debt	15,856,049	12,834,433	32,677	25,129	15,888,726	12,859,562
Restricted	2,780,781	3,317,472	-	-	2,780,781	3,317,472
Unrestricted	12,030,373	11,291,150	(20,815)	(71,035)	12,009,558	11,220,115
Total net assets	\$ 30,667,203	27,443,054	11,862	(45,906)	30,679,065	27,397,148

A large portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in capital assets are 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. Also note that the Town has not recorded all infrastructure assets at this time. Such assets are being compiled and will be added to the Town's presentation in future years as further discussed in the footnotes to the financial statements. An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be expended. The remaining unrestricted balance of net assets may be used to meet the government's ongoing obligations to citizens and creditors.

# ENTITY WIDE CONDENSED PRESENTATION OF CHANGES IN NET ASSETS

Our next analysis focuses on changes in net assets of the Town's governmental and business type activities. Governmental activities increased the Town of Freeport's net assets by \$3,224,000 during the year ended June 30, 2006. The following analysis provides the key elements of the increases.

	Governmental	Business-type	2006 Total Primary Government	2005 Total Primary Government
	Activities	Activities		
Program revenues:				
Charges for Services	\$ 2,429,426	365,960	2,795,386	2,373,895
Operating grants and contributions	3,846,441	-	3,846,441	3,571,048
Capital grants and contributions	625,372	-	625,372	293,765
General revenues:				
Property taxes	18,525,125	-	18,525,125	18,380,367
Motor vehicle excise taxes	1,365,683	-	1,365,683	1,386,431
Interest and lien costs	51,714	-	51,714	48,268
State Revenue Sharing	691,097	-	691,097	685,760
Homestead exemption	171,441	-	171,441	154,806
Other State aid	47,882	-	47,882	82,185
Unrestricted investment earnings	805,092	-	805,092	488,477
Miscellaneous revenues	728,361	-	728,361	697,588
Total revenues	29,287,636	365,960	29,653,595	28,162,589
Program expenses:				
General government	1,528,013	-	1,528,013	1,434,087
Public safety	2,457,607	308,191	2,765,798	2,704,473
Public works	2,043,013	-	2,043,013	2,103,179
Community services	811,668	-	811,668	782,254
Education	15,758,120	-	15,758,120	14,829,197
County tax	736,850	-	736,850	735,177
Unclassified	1,649,364	-	1,649,364	1,287,443
Interest on debt	927,692	-	927,692	1,015,300
Capital maintenance expenses	151,160	-	151,160	345,258
Total expenses	26,063,488	308,191	26,671,679	25,236,368
Change in net assets	3,224,148	57,768	3,281,917	2,926,221
Net assets – beginning	27,443,054	(45,906)	27,397,148	24,470,927
Net assets – ending	\$ 30,667,202	11,862	30,679,065	27,397,148

It should be noted that this presentation is prepared on an entity wide condensed net assets presentation and not prepared on a basis consistent with the budget. A detailed budgetary presentation can be found in the basic financial statements in Exhibit A-2.

## **ANALYSIS OF TOWN POSITION AND OPERATIONS –GOVERNMENTAL FUNDS BUDGETARY BASIS**

In Freeport, the Town has managed over the past several years to build its general fund undesignated fund balance (the equivalent of a savings account) to \$3.3 million. The Town Council established a figure of \$1.92 million (one twelfth of the annual budget) as a minimum level of fund balance to maintain. Under the Town's fund balance policy, amounts in excess of one twelfth of the annual budget can be used to set aside additional reserves for capital needs, used to reduce property taxes for subsequent years' budgets or be used for immediate operational or capital needs. The Town Council modified its fund balance policy three years ago, establishing a Tax Rate Stabilization Account. The Council has funded this stabilization account, each of the past three years for a total in the account at year-end of \$1,000,000. During periods of low, new valuation or extraordinary unpredicted increases in costs, up to fifty (50) percent of the Tax Rate Stabilization Account may be used annually to offset the municipal tax rate.

For the fiscal year ended June 30, 2006, the Town managed to increase its total fund balance once again. General fund undesignated fund balance maintained its current strong position basically unchanged at \$3,270,000 while increasing funding to the tax rate stabilization account and other reserved and designated balances. In addition, over the years, the Town has established various capital and other reserves. For the year ended June 30, 2006, the Town's reserves decreased very slightly as a result of a larger than normal funding of capital projects. In addition to the normal annual projects, the Town Council authorized an appropriation of \$800,000 to aid in the funding of the Community Center project. This funding will act as working capital for the project and will allow the building fund raising committee additional time to collect donations for the project. The Town anticipates donations will be collected over the next five years replenishing the \$800,000 to the reserves. At June 30, 2006, the Town's reserved funds totaled \$4,640,000 as compared to the prior years \$4,660,000 while School Capital reserves decreased to a balance of approximately \$198,000.

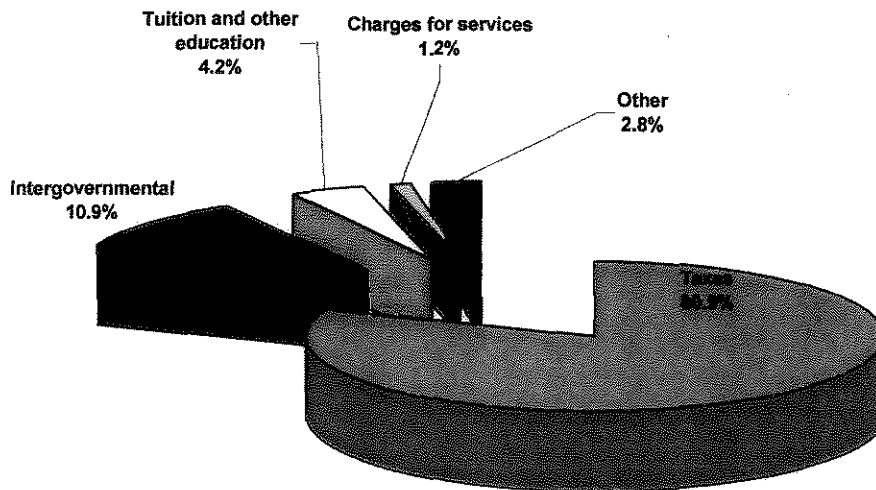
## General Fund Revenues Budget to Actual Summary

For FY 06, revenues exceeded estimated revenues by approximately \$966,000. The major reasons were a large overlay, \$355,000, as a result of final valuation numbers coming in greater than expected, strong vehicle excise tax collections with collections exceeding budget by \$128,000 and much higher investment earnings due to improved interest rates resulting in earnings exceeding estimates by approximately \$200,000. For FY 2007, \$385,000 has been budgeted from the fund balance to reduce property taxes. The property tax collection rate for the year decreased slightly to 96.45% from the previous year's collection rate of 96.98%.

## General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 18,389,727	18,817,428	427,701
Licenses and permits	155,200	297,973	142,773
Intergovernmental	2,520,631	2,543,311	22,680
Tuition and other charges for services – education	899,917	972,732	72,815
Charges for services	196,500	283,024	86,524
Fees and fines	49,500	54,458	4,958
Unclassified	8,650	17,740	9,090
Investment earnings	80,000	279,911	199,911
Total revenues	\$ 22,300,125	23,266,576	966,451

## Revenue Sources 2006

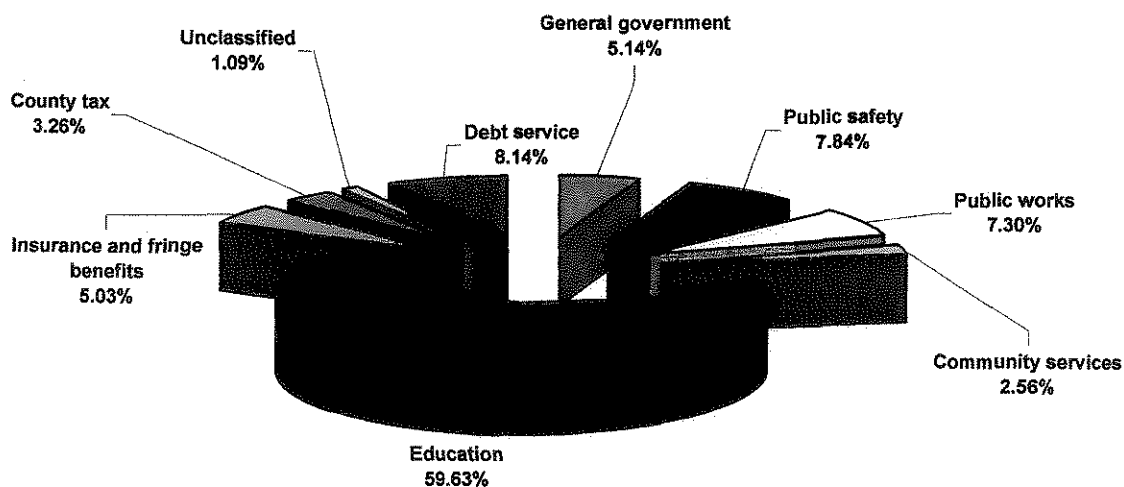


## General Fund Expenditures Budget to Actual Summary

General Fund expenditure budgets are approved by the Town Council at the departmental level, with charter budgetary limits at the function level. Expenditures were less than appropriations throughout the budget resulting in approximately \$295,000 of savings. A few departments exceeded their authorized level by small amounts as a result of wage accrual adjustments. A negative variance is noted in unclassified due to higher than expected tax abatements. Abatements are not subject to charter limits as they are corrections to valuation calculations on the commitment. All charter function levels were significantly within budget limits. The following summarizes the Town of Freeport's General Fund budgeted appropriations to actual by function for the year ended June 30, 2006 (see Exhibit A-2 for a more detailed presentation):

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government	\$ 1,196,158	1,163,170	32,988
Public safety	1,819,151	1,773,089	46,062
Public works	1,732,907	1,651,548	81,359
Community services	618,461	578,601	39,860
Education	13,416,283	13,483,277	(66,994)
Insurance and fringe benefits	1,255,000	1,137,721	117,279
County tax	736,850	736,850	-
Unclassified	254,000	246,359	7,641
Debt service	1,878,242	1,841,519	36,723
Total expenditures	\$ 22,907,052	22,612,135	294,917

## Expenditure Components 2006



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

### **CAPITAL ASSETS**

The Town has developed and maintained a five-year and a twenty-year Capital Improvement Plan (CIP) for over twenty years. This plan is updated annually as part of the budget cycle. The plan is for equipment, building and Town wide infrastructure needs. Additionally, the Town has a street paving account in the Public Works budget for ongoing street paving. The Town's 2006 capital budget that was approved in April of 2006 included \$516,500 for school capital needs and \$655,500 for various departmental equipment and Town improvement projects. No borrowing was required as all of these projects were funded from existing capital reserves (\$947,000) and General Fund Fund Balance (\$225,000). A summary of the Town's capital assets at June 30, 2006 and 2005 are as follows:

General fixed assets:	<u>2006</u>	<u>2005</u>
Land	\$1,850,869	1,850,869
Land improvements	1,257,016	1,147,756
Buildings and improvements	26,760,292	26,598,591
Machinery, equipment and other	4,235,794	3,712,217
Vehicles	3,885,671	3,830,218
Infrastructure	2,561,419	2,225,402
Construction in process	1,862,817	491,640
Total governmental fund capital assets	\$42,413,878	39,856,693

### **LONG-TERM DEBT**

The State allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,337,850,000 for 2006, the debt limit would be over \$200,500,000. Our current debt is \$13,495,250, or slightly less than 1.01% of State Valuation or approximately 6.73% of the Town's debt limit. Another measure of a municipalities debt load is debt per capita. As of June 30, 2006, the Town of Freeport's debt per capita was \$1,687 as compared to the prior year of \$1,937.

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2006:

Bonds and notes payable at June 30, 2005	\$ 15,107,900
Principal additions	-
Principal payments	(1,612,650)
<u>Bonds and notes payable at June 30, 2006</u>	<u>\$ 13,495,250</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Freeport and its vibrant downtown continue to experience economic growth from business development, considerable residential construction growth and stable employment levels. Both commercial and residential development in Freeport has increased considerably over the past several years. Last year the Town's largest employer, LL Bean, received approval for a 335,000 sq. ft. expansion at their Order Fulfillment Center on Desert Road. Construction is underway with completion expected this spring. Additionally, the Town entered into a partnership with Berenson Associates and LL Bean for the development of \$45 million parking garage and retail complex in the downtown village. The project would include a two-story 529 space parking structure topped with a third story of retail. It is anticipated that the project will have an additional 118,500 s.f. of retail space which will include state of the art retailers and restaurants. LL Bean will lease the land to Berenson Associates who will develop the project. The Town will provide assistance through a Tax Increment Financing District over the next 20 years with potential funding towards the garage portion of the project not to exceed \$17,500,000. Several other LL Bean projects have been recently approved or are currently under review. This includes the construction of a new maintenance facility, a new Outlet Store, addition to the Hunting and Fishing Store, and a new 19,600 s.f. data center. The company also recently opened a Boat, Bike, and Ski Store in downtown Freeport. Other commercial proposals were significant, with development taken place in 2006 on US Route One. The types of commercial uses remained diverse and for many, construction has recently been completed or is well underway. Three new office buildings are being constructed for a total of 15,000 sq. ft. of new office space. The uses will include a medical office, a plumbing/electrical company, and a testing laboratory. A new building containing nine thousand square feet of retail space has been constructed and will accommodate two retail tenants. A new 5,000 sq.ft. restaurant is also currently under construction. Additionally, in 2006, the Freeport Project Review Board approved seven (7) single-family residential developments with a total of 43 new house lots being created. The Board also approved a large increase in condominium developments, with four (4) developments approved with a total of 20 new units, for which much of the construction is already underway.

The Freeport Project Review Board is currently reviewing two applications for retirement communities. Both communities will have a variety of housing types including independent living cottages, assisted living apartments and will have a lodge or community buildings to provide services to residents. Between the two developments, a total of 313 living units are proposed.

The Town of Freeport is within a 25 mile radius of the Brunswick U.S. Naval Air Station. The base is scheduled for closure in 2011 as part of the 2005 Base Realignment and Closure decision. However, The Town anticipates fairly limited impact on its housing stock due to its close proximity to the City of Portland, its coastal location and availability of land which has made it very attractive to residential development for the Portland market. Freeport has seen substantial residential construction for several years and anticipates a continuation of this trend for the near future.

## New Fiscal Year Budget

In adopting the budget for the ensuing fiscal year 2007, the Town officials considered many factors in making judgments and estimates about the finances for the upcoming year. A primary objective was to continue to provide basic town services to the citizens while attempting to keep the property tax rate low. For the new fiscal year (2007) the Town underwent a market update to its valuation of all real and personal property as of April 1<sup>st</sup> 2006. It had been several years since the last revaluation and the Town's valuation ratios were getting very low as compared to market for certain types of property and areas of the Town. Overall valuation increased by approximately 33% as a result of the market update.

The budget for the fiscal year starting July 1, 2006 was approved by the Town Council with a tax rate of 12.50 mills, for a decrease over the prior year's rate of 17.90 mills primarily the result of the market update of valuations.

The following summarizes the major components of the FY 2006 and FY 2007 budgets:

	FY 2006 <u>Appropriation</u>	FY 2007 <u>Appropriation</u>	<u>Variance</u>
<u>REVENUES:</u>			
School	\$ 2,442,898	2,680,574	237,676
Town Non-Property Tax	3,126,177	3,282,937	156,760
Property Tax	17,112,227	17,430,260	318,033
Fund Balance	405,000	385,000	(20,000)
<b>TOTALS</b>	<b>\$ 23,086,302</b>	<b>23,778,771</b>	<b>692,469</b>
<u>EXPENDITURES:</u>			
Municipal	\$ 6,970,677	7,239,779	269,102
School	13,065,877	13,588,512	522,635
County Tax	736,850	751,831	14,981
Capital Reserves	50,000	75,000	25,000
Debt Services	2,262,898	2,123,649	(139,249)
<b>TOTALS</b>	<b>\$ 23,086,302</b>	<b>23,778,771</b>	<b>692,469</b>
 Tax Mil Rate	 17.90	 12.50	 (5.40)
(Decrease) in Tax Rate			(30.10)%

In terms of the future, while we are in good financial shape at this time, with revenues starting to level off, we need to be alert to the public benefit versus the costs of the services we provide. We need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Freeport's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Freeport, 30 Main Street, Freeport, Maine 04032.

Respectfully submitted,

Dale C. Olmstead Jr.  
Town Manager

Gregory N. L'Heureux  
Finance Director

## **BASIC FINANCIAL STATEMENTS**

## TOWN OF FREEPORT, MAINE

## Statement of Net Assets

June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,656,144	-	5,656,144
Investments	10,626,094	-	10,626,094
Receivables:			
Accounts, net	58,414	101,182	159,596
Intergovernmental	42,385	-	42,385
Taxes receivable	663,918	-	663,918
Tax liens	231,719	-	231,719
Internal balances	114,733	(114,733)	-
Inventory	39,257	-	39,257
Capital assets, net	29,351,299	32,677	29,383,976
Total assets	46,783,963	19,126	46,803,089
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,142,689	4,697	1,147,386
Accrued wages and benefits payable	38,809	2,567	41,376
Compensated absences payable	179,000	-	179,000
Accrued interest	143,022	-	143,022
Noncurrent liabilities:			
Other long-term liabilities	1,117,991		1,117,991
Bonds due within one year	1,542,650	-	1,542,650
Bonds due in more than one year	11,952,600	-	11,952,600
Total liabilities	16,116,761	7,264	16,124,024
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,856,049	32,677	15,888,726
Restricted for:			
Special revenues	740,551	-	740,551
Capital projects	280,815	-	280,815
Nonexpendable trust principal	1,007,270	-	1,007,270
Other purposes	752,145	-	752,145
Unrestricted	12,030,373	(20,815)	12,009,558
Total net assets	\$ 30,667,203	11,862	30,679,065

See accompanying notes to financial statements.

**TOWN OF FREEPORT, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,528,013	327,616	-	-	(1,200,397)	-	(1,200,397)
Public safety	2,457,607	253,371	21,725	-	(2,182,511)	-	(2,182,511)
Public works	2,043,013	192,630	170,268	-	(1,680,115)	-	(1,680,115)
Community services	811,668	140,572	9,360	-	(661,736)	-	(661,736)
Education	14,332,120	972,732	2,091,778	-	(11,267,609)	-	(11,267,609)
Maine State Retirement on behalf payments	1,426,000	-	1,426,000	-	-	-	-
County tax	736,850	-	-	-	(736,850)	-	(736,850)
Unclassified	1,649,364	542,505	127,310	-	(979,549)	-	(979,549)
Interest on debt	927,692	-	-	-	(927,692)	-	(927,692)
Capital maintenance expenses	151,160	-	-	625,372	474,212	-	474,212
Total governmental activities	26,063,488	2,429,426	3,846,441	625,372	(19,162,248)	-	(19,162,248)
Business-type activities:							
Nonemergency Transportation	308,191	365,960	-	-	-	57,768	57,768
Total business-type activities	308,191	365,960	-	-	-	57,768	57,768
Total primary government	\$ 26,371,679	2,795,385	3,846,441	625,372	(19,162,248)	57,768	(19,104,480)
General revenues:							
Property taxes, levied for general purposes				\$	18,525,125	-	18,525,125
Motor vehicle excise taxes					1,365,683	-	1,365,683
Interest and lien costs					51,714	-	51,714
Grants and contributions not restricted to specific programs:							
Homestead exemption					171,441	-	171,441
Other State aid					47,882	-	47,882
State Revenue Sharing					691,097	-	691,097
Unrestricted investment earnings					805,092	-	805,092
Miscellaneous revenues					728,361	-	728,361
Total general revenues and transfers					22,386,397	-	22,386,397
Change in net assets					3,224,148	57,768	3,281,917
Net assets - beginning					27,443,054	(45,906)	27,397,148
Net assets - ending					\$ 30,667,203	11,862	30,679,065

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Assets:				
Cash	\$ 4,723,416	479,614	453,114	5,656,144
Investments	4,206,108	4,529,427	1,890,559	10,626,094
Receivables:				
Accounts	23,862	-	34,551	58,414
Intergovernmental	-	-	42,385	42,385
Taxes receivable	663,918	-	-	663,918
Tax liens	231,719	-	-	231,719
Interfund loans receivable	118,191	-	3,689,093	3,807,284
Inventory	17,523	-	21,734	39,257
<b>Total assets</b>	<b>\$ 9,984,737</b>	<b>5,009,041</b>	<b>6,131,436</b>	<b>21,125,214</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 339,352	-	508,136	847,488
Accrued wages and benefits	38,809	-	-	38,809
Compensated absences payable	179,000	-	-	179,000
Taxes collected in advance	15,739	-	-	15,739
Interfund loans	3,097,084	369,485	225,981	3,692,550
Development escrows	173,965	-	-	173,965
Deferred tax revenues	651,000	-	-	651,000
Other deferred revenues	105,497	-	-	105,497
<b>Total liabilities</b>	<b>4,600,446</b>	<b>369,485</b>	<b>734,117</b>	<b>5,704,048</b>
Fund balances:				
Reserved for:				
Encumbrances	555,588	-	-	555,588
Nonexpendable trust principal	-	-	1,007,270	1,007,270
Future retirement pay	157,300	-	-	157,300
Inventory	17,523	-	21,734	39,257
Unreserved, reported in:				
Designated	1,385,000	-	294,331	1,679,331
Undesignated:				
General fund	3,268,880	-	-	3,268,880
Special revenue funds	-	4,639,556	1,572,433	6,211,989
Capital project funds	-	-	2,488,697	2,488,697
Permanent funds	-	-	12,854	12,854
<b>Total fund balances</b>	<b>5,384,291</b>	<b>4,639,556</b>	<b>5,397,319</b>	<b>15,421,166</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,984,737</b>	<b>5,009,041</b>	<b>6,131,436</b>	<b>21,125,214</b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,351,299
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	651,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(14,756,263)

<b>Net assets of governmental activities</b>	<b>30,667,202</b>
--	-------------------

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2006**

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 18,817,428	-	1,009,095	19,826,523
Licenses, permits and fees	297,973	81,933	-	379,906
Intergovernmental	2,543,311	-	1,369,318	3,912,628
Intergovernmental on behalf payments	1,426,000	-	-	1,426,000
Tuition and other charges for services - education	972,732	-	-	972,732
Charges for services	283,024	214,385	1,061,751	1,559,160
Fees and fines	54,458	-	-	54,458
Unclassified	17,740	110,703	106,694	235,137
Investment earnings	279,911	363,133	162,048	805,092
Total revenues	24,692,576	770,154	3,708,905	29,171,636
Expenditures:				
Current:				
General government	1,177,728	-	-	1,177,728
Public safety	1,723,977	-	10,509	1,734,485
Public works	1,488,692	-	5,000	1,493,692
Community services	572,347	-	-	572,347
Education	13,483,277	-	543,457	14,026,734
Maine State Retirement on behalf payments	1,426,000	-	-	1,426,000
Insurance and fringe benefits	1,135,221	2,029	-	1,137,250
County tax	736,850	-	-	736,850
Food services	-	-	452,224	452,224
Unclassified	244,352	30,260	889,887	1,164,500
Capital outlay	-	-	2,837,076	2,837,076
Debt service	1,841,519	-	333,100	2,174,619
Total expenditures	23,829,964	32,289	5,071,252	28,933,506
Excess (deficiency) of revenues over (under) expenditures	862,612	737,865	(1,362,347)	238,130
Other financing sources (uses):				
Operating transfers from other funds	381,177	1,259,750	1,840,250	3,481,177
Operating transfers to other funds	(755,121)	(2,018,500)	(707,556)	(3,481,177)
Total other financing sources (uses)	(373,944)	(758,750)	1,132,694	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	488,668	(20,885)	(229,652)	238,130
Fund balances, beginning of year	4,895,622	4,660,442	5,626,972	15,183,036
<b>Fund balances, end of year</b>	<b>\$ 5,384,291</b>	<b>4,639,556</b>	<b>5,397,319</b>	<b>15,421,166</b>

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2006**

---

Net change in fund balances - total governmental funds (from Statement 4)	\$	238,130
---	----	---------

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 and the loss from disposal of capital assets in the current period.		1,408,965
--	--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		116,000
--	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(151,597)
---	--	-----------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		1,612,650
--	--	-----------

---

Change in net assets of governmental activities (see Statement 2)	\$	3,224,148
---	----	-----------

---

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - All Budgeted Governmental Fund Types**  
**General Fund**  
**For the year ended June 30, 2006**

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 18,389,727	18,389,727	18,817,428	427,701
Licenses, permits and fees	155,200	155,200	297,973	142,773
Intergovernmental	2,520,631	2,520,631	2,543,311	22,680
Tuition and other charges for services - education	899,917	899,917	972,732	72,815
Charges for services	196,500	196,500	283,024	86,524
Fees and fines	49,500	49,500	54,458	4,958
Unclassified	8,650	8,650	17,740	9,090
Investment earnings	80,000	80,000	279,911	199,911
Total revenues	22,300,125	22,300,125	23,266,576	966,451
Expenditures:				
Current:				
General government	1,196,158	1,196,158	1,163,170	32,988
Public safety	1,819,151	1,819,151	1,773,089	46,062
Public works	1,732,907	1,732,907	1,651,548	81,359
Community services	618,461	618,461	578,601	39,860
Education	13,416,283	13,416,283	13,483,277	(66,994)
Insurance and fringe benefits	1,255,000	1,255,000	1,137,721	117,279
County tax	736,850	736,850	736,850	-
Unclassified	254,000	254,000	246,359	7,641
Debt service	1,878,242	1,878,242	1,841,519	36,723
Total expenditures	22,907,052	22,907,052	22,612,135	294,917
Excess of revenues over expenditures	(606,927)	(606,927)	654,441	1,261,368
Other financing sources (uses):				
Use of undesignated fund balance - Town	350,000	575,000	-	(575,000)
Use of undesignated fund balance - School	55,000	55,000	-	(55,000)
Use of undesignated fund balance - Reserves	-	350,871	-	(350,871)
Operating transfers from other funds	381,177	381,177	381,177	-
Operating transfers to other funds	(179,250)	(755,121)	(755,121)	-
Total other financing sources (uses)	606,927	606,927	(373,944)	(980,871)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	280,497	280,497
Reconciliation to GAAP basis:				
Encumbrances			208,172	
Excess (deficiency) of revenues and other financing sources over (under) expenditures - GAAP basis			488,669	
Fund balance, beginning of year			4,895,622	
Fund balance, end of year	\$		5,384,291	

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

<b>Business-type Activities - Enterprise Funds</b>		
		<b>Nonemergency Transportation Program</b>
<b>ASSETS</b>		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$116,000	\$	101,182
Total current assets		101,182
Non-current assets:		
Property, plant, and equipment		107,272
Less accumulated depreciation		(74,595)
Total noncurrent assets		32,677
<b>Total assets</b>	<b>\$</b>	<b>133,859</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		4,697
Interfund loans		114,733
Accrued wages and benefits payable		2,567
Total current liabilities		121,997
<b>Total liabilities</b>	<b>\$</b>	<b>121,997</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		32,677
Unrestricted		(20,815)
<b>Total net assets (deficit)</b>	<b>\$</b>	<b>11,862</b>

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2006**

<b>Business-type Activities - Enterprise Funds</b>	
	<b>Nonemergency Transportation Program</b>
Operating revenues:	
Charges for services (net uncollectibles)	\$ 365,960
Total operating revenues	365,960
Operating expenses:	
Wages and benefits	257,884
Operational costs	27,855
Depreciation and amortization	22,452
Total operating expenses	308,191
Operating income	57,768
Gain on sale of fixed assets	-
Change in net assets	57,768
Total net assets (deficit), beginning of year	(45,906)
<b>Total net assets (deficit), end of year</b>	<b>\$ 11,862</b>

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the year ended June 30, 2006**

<b>Business-type Activities - Enterprise Funds</b>		
		<b>Nonemergency Transportation Program</b>
Cash flows from operating activities:		
Receipts from customers and users	\$	357,864
Payments to suppliers		(27,855)
Payments to employees		(257,070)
Net cash provided by (used in) operating activities		72,938
Cash flows from capital and related financing activities:		
Purchase of vehicle		(30,000)
Interfund borrowing		(42,938)
Net cash provided by (used in) financing activities		(72,938)
Decrease in cash		-
Cash, beginning of year		-
<b>Cash, end of year</b>	<b>\$</b>	<b>-</b>

**Reconciliation of operating income to net cash  
provided by operating activities:**

Operating income (loss)	\$	57,768
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization		22,452
(Increase) decrease in operating assets:		
Accounts receivable		(10,879)
Increase (decrease) in operating liabilities:		
Accounts payable		2,783
Accrued wages and benefits payable		814
Net cash provided by (used in) operating activities		72,938

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<u>Agency Fund</u>
	<u>School Activity</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash	\$ 165,527
<b>Total assets</b>	<b>165,527</b>
<b>LIABILITIES AND</b>	
<b>FUND BALANCES</b>	
Liabilities:	
Due to student groups	165,527
<b>Total liabilities</b>	<b>165,527</b>
Net assets:	
Held in trust	\$ -

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**A. Reporting Entity**

The Town of Freeport, Maine was incorporated as a Town in 1789 under the laws of the State of Massachusetts and later the State of Maine. The Town operates under a council-manager form of government. Freeport is located in Cumberland County approximately fifteen miles northeast of Portland along the southern Maine coast. The Council is comprised of seven members elected by district and at-large for staggered three-year terms.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14 "The Financial Reporting Entity". The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on the application of these criteria, the town has reported the following component unit:

**Component Unit**

**Freeport Economic Development Corporation (FEDC)** is a component unit of the Town and is governed by a Town appointed Board. Although it is legally separate from the Town, the FEDC is reported as if it were part of the primary government because its sole purpose is to attract new businesses to the Freeport area. There are no separately issued financial statements for this component unit and it is reported as a special revenue fund blended component unit.

As defined in GASB Statement #14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The Town participates in the following joint venture:

**Joint Venture**

**Eastern Cumberland - Sagadahoc County Vocational Program**-The Town shares the financial and governing responsibility of the Eastern Cumberland - Sagadahoc County Vocational Program for Maine Vocational Region #10 with Maine School Administrative District No. 75 and the Town of Brunswick, Maine. The entities fund the operations of the applied technology program through yearly assessments. Maine Vocational Region No. 10 had total net assets of \$1,102,706 as of June 30, 2005. The financial statement of Maine Vocational Region No. 10 for the year ended June 30, 2005 and audit report dated November 17, 2005 are available from the Region in Topsham, Maine.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

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

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

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

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

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

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

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

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

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

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**The Town reports the following major governmental funds:**

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

**The Town Capital Reserve Funds** are used to account for financial resources reserved for the acquisition or construction of major equipment and capital facilities.

**The Town reports the following proprietary fund:**

**Nonemergency Transportation Program (NET)** accounts for the operation of a nonemergency transportation program operating in Southern Maine.

**Additionally, the Town reports the following fund types:**

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**D. Receivables**

Accounts receivable for the business-type activities include an allowance for doubtful accounts in the amount of \$116,000 as of June 30, 2006. Management has determined that potential uncollectible accounts for intergovernmental, taxes and tax liens receivable are not material.

**E. Investments**

Investments are stated at fair value, unless otherwise indicated.

Investments of the Permanent Funds, Town and School Reserve accounts and certain capital project funds are pooled on a cost basis, with each individual fund subscribing to or disposing of interest in the investment pool on the basis of cost value at the beginning of the fiscal year. As such, investment income, investment expense, and gains and losses on sales of investments are allocated to each fund based on its proportionate interest in the investment pool.

**F. Capital Assets**

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

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

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 60 years. Business-type fund capital assets are depreciated using the straight line method over the assets' estimated useful lives ranging from 4 to 7 years.

For all capital assets; buildings, vehicles and equipment the Town elects to use the Depreciation Approach as defined by Statement No. 34 for reporting. The Town conducted an inventory of all other non-infrastructure capital assets for fiscal year 2003. This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost. Infrastructure assets will be compiled over the next 2-3 years and valued at historical cost.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**G. Vacation and Sick Leave**

Under the terms of personnel policies and a union contract, vacation and sick leave are granted in varying amounts according to length of service. The Town and the School Department accrue accumulated vacation leave and vested sick leave. The portion of this liability attributable to the General Fund, which is expected to be paid with current financial resources, is accrued in the General Fund with the balance reported in the government-wide financial statement.

**H. Long-Term Obligations**

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

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

**I. Inventory**

Inventory in the General Fund consists of vehicle fuel and inventory of the School Lunch Program consists of food, supplies and donated commodities and is recorded at the lower of cost or market on the first-in, first-out basis and is offset with a reserved fund balance for inventories.

**J. Interfund Transactions**

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

**K. Fund Equity**

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

**L. Use of Estimates**

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

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**M. Comparative Data/Reclassifications**

Comparative data for the prior year has been presented only in the supplemental information for the General Fund individual fund financial statements (Exhibits A-1 and A-2) in order to provide an understanding of the changes in the financial position and operations for this fund.

**N. Budgetary Information**

Each year the Town Manager submits to the Town Council a budget for the ensuing fiscal year. Hearings are held to obtain public comments. The budget is legally enacted by a council order. The order enacts the total Town and the total School appropriation. Budgets are adopted for the General Fund, Winslow Park Fund and Nonemergency Transportation Fund only, and are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances and Maine State Retirement on-behalf payments. As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Town of Freeport School Department. These amounts have not been budgeted and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of \$1,426,000. These amounts have been included as an intergovernmental revenue and an education expenditure in the General Fund on Statement 4 (GAAP basis). Additionally, encumbrances have been recorded as expenditures for budgetary reporting in the year encumbered. There is no effect on the fund balance at the end of the year.

---

**CASH AND INVESTMENTS**

---

The Town's policy is to invest all available funds at the highest possible rates in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with the Town's cash needs during the year. Generally, the Town invests such excess funds in cash management accounts and various insured certificates of deposits.

**Deposits:**

**Custodial Credit Risk- Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. Generally, the Town maintains deposits in banks or savings and loans that are a member of the FDIC and qualify as a depository of public funds in the State of Maine as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2006, the Town reported deposits of \$5,656,144 with a bank balance of \$6,019,425. Of the Town's bank balances, \$2,121,462 was covered by FDIC insurance and \$3,897,963 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, \$1,428,884 was collateralized by the pledging bank and \$2,469,079 was uninsured and uncollateralized.

**Investments:**

**Custodial Credit Risk- Investments:** For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**CASH AND INVESTMENTS, CONTINUED**

---

At June 30, 2006, the Town had the following investments and maturities:

	Fair <u>Value</u>	Not <u>Applicable</u>	Less than <u>1 year</u>	<u>1-5 years</u>
Money market fund	\$ 595,953	-	595,953	-
US Treasury Strips	620,032	-	620,032	-
US Agency Notes	374,416	-	174,416	200,000
US Agency Strips	442,130	-	-	442,130
Commercial paper	1,969,954	-	1,969,954	-
Repurchase Agreement	1,000,000	-	1,000,000	-
Mutual Funds	4,776,359	4,776,359	-	-
Investment Pool	847,250	847,250	-	-
<b>Total investments</b>	<b>\$10,626,094</b>	<b>\$5,623,609</b>	<b>\$4,360,355</b>	<b>\$642,130</b>

**Interest Rate Risk:** The Town does not have a formal policy related to investment rate risk. Generally the Town, to the extent possible, attempts to match investments with anticipated cash requirements that attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements.

**Credit Risk:** Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and certain corporate stocks and bonds. Generally, the Town invests such excess funds in U.S. Treasury and Agency bonds and notes, repurchase agreements, and in investment pool funds. Certain long-term reserve and trust funds are invested through a financial institution with trust powers in fixed income and equity mutual funds to provide long-term growth and income.

**Concentration of Credit Risk:** The Town's investment portfolio is comprised of a mix of money market, mutual funds, US Treasury and Agency Strips and a state investment pool. At June 30, 2006 the Town had individual investments that exceeded 5 percent of the Town's investments as follows:

	Fair Value <u>June 30, 2006</u>	<u>Percent</u>	Credit Risk <u>Rating</u>
MBIA Maine Class Investment Pool	\$ 847,250	8.0%	AAA
U.S. Treasury Strips	620,032	5.8%	AAA
GECC Commercial Paper	1,968,954	18.5%	P1/A1+
Mutual Funds:			
American Funds –Growth Fund of America	766,368	7.2%	N/A
American Funds –Fundamental Investors	1,324,281	12.5%	N/A
Evergreen Adjustable Rate Bond Fund	1,335,651	12.6%	AAA

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**PROPERTY TAX**

---

Property taxes for the current period were committed on September 15, 2005, on the assessed value listed as of April 1, 2005, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 15, 2005 and May 15, 2006. Personal property taxes were due in whole on November 15, 2005. Interest at the rate of 7.75 % per annum was charged on any amounts remaining unpaid after these dates. Assessed values are periodically established by the Assessor's agent at 100% of assumed market value. During 2002, the Town implemented a town-wide revaluation that was completed for the assessment list of April 1, 2002. The 2005 assessed value was 82.5% of the estimated market value and 87.4% of the 2005 state valuation of \$1,180,750,000.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$354,527 for the period ended June 30, 2006.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

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

The following summarizes the tax levies:

	<u>2006</u>	<u>2005</u>
Assessed value	\$1,032,170,329	1,014,535,861
Tax rate (per \$1,000)	17.90	18.10
Commitment	18,475,849	18,363,099
Supplemental taxes assessed	49,276	17,268
	18,525,125	18,380,367
Less:		
Collections and abatements	17,867,390	17,824,465
<b><u>Receivable at end of period (Current year)</u></b>	<b><u>\$ 657,735</u></b>	<b><u>555,902</u></b>
Collection rate	96.45%	96.98%

---

**SIGNIFICANT TAXPAYER**

---

For the year ended June 30, 2006, the Town of Freeport committed and collected \$3,530,986 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 19.11% of total property taxes assessed.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**CAPITAL ASSETS**

---

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
<b>Governmental activities:</b>				
Land	\$ 1,850,869	-	-	1,850,869
Total capital assets, not being depreciated	1,850,869	-	-	1,850,869
Capital assets, being depreciated:				
Land improvements	1,147,756	109,260	-	1,257,016
Buildings and building improvements	26,598,591	161,701	-	26,760,292
Machinery, equipment and other	3,712,217	523,577	-	4,235,794
Vehicles	3,830,218	309,776	254,323	3,885,671
Construction work in process	491,640	1,371,177	-	1,862,817
Infrastructure	2,225,402	336,017	-	2,561,419
Total capital assets being depreciated	38,005,824	2,811,508	254,323	40,563,009
Less accumulated depreciation	11,914,360	1,358,011	209,792	13,062,579
Total capital assets being depreciated, net	26,091,464	1,453,497	44,531	27,500,430
<b>Governmental activities capital assets, net</b>	<b>\$27,942,333</b>	<b>1,453,497</b>	<b>44,531</b>	<b>29,351,299</b>
	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
<b>Business-type activities:</b>				
Equipment	\$ 10,772	-	-	\$ 10,772
Vehicles	124,420	30,000	57,920	96,500
Total capital assets being depreciated	135,192	-	57,920	107,272
Less accumulated depreciation	110,063	22,452	57,920	74,595
<b>Business-type activities capital assets, net</b>	<b>\$25,129</b>	<b>7,548</b>	<b>-</b>	<b>\$ 32,677</b>

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2006 as follows:

<b>Governmental activities:</b>	
General government	\$ 60,378
Public Safety	274,467
Public Works	317,129
Community services	146,486
Education	505,996
Unclassified	53,555
<b>Total depreciation expense – governmental activities</b>	<b>\$ 1,358,011</b>
<b>Business-type activities:</b>	
Nonemergency Transportation Program	22,452
<b>Total depreciation expense - business activities</b>	<b>\$ 22,452</b>

In accordance with GASB Statement No. 34, the Town is required to retroactively report all major general infrastructure assets by June 30, 2007. As of June 30, 2006, the Town has not yet determined the amount to be recorded. At present infrastructure assets additions have been recorded for assets acquired after June 30, 2001.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**INTERFUND TRANSACTIONS**

---

During the course of normal operations the Town has numerous transactions between funds including expenditures and transfers. Individual fund interfund receivables and payables balances at June 30, 2006 arising from these transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 118,191	\$3,097,084
Special Revenue Fund:		
Town reserve funds	-	369,485
School reserve funds	-	211,685
Winslow Park	-	9,743
TIF funds	311,632	-
Bartol building lease fund	457,936	-
Tower lease fund	185,109	-
Other Town grants & programs	30,496	-
School categorical funds	223,661	-
Capital Project Funds:		
School capital projects	582,357	-
Fire department projects	47,312	-
Rescue department projects	13,325	-
Public Works projects	187,565	-
Police department projects	17,498	-
Recycling projects	146,091	-
Comprehensive Town projects	354,796	-
Municipal buildings and other	316,160	-
Boards and committees	761,525	-
Undesignated interest	52,535	-
Enterprise NET Program	-	114,732
Permanent Funds	1,095	4,555
<b>Totals</b>	<b>\$3,807,284</b>	<b>\$3,807,284</b>

---

**FUND BALANCE**

---

At June 30, 2006, the General Fund's fund balance was comprised of the following:

Reservations:	
Encumbrances	\$ 555,588
Inventory	17,523
Future retirement pay	157,300
<b>Total</b>	<b>\$ 730,411</b>

Designated fund balances:	
Town FY 2006 budgeted use of Fund Balance	\$ 370,000
Tax rate stabilization account	1,000,000
School FY 2006 budgeted use of Fund Balance	15,000
<b>Total</b>	<b>\$ 1,385,000</b>

Undesignated fund balance:	
General education undesignated	\$ 49,577
Town undesignated	3,219,303
<b>Total</b>	<b>\$ 3,268,880</b>

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**PENSION PLANS**

---

**Maine State Retirement Systems - School Employees**

All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System 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 Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 7.65% of their compensation to the retirement system. Employee contributions for the year ended June 30, 2006 totaled \$591,657. The School Department's payroll for employees covered by this group, for the fiscal year ended June 30, 2006, was \$7,721,661. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to 19.15% of compensation. Contributions paid by the State (on-behalf payments) totaled approximately \$1,426,000 for the year ended June 30, 2006. There is no contribution required by the School Department except for federally funded teachers for which the School Department contributes 19.15% of their compensation. This cost amounted to \$52,731 for the year ended June 30, 2006, and is charged to the applicable grant.

**Maine State Retirement System - District Group**

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

**Funding Policy** - Plan members are required to contribute a percentage of their annual covered salary. The Town is required to contribute an actuarially determined rate. Employer and member rates for the year ended June 30, 2006 were as follows:

	<u>Special #2C</u>
Employer payroll rate(s):	
Normal cost	9.6%
Pooled UAL	-5.6%
Rejoining rate	5.6%
	<hr/>
Total payroll rate	9.60%
	<hr/>
Monthly IUUAL available (7/1/05-6/30/06):	
Payment/(Credit)	(\$ 3,447)
	<hr/>
Member contribution rate(s)	<u>6.5%</u>

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

---

**PENSION PLANS, CONTINUED**

---

Prior to the Consolidated Plan, the Town had a separate inactive District Plan. Effective July 1, 2003, the Town elected to join the Consolidated Plan. Under the terms of joining the Consolidated Plan, the Town has an Initial Unpooled Unfunded Actuarial Liability Credit (IUUAL). The credit is being amortized over 14 years starting for the fiscal year 2006. Employer contributions for the year ended June 30, 2006 were \$111,314 net credits taken. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement System Board of Trustees. For the years ended June 30, 2006, employee contributions to the plan totaled \$102,040.

**Defined Contribution Plan**

The Town offers its regular employees a defined contribution money purchase plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate and are vested from the date of employment. Participating employees are required to contribute 7% of compensation for the year and the Town matches the employees' contribution with 10% of compensation for the plan year. For the year ended June 30, 2006, the Town's contribution to the plan totaled \$122,297.

**Deferred Compensation Plan**

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

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

**Other**

Additionally, the Town participates in the Social Security Retirement Program. The Town and School's contribution to Social Security (including Medicare) was approximately \$468,836 for the year ended June 30, 2006.

---

**CONTINGENCIES**

---

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

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

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

**LONG-TERM DEBT**

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2006:

Bonds and notes payable at June 30, 2005	\$ 15,107,900
Principal additions	-
Principal payments	(1,612,650)
<b>Bonds and notes payable at June 30, 2006</b>	<b>\$ 13,495,250</b>

Bonds and notes payable at June 30, 2006 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2006</u>
Governmental activities:					
1986 Town improvements	10/29/86	\$1,425,000	2006	6.600%	\$45,000
1990 Capital improvements	9/01/90	6,175,000	2010	7.244%	1,375,000
1992 Capital improvements	12/15/98(1)	3,274,000	2012	4.206%	1,060,000
1996 Capital improvements	5/23/96	659,000	2006	5.075%	65,900
1997 Capital improvements	1/23/97	4,275,000	2016	5.300%	1,825,000
1997 Taxable improvements	1/23/97	265,000	2006	7.000%	25,000
1997 Capital improvements	10/30/97	465,000	2007	4.668%	93,000
1998 Capital improvements	10/29/98	508,000	2008	4.034%	152,400
1999 Capital improvements	11/01/99	960,000	2009	5.000%	200,000
2000 School improvements	2/08/01	4,888,000	2021	4.578%	3,425,000
2001 Capital improvements	10/25/01	517,000	2011	4.401%	286,200
2001 Capital improvements	2/14/02	1,000,000	2022	4.598%	800,000
2002 Capital improvements	10/30/02	540,500	2012	2.983%	320,750
2002 School improvements	11/07/02	4,491,000	2012	4.319%	3,815,000
2002 School improvements	6/02/03	25,000	2007	N/A	7,000
<b>Total bonds and notes payable</b>					<b>\$ 13,495,250</b>

(1) Bonds were originally issued in 1992 but were refinanced in 1998 at a lower cost.

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

The Town is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the Town. The Town's outstanding long-term debt of \$13,495,250 at June 30, 2006 was within the statutory limit.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**LONG-TERM DEBT, CONTINUED**

---

The annual requirements to amortize all debt outstanding at June 30, 2006 are as follows. Such amounts exclude overlapping debt requirements, but include School debt requirements to be reimbursed by the State of Maine.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	1,542,650	611,043	2,153,693
2008	1,376,750	540,634	1,917,384
2009	1,316,350	475,875	1,792,225
2010	1,260,550	412,822	1,673,372
2011	1,210,550	351,552	1,562,102
2012-2016	3,673,400	1,166,573	4,839,973
2017-2021	2,625,000	452,230	3,077,230
2022-2023	490,000	23,730	513,730
<b>Totals</b>	<b>\$13,495,250</b>	<b>\$4,034,458</b>	<b>\$17,529,708</b>

The State of Maine currently reimburses the Town for a portion of financing costs of school building and school bus purchases. Continuation of such reimbursements is dependent upon continued appropriations by the State legislature.

---

**OVERLAPPING DEBT AND OTHER CONTINGENCIES**

---

**Overlapping Debt**

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's state valuation to the County's state valuation. At June 30, 2006, the Town's share is \$411,095 (3.89%) of Cumberland County's outstanding debt of \$10,560,000.

**Other Contingencies**

Regional Waste Systems, Inc. (RWS), a Maine corporation with twenty participating municipalities including the Town of Freeport, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of RWS, payable from and secured by a pledge of RWS revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. RWS has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to RWS for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2006, outstanding "Incinerator Debt" of RWS totaled \$43,076,000 and "Material Recycling Facility Debt" of RWS totaled \$5,029,000 of which the Town of Freeport's share, based on estimated tonnage to be delivered, amounted to \$1,344,035 and \$131,760. Additionally, the Town's share of the projected landfill closure and post closure cost relating to RWS is estimated to be \$642,677.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**TAX INCREMENT FINANCING DISTRICT LIMITED OBLIGATION BONDS**

---

Bonds totaling \$1,315,000 were issued in June 1990 to finance the development known as the Desert Road Project. The bonds are payable solely from the portion of taxes assessed against properties within the tax increment financing district as designated by the Town as retained captured assessed value. All tax increment revenues from retained captured assessed values from the district are held in a sinking fund which is pledged to and charged with the payment of the principal and interest on the bonds. The developers of the Desert Road Industrial Park have guaranteed the bonds.

The principal on the bonds is to be paid over a twenty-year term at an interest rate of 7.75%. The bonds mature in June 2010. The amount outstanding at June 30, 2006 is \$280,000. Because the bonds are a limited obligation of the Town and are payable solely from the tax increment revenues on the retained captured assessed value of the tax increment financing district and do not otherwise constitute a debt obligation of the Town nor a pledge of its full faith and credit, the balance outstanding at June 30, 2006 has not been included in the general long-term debt of the Town.

The retained captured assessed valuation of \$9,000,000 generated \$161,100 of taxes, and \$96,048 of debt service payments were made for the year ended June 30, 2006. As of June 30, 2006, the bond sinking fund for the payment of principal and interest has accumulated \$6,238. Under terms of the trust agreement with the developer, the company may request reimbursement for amounts previously paid under the guarantee agreement. During the year ended June 30, 2006, the developer requested and was paid reimbursements for amounts previously paid totaling \$75,000.

---

**RISK MANAGEMENT**

---

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association and in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage.

Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2006.

---

**LANDFILL CLOSURE AND POST CLOSURE COSTS**

---

Under existing state law, Maine communities have to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Historically, the Town maintained two old solid waste landfills which were closed and permanently capped in 1990 and 1996. Additionally, the Town maintains a demolition debris landfill which is near full capacity. The transfer station has been modified to handle and transport future materials. The demolition debris landfill will be accepting limited material for the next few years and to be closed thereafter. The Town has set aside funds totaling \$116,000 for its closure. The Town has estimated that there will be post closure care costs for the various landfills approximating \$189,000 over the next 30 years. As such, the Town has recognized a liability of \$160,000 for closure and an estimate for post closure monitoring and maintenance costs of \$182,500 for a total of \$342,500 in the government-wide financial statements. The actual costs of closure and post closure care may be higher or lower due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

**GENERAL FUND**

**TOWN OF FREEPORT, MAINE**  
**Comparative Balance Sheets - General Fund**  
**June 30, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
Cash	\$ 4,723,416	6,519,577
Investments	4,206,108	1,827,958
Accounts receivables	23,862	1,454
Taxes receivable	663,918	560,564
Tax liens	231,719	204,604
Inventory	17,523	15,851
Interfund loans	118,191	157,671
<b>Total assets</b>	<b>\$ 9,984,737</b>	<b>9,287,679</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	339,352	428,293
Accrued wages and benefits	38,809	25,382
Compensated absences payable	179,000	175,800
Taxes collected in advance	15,739	14,838
Interfund loans	3,097,084	2,788,620
Development escrows	173,965	324,102
Deferred tax revenues	651,000	535,000
Other deferred revenues	105,497	100,021
<b>Total liabilities</b>	<b>4,600,446</b>	<b>4,392,056</b>
Fund balance:		
Reserved for:		
Encumbrances	555,588	425,347
Inventory	17,523	15,851
Future retirement pay	157,300	148,400
Designated	1,385,000	1,025,000
Undesignated - School	49,577	871
Undesignated - Town	3,219,303	3,280,153
<b>Total fund balance</b>	<b>5,384,291</b>	<b>4,895,622</b>
<b>Total liabilities and fund balance</b>	<b>\$ 9,984,737</b>	<b>9,287,679</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund**  
**Year ended June 30, 2006**

(with comparative actual amounts for the year ended June 30, 2005)

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,112,227	17,400,030	287,803	17,677,532
Excise taxes & registration fees	1,237,500	1,365,683	128,183	1,386,431
Interest and lien costs	40,000	51,714	11,714	48,268
Total taxes	18,389,727	18,817,428	427,701	19,112,231
Licenses, permits and fees:				
Building, plumbing & electrical permits	65,000	199,411	134,411	76,794
Town clerk licenses & fees	28,300	35,561	7,261	35,366
Moorings and other harbor fees	46,500	47,951	1,451	48,016
Solid waste permits	2,400	2,250	(150)	2,500
Shellfish licenses	13,000	12,800	(200)	12,620
Total licenses, permits and fees	155,200	297,973	142,773	175,295
Intergovernmental:				
Education subsidies	1,381,981	1,380,220	(1,761)	1,155,687
Adult education subsidy	52,000	57,517	5,517	51,524
State tree growth reimbursement	35,000	-	(35,000)	39,722
State general assistance	8,000	9,360	1,360	14,737
State revenue sharing	645,000	691,097	46,097	685,760
State homestead exemption reimbursement	176,000	171,441	(4,559)	154,806
State road assistance	140,000	170,268	30,268	143,348
Public safety contributions	31,350	15,525	(15,825)	44,840
Federal emergency management assistance	-	-	-	70,773
Other intergovernmental	51,300	47,882	(3,418)	42,463
Total intergovernmental	2,520,631	2,543,311	22,680	2,403,660
Tuition and other charges for services - education	899,917	972,732	72,815	872,058
Charges for services:				
Planning	25,000	92,644	67,644	72,333
Transfer station and recycling	87,000	116,671	29,671	108,017
Parking lot	37,500	37,500	-	37,500
Vehicle maintenance	12,000	7,982	(4,019)	9,140
Engineering	35,000	28,228	(6,772)	31,943
Total charges for services	196,500	283,024	86,524	258,933
Fees and fines:				
Police parking and other fines	27,500	30,150	2,650	28,844
Library fines and fees	11,000	10,688	(312)	11,670
Alarm and other fire fees	11,000	13,620	2,620	15,214
Total fees and fines	49,500	54,458	4,958	55,728

*See accompanying independent auditors' report.*

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

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	8,650	17,740	9,090	27,605
Investment earnings	80,000	279,911	199,911	128,019
Total revenues	22,300,125	23,266,576	966,451	23,033,528
Expenditures:				
Current:				
General government:				
Town council	102,298	96,734	5,564	87,748
Town manager	117,093	109,944	7,149	106,786
Finance and treasury	254,700	254,685	15	242,777
Assessing	119,247	119,049	198	112,613
Code enforcement	66,803	67,792	(989)	65,753
Town clerk and elections	81,809	77,907	3,902	73,437
General administration	137,054	127,926	9,128	128,549
Municipal buildings	203,464	199,356	4,108	187,674
Planning	113,690	109,777	3,913	102,302
Total general government	1,196,158	1,163,170	32,988	1,107,640
Public Safety:				
Police department	803,075	800,584	2,491	731,258
Special enforcement	42,825	38,198	4,627	38,168
Fire department	298,783	283,733	15,050	287,479
Rescue	243,154	240,267	2,887	234,361
Dispatch	199,889	201,558	(1,669)	182,581
Hydrant rental	182,225	162,433	19,792	157,370
Street lights	49,200	46,316	2,884	47,136
Total public safety	1,819,151	1,773,089	46,062	1,678,353
Public Works:				
General road operations	608,579	601,979	6,600	601,942
Summer roads	442,100	439,856	2,244	419,164
Winter roads	88,750	69,877	18,873	98,204
Tree program	11,050	11,023	27	14,711
Solid waste	496,880	444,709	52,171	471,138
Engineering	85,548	84,104	1,444	80,079
Total public works	1,732,907	1,651,548	81,359	1,685,237

*See accompanying independent auditors' report.*

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

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	46,100	46,100	-	46,100
Public library	346,076	333,418	12,658	336,437
Cable TV	53,375	45,081	8,294	55,120
Promotions	15,900	15,850	50	14,835
General assistance	84,831	70,512	14,320	60,311
Coastal waters	52,529	51,587	942	46,584
Shellfish commission	4,100	560	3,540	2,972
Other	15,550	15,494	56	4,463
Total community services	618,461	578,601	39,860	566,823
Education:				
Elementary -Mast Landing	1,692,234	1,666,965	25,269	1,697,560
Elementary -Morse Street	1,636,518	1,654,306	(17,788)	1,554,296
Middle School	2,341,987	2,334,228	7,759	2,239,289
High School	3,319,035	3,308,623	10,412	3,029,471
Debt service	384,656	384,656	-	512,294
Office of superintendent	588,971	583,637	5,333	524,858
School committee	27,950	21,680	6,270	18,792
Employee benefits & insurances	1,964,564	1,993,169	(28,605)	1,865,468
Student transportation	477,019	486,043	(9,024)	474,567
Other	427,557	425,632	1,925	395,424
Community services and recreation	555,792	624,337	(68,545)	580,629
Total education	13,416,283	13,483,277	(66,994)	12,892,650
Insurance and fringe benefits:				
Employee benefits	1,169,500	1,062,687	106,813	1,050,973
Insurances	85,500	75,034	10,467	70,750
Total insurance and fringe benefits	1,255,000	1,137,721	117,279	1,121,723
Unclassified:				
County tax	736,850	736,850	-	735,177
Bustin's Island Corporation	174,000	166,013	7,987	169,552
Miscellaneous & contingency	55,000	33,689	21,311	27,014
Abatements	25,000	46,658	(21,658)	87,990
Total unclassified	990,850	983,209	7,641	1,019,733
Debt service	1,878,242	1,841,519	36,723	2,036,838
Total expenditures	22,907,052	22,612,135	294,917	22,108,997
Excess (deficiency) of revenues over (under)				
expenditures	(606,927)	654,441	1,261,368	924,531

*See accompanying independent auditors' report.*

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

	2006		Variance positive (negative)	2005 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	575,000	-	(575,000)	-
Budgeted utilization of surplus - School	55,000	-	(55,000)	-
Budgeted utilization of surplus - Reserves	350,871	-	(350,871)	
Operating transfers in	381,177	381,177	-	357,177
Operating transfers out	(755,121)	(755,121)	-	(819,012)
Total other financing sources (uses)	606,927	(373,944)	(980,871)	(461,835)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	280,497	280,497	462,696
Reconciliation to GAAP basis:				
Encumbrances		208,172		165,609
Future retirement and vacation pay		-		(11,200)
Excess of revenues and other financing sources over expenditures - GAAP basis		488,669		617,105
Fund balance, beginning of year		4,895,622		4,278,517
<b>Fund balance, end of year</b>	<b>\$</b>	<b>5,384,291</b>		<b>4,895,622</b>

*See accompanying independent auditors' report.*

**ALL OTHER GOVERNMENTAL FUNDS**

**TOWN OF FREEPORT**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2006**

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash	\$ 453,114	-	-	453,114
Investments	456,341	410,635	1,023,583	1,890,559
Due from other governments	29,865	12,519	-	42,385
Accounts receivable	29,051	5,500	-	34,551
Inventory	21,734	-	-	21,734
Interfund loans	1,208,834	2,479,164	1,095	3,689,093
<b>Total assets</b>	<b>\$ 2,198,939</b>	<b>2,907,818</b>	<b>1,024,678</b>	<b>6,131,436</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	89,015	419,121	-	508,136
Interfund loans	221,427	-	4,554	225,981
<b>Total liabilities</b>	<b>310,442</b>	<b>419,121</b>	<b>4,554</b>	<b>734,117</b>
Fund balances:				
Reserved for:				
Inventory	21,734	-	-	21,734
Encumbrances	-	-	-	-
Nonexpendable trust principal	-	-	1,007,270	1,007,270
Unreserved				
Designated	294,331	-	-	294,331
Undesignated, reported in:				
Special revenue funds	1,572,433	-	-	1,572,433
Capital project funds	-	2,488,697	-	2,488,697
Permanent funds	-	-	12,854	12,854
<b>Total fund balance</b>	<b>1,888,498</b>	<b>2,488,697</b>	<b>1,020,124</b>	<b>5,397,319</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,198,939</b>	<b>2,907,818</b>	<b>1,024,678</b>	<b>6,131,436</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2006**

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 1,009,095	-	-	1,009,095
Charges for services	1,061,751	-	-	1,061,751
Gifts and donations	76,048	-	7,324	83,372
Intergovernmental	883,104	486,214	-	1,369,318
Unclassified	17,822	5,500	-	23,322
Investment income	45,565	37,842	78,641	162,048
Total revenues	3,093,385	529,556	85,965	3,708,905
Expenditures:				
Current:				
Public safety	10,509	-	-	10,509
Public works	5,000	-	-	5,000
Education	543,457	-	-	543,457
Unclassified	867,764	-	22,123	889,888
Capital outlay	200,383	2,636,693	-	2,837,076
Debt service	333,100	-	-	333,100
Food services	452,224	-	-	452,224
Total expenditures	2,412,437	2,636,693	22,123	5,071,253
Excess of revenues over expenditures	680,948	(2,107,137)	63,842	(1,362,348)
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Transfers (to) from other funds	(707,556)	1,840,250	-	1,132,694
Total other financing sources (uses)	(707,556)	1,840,250	-	1,132,694
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	(26,608)	(266,887)	63,842	(229,653)
Fund balances, beginning of year	1,915,106	2,755,584	956,282	5,626,972
Fund balances, end of year	\$ 1,888,498	2,488,697	1,020,124	5,397,319

*See accompanying independent auditors' report.*

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2006**

	School Reserve Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	School Categorical Programs	School Lunch	Totals 2006
<b>ASSETS</b>										
Cash	\$ 31,715	301,585	82,793	-	-	100	17,263	19,604	53	453,114
Investments	377,749	-	-	-	-	-	78,592	-	-	456,341
Due from other governments	-	-	-	-	-	28,865	-	1,000	-	29,865
Accounts receivable	-	-	-	-	-	-	8,872	-	20,179	29,051
Inventory	-	-	-	-	-	-	-	-	21,734	21,734
Interfund loans receivable	-	-	311,632	457,936	185,109	30,496	-	223,661	-	1,208,834
<b>Total assets</b>	<b>\$ 409,464</b>	<b>301,585</b>	<b>394,425</b>	<b>457,936</b>	<b>185,109</b>	<b>59,461</b>	<b>104,728</b>	<b>244,265</b>	<b>41,966</b>	<b>2,198,939</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	-	4,642	41,736	-	-	4,733	4,067	-	33,838	89,015
Accrued wages	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	211,684	9,743	-	-	-	-	-	-	-	221,427
<b>Total liabilities</b>	<b>211,684</b>	<b>14,384</b>	<b>41,736</b>	<b>-</b>	<b>-</b>	<b>4,733</b>	<b>4,067</b>	<b>-</b>	<b>33,838</b>	<b>310,442</b>
Fund balances:										
Reserved for inventory	-	-	-	-	-	-	-	-	21,734	21,734
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Designated	-	-	97,654	196,677	-	-	-	-	-	294,331
Undesignated	197,780	287,201	255,035	261,259	185,109	54,729	100,661	244,265	(13,606)	1,572,433
<b>Total fund balances</b>	<b>197,780</b>	<b>287,201</b>	<b>352,689</b>	<b>457,936</b>	<b>185,109</b>	<b>54,729</b>	<b>100,661</b>	<b>244,265</b>	<b>8,128</b>	<b>1,888,498</b>
<b>Total liabilities and fund balances</b>	<b>\$ 409,464</b>	<b>301,585</b>	<b>394,425</b>	<b>457,936</b>	<b>185,109</b>	<b>59,461</b>	<b>104,728</b>	<b>244,265</b>	<b>41,966</b>	<b>2,198,939</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2006**

	School Reserve Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	School Categorical Programs	School Lunch	Totals 2006
Revenues:										
Property taxes	\$ -	-	1,009,095	-	-	-	-	-	-	1,009,095
Charges for services	-	262,044	-	341,924	177,321	-	-	-	280,462	1,061,751
Gifts and donations	-	9,743	-	-	-	-	-	66,304	-	76,048
Intergovernmental	54,943	-	2,500	-	-	110,614	-	587,737	127,310	883,104
Investment income	30,718	6,246	4,444	-	-	-	3,111	257	788	45,565
Unclassified	-	-	-	-	-	12,010	5,812	-	-	17,822
Total revenues	85,661	278,033	1,016,039	341,924	177,321	122,625	8,923	654,299	408,559	3,093,385
Expenditures:										
Current:										
Public safety	-	-	-	-	-	10,509	-	-	-	10,509
Public works	-	-	-	-	-	5,000	-	-	-	5,000
Education	-	-	-	-	-	-	-	543,457	-	543,457
Unclassified	998	187,012	562,541	11,945	-	27,581	77,687	-	-	867,764
Debt service	-	-	333,100	-	-	-	-	-	-	333,100
Food services	-	-	-	-	-	-	-	-	452,224	452,224
Capital	-	13,906	85,800	-	-	72,312	-	28,365	-	200,383
Total expenditures	998	200,918	981,441	11,945	-	115,401	77,687	571,822	452,224	2,412,437
Excess (deficiency) of revenues over (under) expenditures	84,663	77,115	34,598	329,979	177,321	7,224	(68,764)	82,477	(43,666)	680,948
Other financing sources (uses):										
Transfer to (from) other funds	(265,629)	-	-	(297,177)	(150,000)	-	80,000	(109,000)	34,250	(707,556)
Total other financing sources (uses)	(265,629)	-	-	(297,177)	(150,000)	-	80,000	(109,000)	34,250	(707,556)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(180,966)	77,115	34,598	32,802	27,321	7,224	11,236	(26,523)	(9,416)	(26,608)
Fund balances, beginning of year	378,746	210,086	318,091	425,133	157,788	47,505	89,425	270,788	17,544	1,915,106
Fund balances, end of year	\$ 197,780	287,201	352,689	457,936	185,109	54,729	100,661	244,265	8,128	1,888,498

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2006**

	Fund Balance (deficit) June 30, 2005	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2006
		Inter- governmental	Other				
Town Reserve Funds (Major Fund):							
Unemployment compensation fund	\$ 422,362	-	48,495	2,029	46,465	(175,000)	293,828
General administration reserve	308,035	-	21,169	768	20,401	12,500	340,935
Police equipment reserve	89,197	-	6,576	227	6,348	33,750	129,296
Cable TV equipment reserve	160,824	-	96,183	438	95,745	(60,000)	196,568
Public infrastructure reserve	895,993	-	68,320	2,311	66,009	(360,404)	601,598
Land Trust reserve	16,651	-	1,301	619	682	-	17,333
Public works equipment reserve	1,169,614	-	88,382	3,008	85,374	(258,096)	996,892
Ambulance equipment reserve	108,324	-	244,209	386	243,823	(105,000)	247,147
Building maintenance reserve	302,908	-	23,955	8,713	15,241	67,500	385,649
Fire equipment reserve	860,025	-	65,862	2,215	63,647	72,250	995,922
Municipal parking lot reserve	143,551	-	28,533	10,145	18,388	(25,000)	136,939
Hedgehog mountain reserve	21,609	-	1,688	1,056	632	-	22,242
Recycling equipment reserve	146,147	-	10,739	372	10,367	23,750	180,264
Road impact fee reserve	-	-	55,250	-	55,250	-	55,250
Other	15,201	-	9,493	2	9,491	15,000	39,693
Total town reserve funds	4,660,442	-	770,154	32,289	737,865	(758,750)	4,639,556
School Reserve Funds:							
Building reserve	283,749	54,943	26,017	783	80,177	(201,152)	162,774
Technology reserve	41,828	-	2,070	95	1,975	(32,239)	11,565
Vehicle reserve	53,169	-	2,631	121	2,511	(32,239)	23,441
Total school reserve funds	378,746	54,943	30,718	998	84,663	(265,629)	197,780
Winslow Park fund	210,086	-	278,033	200,918	77,115	-	287,201
TIF Funds:							
TIF I - Desert road	68,211	-	163,511	171,048	(7,536)	-	60,675
TIF II - Desert road phase II	56,393	-	650,820	652,858	(2,038)	-	54,355
TIF III - Nursing home	74,522	-	21,131	-	21,131	-	95,654
TIF IV - Destination TIF	118,964	2,500	136,341	115,800	23,041	-	142,005
TIF V - Hotel TIF	-	-	41,736	41,736	-	-	-
Total TIF funds	318,091	2,500	1,013,539	981,441	34,598	-	352,689
Bartol Building Lease Fund	425,133	-	341,924	11,945	329,979	(297,177)	457,936
Tower Lease Fund	157,788	-	177,321	-	177,321	(150,000)	185,109

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2006**

	Fund Balance (deficit) June 30, 2005	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2006
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 11,556	6,200	-	6,200	-	-	11,556
Homeland security grants	-	84,216	-	72,312	11,903	-	11,903
GIS Mapping grant	(1,204)	10,000	-	6,221	3,779	-	2,575
Groundwater grant	-	5,000	-	5,000	-	-	-
Piano fundraising fund	4,262	-	12,010	16,157	(4,147)	-	115
Other	32,891	5,199	-	9,511	(4,312)	-	28,579
Total Town Grants and Projects	47,505	110,614	12,010	115,401	7,224	-	54,729
Freeport Economic Development Corporation	89,425	-	8,923	77,687	(68,764)	80,000	100,661
School Categorical & Other Funds:							
ECIA Title I-A	3,495	124,890	-	126,342	(1,452)	-	2,043
Local entitlement	51,763	279,561	-	281,825	(2,264)	-	49,500
Local entitlement Sec 619	1,293	8,363	-	8,286	77	-	1,371
YRBS	-	200	-	-	200	-	200
Teacher quality grant	17,696	39,111	-	41,211	(2,100)	-	15,596
Carl Perkins	4,735	5,539	-	5,771	(232)	-	4,502
Transition Pilot	-	5,000	-	3,478	1,522	-	1,522
Title V	-	4,197	-	4,197	-	-	-
Title II technology	3,143	3,904	-	5,143	(1,239)	-	1,904
Drug free schools	-	9,761	-	6,538	3,223	-	3,223
Katrina grant	-	5,000	-	-	5,000	-	5,000
State agency clients	7,443	6,190	-	-	6,190	(6,000)	7,633
Professional development	10,131	11,754	-	8,035	3,719	-	13,850
Medicaid	91,842	84,267	-	5,530	78,738	(103,000)	67,580
Donations	20,801	-	-	481	(481)	-	20,319
Community education scholarship	13,317	-	34,759	22,120	12,639	-	25,956
Auditorium fund	21,639	-	5,000	22,973	(17,973)	-	3,666
Summer program	-	-	6,864	6,864	-	-	-
Aspirations	1,194	-	18,100	16,277	1,822	-	3,017
Dollars for scholars	7,725	-	249	2,500	(2,251)	-	5,473
Other	14,571	-	1,591	4,251	(2,660)	-	11,911
Total school categorical funds	270,788	587,737	66,562	571,822	82,477	(109,000)	244,265
School Lunch Program	17,544	127,310	281,249	452,224	(43,666)	34,250	8,128
Total special revenue funds	\$ 6,575,547	883,104	2,980,435	2,444,726	1,418,813	(1,466,306)	6,528,054

See accompanying independent auditors' report.

## **CAPITAL PROJECT FUNDS**

**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
**June 30, 2006**

	School Department Projects	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Undesignated Interest	Total 2006
<b>ASSETS</b>											
Investments	\$ -	-	-	-	-	-	-	-	385,464	25,171	410,635
Accounts receivable	-	-	-	-	-	-	-	-	5,500	-	5,500
Due from other governments	-	-	-	-	-	-	-	-	12,519	-	12,519
Interfund loans	582,357	47,312	13,325	187,565	17,498	146,091	354,796	316,160	761,525	52,535	2,479,164
<b>Total assets</b>	<b>\$ 582,357</b>	<b>47,312</b>	<b>13,325</b>	<b>187,565</b>	<b>17,498</b>	<b>146,091</b>	<b>354,796</b>	<b>316,160</b>	<b>1,165,008</b>	<b>77,706</b>	<b>2,907,818</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts payable	207,548	-	-	-	-	-	-	-	211,573	-	419,121
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>207,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211,573</b>	<b>-</b>	<b>419,121</b>
Fund balances:											
Unreserved, undesignated	374,809	47,312	13,325	187,565	17,498	146,091	354,796	316,160	953,435	77,706	2,488,697
<b>Total fund balances</b>	<b>374,809</b>	<b>47,312</b>	<b>13,325</b>	<b>187,565</b>	<b>17,498</b>	<b>146,091</b>	<b>354,796</b>	<b>316,160</b>	<b>953,435</b>	<b>77,706</b>	<b>2,488,697</b>
<b>Total liabilities and fund balances</b>	<b>\$ 582,357</b>	<b>47,312</b>	<b>13,325</b>	<b>187,565</b>	<b>17,498</b>	<b>146,091</b>	<b>354,796</b>	<b>316,160</b>	<b>1,165,008</b>	<b>77,706</b>	<b>2,907,818</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Project Funds**  
**Year ended June 30, 2006**

	School Department Projects	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Undesignated Interest	Total 2006
Revenues:											
Interest earnings	\$ -	-	-	-	-	-	-	-	-	37,842	37,842
Intergovernmental	-	-	-	-	-	-	4,134	-	482,080	-	486,214
Other revenue	-	-	-	-	-	-	-	-	5,500	-	5,500
Total revenues	-	-	-	-	-	-	4,134	-	487,580	37,842	529,556
Expenditures:											
Capital outlay	569,720	19,458	156,904	57,884	17,620	22,749	248,091	160,897	1,383,369	-	2,636,693
Total expenditures	569,720	19,458	156,904	57,884	17,620	22,749	248,091	160,897	1,383,369	-	2,636,693
Excess of revenues over expenditures	(569,720)	(19,458)	(156,904)	(57,884)	(17,620)	(22,749)	(243,957)	(160,897)	(895,790)	37,842	(2,107,137)
Other financing sources (uses):											
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfer in (out)	516,500	29,000	-	123,096	-	10,000	296,654	65,000	800,000	-	1,840,250
Total other financing sources (uses)	516,500	29,000	-	123,096	-	10,000	296,654	65,000	800,000	-	1,840,250
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(53,220)	9,542	(156,904)	65,213	(17,620)	(12,749)	52,697	(95,897)	(95,790)	37,842	(266,887)
Fund balances (deficit), beginning of year	428,028	37,770	170,229	122,353	35,119	158,839	302,099	412,057	1,049,225	39,864	2,755,584
Fund balances (deficit), end of year	\$ 374,809	47,312	13,325	187,565	17,498	146,091	354,796	316,160	953,435	77,706	2,488,697

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2006**

	Fund Balance (deficit) June 30, 2005	Revenues and Other Sources				Expenditures	Fund Balance (deficit) June 30, 2006
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers		
<b>School Capital Project Funds:</b>							
School buses & other vehicles	\$ 70,000	-	-	-	65,000	69,899	65,101
Technology upgrades	134,448	-	-	-	109,500	158,296	85,652
Mast Landing improvements	43,778	-	-	-	-	33,488	10,290
Morse School improvements	12,367	-	-	-	250,000	155,720	106,647
Middle School improvements	70,891	-	-	-	17,000	56,934	30,957
High School improvements	58,800	-	-	-	60,000	58,800	60,000
Parking Lot lighting improvements	18,000	-	-	-	-	17,292	708
Fire alarm panels Morse and Middle School	18,500	-	-	-	-	18,200	300
School administration projects	1,244	-	-	-	15,000	1,090	15,154
Total school capital projects	428,028	-	-	-	516,500	569,720	374,809
<b>Fire Department Capital Project Funds</b>							
Protective clothing	11,465	-	-	-	14,000	19,458	6,007
Thermal imaging	20,000	-	-	-	15,000	-	35,000
Other	6,305	-	-	-	-	-	6,305
Total fire department	37,770	-	-	-	29,000	19,458	47,312
<b>Rescue Department Capital Project Funds</b>							
Protective clothing	24,604	-	-	-	-	11,279	13,325
Ambulance replacement	135,000	-	-	-	-	135,000	-
Equipment	10,625	-	-	-	-	10,625	-
Total rescue department	170,229	-	-	-	-	156,904	13,325
<b>Public Works Capital Project Funds</b>							
Backhoe	33,459	-	-	-	(33,459)	-	-
Front end loader	30,269	-	-	-	(30,269)	-	-
Grader repair	30,000	-	-	-	165,000	13,907	181,093
Pickup truck, sander & plow	3,529	-	-	-	(3,529)	-	-
Liquid calcium ground speed control system	6,399	-	-	-	(6,399)	-	-
One Ton Truck	-	-	-	-	40,000	36,797	3,203
Dump truck replacement, sander & plow	8,248	-	-	-	(8,248)	-	-
Wheeler truck replacement, sander & plow	10,449	-	-	-	-	7,180	3,269
Total public works	122,353	-	-	-	123,096	57,884	187,565
<b>Police Department Capital Project Funds</b>							
Public safety recording equipment	20,000	-	-	-	-	17,118	2,882
Bullet proof vests	5,395	-	-	-	-	501	4,894
Other	9,724	-	-	-	-	1	9,723
Total police department	35,119	-	-	-	-	17,620	17,498

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2006**

	Fund Balance (deficit) June 30, 2005	Revenues and Other Sources				Expenditures	Fund Balance (deficit) June 30, 2006
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers		
Recycling Capital Project Funds:							
Landfill closing	\$ 116,436	-	-	-	-	-	116,436
Scale	6,266	-	-	-	-	5,628	639
Other	36,138	-	-	-	10,000	17,121	29,017
Total recycling capital projects	158,839	-	-	-	10,000	22,749	146,091
Comprehensive Town Improvement Funds:							
South Freeport road projects	13,924	4,134	-	-	-	3,120	14,938
Pleasant Hill road projects	200,000	-	-	-	200,000	173,904	226,096
Grove street widening	30,000	-	-	-	-	19,798	10,202
Mallet Dr. paving match	-	-	-	-	35,250	-	35,250
Main St. paving and drainage match	-	-	-	-	44,250	10,127	34,123
Little River culvert	-	-	-	-	20,000	-	20,000
Pettingill/Scotch	15,267	-	-	-	-	15,057	210
Merrill road	13,044	-	-	-	-	8,920	4,124
Kendall lane sidewalks	9,577	-	-	-	-	3,277	6,300
Other	20,287	-	-	-	(2,846)	13,889	3,552
Total comprehensive town improvement	302,099	4,134	-	-	296,654	248,091	354,796
Municipal Buildings and Other Improvement Funds:							
Resurface parking lot	24,029	-	-	-	25,000	-	49,029
Public safety storage facility	11,484	-	-	-	15,000	26,484	-
Computer system upgrade	140,000	-	-	-	-	66,778	73,222
Dunning boat yard	26,000	-	-	-	-	12,513	13,488
Cable TV	60,251	-	-	-	40,000	28,416	71,835
Valuation update	31,704	-	-	-	-	6,706	24,998
Other	118,590	-	-	-	(15,000)	20,001	83,589
Total municipal buildings and other	412,057	-	-	-	65,000	160,897	316,160
Boards and Committees Improvement Funds:							
Recreation fund	10,883	-	5,500	-	-	11,519	4,865
Harbor fund	53,656	89,685	-	-	-	113,968	29,372
Land conservation fund	259,740	-	-	-	-	8,297	251,443
Community center	695,761	392,395	-	-	800,000	1,222,060	666,096
Other	29,184	-	-	-	-	27,525	1,659
Total boards and committees	1,049,225	482,080	5,500	-	800,000	1,383,369	953,435
Undesignated Interest	39,864	-	37,842	-	-	-	77,706
Total capital project funds	2,755,584	486,214	43,342	-	1,840,250	2,636,693	2,488,697

*See accompanying independent auditors' report.*

**NONMAJOR GOVERNMENTAL FUNDS**  
**PERMANENT FUNDS**

**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2006**

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
<b>ASSETS</b>					
Investments	\$ 247,905	200,645	198,557	376,477	1,023,583
Accounts receivable	-	-	-	-	-
Interfund loans	-	-	-	1,095	1,095
<b>Total assets</b>	<b>247,905</b>	<b>200,645</b>	<b>198,557</b>	<b>377,572</b>	<b>1,024,678</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Interfund loans	2,100	2,455	-	-	4,554
<b>Total liabilities</b>	<b>2,100</b>	<b>2,455</b>	<b>-</b>	<b>-</b>	<b>4,554</b>
Fund balances:					
Principal	269,381	178,471	198,298	361,120	1,007,270
Unexpended income	(23,576)	19,719	259	16,452	12,854
<b>Total fund balances</b>	<b>245,805</b>	<b>198,190</b>	<b>198,557</b>	<b>377,572</b>	<b>1,020,124</b>
<b>Total liabilities and fund balances</b>	<b>\$ 247,905</b>	<b>200,645</b>	<b>198,557</b>	<b>377,572</b>	<b>1,024,678</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the year ended June 30, 2006**

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:					
Investment income	\$ 7,150	6,098	5,275	9,563	28,085
Realized & unrealized gains on investments	4,391	10,988	12,484	22,692	50,556
Donations	1,800	5,336	188	-	7,324
Total revenues	13,341	22,422	17,947	32,255	85,965
Expenditures:					
Current:					
Other miscellaneous	5,172	6,196	2,288	8,468	22,123
Total expenditures	5,172	6,196	2,288	8,468	22,123
Excess (deficiency) of revenues over (under) expenditures	8,169	16,226	15,659	23,787	63,842
Fund balances, beginning of year	237,636	181,964	182,898	353,784	956,282
Fund balances, end of year	\$ 245,805	198,190	198,557	377,572	1,020,124

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2006**

	Principal			Unexpended Income					Total June 30, 2006
	Fund Balance	Revenues		Fund Balance	Fund Balance	Interest Income	Expenditures	Fund Balance	
	(deficit) June 30, 2005	Unrealized/ Realized Gains	Other	(deficit) June 30, 2006	(deficit) June 30, 2005			(deficit) June 30, 2006	
Cemetery Care:									
Perpetual Care:									
Burr	\$ 127,206	2,027	-	129,233	(13,035)	3,302	2,646	(12,379)	116,853
Grove	44,880	714	-	45,595	(4,603)	1,165	914	(4,352)	41,242
Webster	13,550	211	-	13,761	(1,326)	650	-	(676)	13,085
Woodlawn	19,874	317	-	20,191	(2,462)	516	413	(2,359)	17,832
South Freeport	37,403	585	1,800	39,788	(4,260)	991	776	(4,045)	35,743
Flying Point	7,244	115	-	7,360	(897)	188	151	(859)	6,500
Town maintained	2,227	44	-	2,271	27	58	46	38	2,309
Davis Mausoleum	628	127	-	755	612	16	13	615	1,370
Carrie Thomas	361	31	-	392	132	9	7	134	526
A.O. Woodard	9,816	220	-	10,036	258	255	204	308	10,344
Total Cemetery Funds	263,189	4,391	1,800	269,381	(25,554)	7,150	5,172	(23,576)	245,805
Library Funds:									
Bartol Association	25,171	1,688	-	26,859	2,246	2,110	4,868	(511)	26,347
Paul and Emma Bennett	13,924	960	-	14,883	2,328	398	-	2,726	17,609
Eleanor Brewer	129	110	5,286	5,525	49	112	-	161	5,686
Albert Conley	25,064	1,776	-	26,840	9,868	717	928	9,657	36,497
Jane Hall	97,859	6,455	50	104,365	5,325	2,761	400	7,686	112,051
Total Library Funds	162,147	10,988	5,336	178,471	19,817	6,098	6,196	19,719	198,190
School Scholarship Funds									
Fitts Award	2,171	146	-	2,317	(445)	62	-	(383)	1,934
Salomon Plummer	7,477	502	-	7,978	(2,383)	213	-	(2,169)	5,809
Wallace True	4,342	291	-	4,634	(638)	124	-	(515)	4,119
Millard and Enid Crooker	21,682	1,454	-	23,136	(4,198)	619	-	(3,579)	19,557
Alice Pollock	9,217	618	-	9,835	(1,010)	263	-	(747)	9,088
Auldis Foster	1,629	109	-	1,738	(194)	46	-	(147)	1,591
Kenneth Thompson	6,517	437	-	6,954	(481)	186	-	(295)	6,659
Christine Small Cushing	132,591	8,926	188	141,705	6,621	3,762	2,288	8,095	149,801
Total School Scholarship Funds	185,626	12,484	188	198,298	(2,728)	5,275	2,288	259	198,557
Benevolent Funds:									
George Davis	9,428	632	-	10,060	(1,011)	269	-	(742)	9,318
Arthur L. Gould	329,000	22,059	-	351,060	16,367	9,294	8,468	17,193	368,253
Total Benevolent Funds	338,428	22,692	-	361,120	15,356	9,563	8,468	16,452	377,572
Total	949,391	50,556	7,324	1,007,270	6,892	28,085	22,123	12,854	1,020,124

*See accompanying independent auditors' report.*

**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

**TOWN OF FREEPORT**  
**Capital Assets Used in the Operation of Governmental Funds by Type**  
**June 30, 2006**

General fixed assets:	
Land	\$ 1,850,869
Land improvements	1,257,016
Buildings and improvements	26,760,292
Machinery, equipment and other	4,235,794
Vehicles	3,885,671
Infrastructure	2,561,419
Construction in process	1,862,817
<hr/>	
<b>Total governmental fund capital assets</b>	<b>\$ 42,413,878</b>

**TOWN OF FREEPORT, MAINE**  
**Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity**  
**For the year ended June 30, 2006**

Function and Activity	Balance 2005	Additions	Disposals	Balance 2006
General government	\$ 2,695,987	92,916	-	2,788,903
Community services				
Library	3,695,821	47,687	-	3,743,508
Cable TV	202,249	25,858	-	228,107
Coastal waters	149,489	125,561	-	275,050
Community center	161,843	1,222,060		1,383,903
Education	20,421,656	559,131	38,000	20,942,787
Public safety:		-		
Police	930,318	50,492	66,853	913,957
Fire & Rescue	3,478,460	276,250	116,470	3,638,240
Public works		-		
General	5,438,755	367,783	33,000	5,773,538
Solid waste	1,314,588	15,787	-	1,330,375
Recreation	855,319	15,383	-	870,702
Unclassified:		-		
Parking lots	89,809	-	-	89,809
School lunch	78,768	12,600	-	91,368
Winslow Park	343,631	-	-	343,631
<hr/>				
	<b>\$ 39,856,693</b>	<b>2,811,508</b>	<b>254,323</b>	<b>42,413,878</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity**  
**June 30, 2006**

Function and Activity		Land	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Construction Work in Process	Total
General government	\$	711,566	-	1,545,985	471,529	-	-	59,823	2,788,903
Community Services									
Library		110,000	78,405	2,364,305	1,190,798	-	-	-	3,743,508
Cable TV		-	-	-	206,107	22,000	-	-	228,107
Coastal waters		-	-	5,000	257,538	-	-	12,512	275,050
Community center		-	-	-	-	-	-	1,383,903	1,383,903
Education		360,285	96,930	18,997,898	438,205	841,921	-	207,548	20,942,787
Public safety:									
Police		3,850	-	598,000	122,712	189,395	-	-	913,957
Fire & Rescue		40,000	-	1,289,370	585,541	1,723,329	-	-	3,638,240
Public works									
General		193,768	-	1,274,000	498,086	1,047,234	2,561,419	199,031	5,773,538
Solid waste		190,000	399,000	398,000	310,480	32,895	-	-	1,330,375
Recreation		238,400	595,872	-	36,430	-	-	-	870,702
Unclassified:									
Parking lots		3,000	86,809	-	-	-	-	-	89,809
School lunch		-	-	-	91,368	-	-	-	91,368
Winslow Park		-	-	287,734	27,000	28,897	-	-	343,631
<b>Total capital assets</b>	<b>\$</b>	<b>1,850,869</b>	<b>1,257,016</b>	<b>26,760,292</b>	<b>4,235,794</b>	<b>3,885,671</b>	<b>2,561,419</b>	<b>1,862,817</b>	<b>42,413,878</b>

*See accompanying independent auditors' report.*

**TOWN OF FREEPORT, MAINE**  
**Schedule of Depreciation - By Function and Activity**  
**Year Ended June 30, 2006**

<b>Function and Activity</b>	<b>Land Improvements</b>	<b>Building and Improvements</b>	<b>Machinery Equipment and Other</b>	<b>Vehicles</b>	<b>Infrastructure</b>	<b>Total</b>
General government	\$ -	35,860	24,518	-	-	60,378
Community services						
Library	3,270	59,108	47,215	-	-	109,593
Cable TV	-	-	19,549	3,667	-	23,216
Coastal waters	-	333	13,344	-	-	13,677
Community center	-	-	-	-	-	-
Education	825	411,235	31,085	62,851	-	505,996
Public safety:						
Police	-	14,950	14,274	32,133	-	61,357
Fire & Rescue	-	30,926	52,097	130,087	-	213,110
Public works						
General	-	31,850	33,082	100,222	98,773	263,927
Solid waste	15,960	9,950	21,809	5,483	-	53,202
Recreation	18,487	-	2,429	-	-	20,916
Unclassified:						
Parking lots	4,340	-	-	-	-	4,340
School lunch	-	-	7,075	-	-	7,075
Winslow Park	-	17,849	3,376	-	-	21,225
<b>Total capital assets</b>	<b>\$ 42,882</b>	<b>612,061</b>	<b>269,852</b>	<b>334,443</b>	<b>98,773</b>	<b>1,358,011</b>

*See accompanying independent auditors' report.*