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TOWN OF FREEPORT, MAINE

Annual Financial Report

June 30, 2007

TOWN OF FREEPORT, MAINE
Annual Financial Report
June 30, 2007

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macdonaldpage & coLLC

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, 2007, 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, 2007, 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.

As described in the notes to the financial statements, in the year ended June 30, 2007, the Town implemented the second phase of Governmental Accounting Standards Board Statement No. 34 (GASB #34). GASB #34 requires retroactive reporting of infrastructure assets by June 30, 2007. Accordingly, the Town has recorded such infrastructure as required by GASB #34.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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 43 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 2006 financial statements and, in our report dated January 25, 2007, 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 Pigeon Co LLC

South Portland, Maine
December 12, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

TOWN OF FREEPORT FISCAL YEAR 2007 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, 2007. 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 approximately \$1,300,000. The General Fund's fund balance increased by approximately \$95,000. A large portion of the increase in fund balance was due to higher than expected General Fund revenues, which exceeded estimated revenues by approximately \$1,041,000. Revenue surpluses and unspent appropriations exceeded the planned use of fund balance for capital reserves of \$350,000, capital project authorizations of \$199,500 and the budget use of surplus to reduce the tax rate of \$385,000. Additionally, Town reserve funds were increased significantly from strong investment earnings and repayment of advances from the NET program and Community Center project. Other increases in various capital projects and several other non-major governmental funds also occurred.

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 2007. 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:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS						
Cash and cash equivalents	\$7,659,155	5,656,144	-	-	7,659,155	5,656,144
Investments	9,553,133	10,626,094	-	-	9,553,133	10,626,094
Receivables	1,079,713	996,436	160,057	101,182	1,239,770	1,097,618
Internal balances	156,539	114,733	(156,539)	(114,733)	-	-
Inventory	50,916	39,257	-	-	50,916	39,257
Capital assets, net	32,168,399	31,591,821	18,115	32,677	32,186,514	31,624,498
Total assets	50,667,855	49,024,485	21,633	19,126	50,689,487	49,043,611
LIABILITIES						
Current liabilities	1,262,703	1,503,519	3,518	7,264	1,266,221	1,510,783
Noncurrent liabilities	13,088,655	14,613,241	-	-	13,088,655	14,613,241
Total liabilities	14,351,358	16,116,760	3,518	7,264	14,354,876	16,124,024
NET ASSETS						
Invested in capital assets, net of debt	20,215,799	18,096,571	18,115	32,677	20,233,914	18,129,248
Restricted	2,857,667	2,780,781	-	-	2,857,667	2,780,781
Unrestricted	13,243,030	12,030,373	-	(20,815)	13,243,030	12,009,558
Total net assets	\$ 36,316,496	32,907,725	18,115	11,862	36,334,611	32,919,587

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 its 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. 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 its 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 \$3,415,000 during the year ended June 30, 2007. The following analysis provides the key elements of the increases.

	Governmental	Business-type	2007 Total Primary Government	2006 Total Primary Government
	Activities	Activities		
Program revenues:				
Charges for Services	\$ 2,386,666	505,441	2,892,107	2,795,386
Operating grants and contributions	4,336,840	-	4,336,840	3,846,441
Capital grants and contributions	752,756	-	752,756	625,372
General revenues:				
Property taxes	18,608,749	-	18,608,749	18,525,125
Motor vehicle excise taxes	1,400,073	-	1,400,073	1,365,683
Interest and lien costs	68,277	-	68,277	51,714
State Revenue Sharing	613,118	-	613,118	691,097
Homestead exemption	151,201	-	151,201	171,441
Other State aid	85,235	-	85,235	47,882
Unrestricted investment earnings	1,111,190	-	1,111,190	805,092
Miscellaneous revenues	878,735	-	878,735	728,361
Total revenues	30,392,840	505,441	30,898,281	29,653,595
Program expenses:				
General government	1,565,930	-	1,565,930	1,528,013
Public safety	2,643,358	332,733	2,976,091	2,765,798
Public works	2,765,706	-	2,765,706	2,138,149
Community services	892,341	-	892,341	811,668
Education	16,117,641	-	16,117,641	15,758,120
County tax	751,831	-	751,831	736,850
Unclassified	1,511,850	-	1,511,850	1,649,364
Interest on debt	838,927	-	838,927	927,692
Capital maintenance expenses	62,940	-	62,940	151,160
Total expenses	27,150,524	332,733	27,483,257	26,466,814
Change in net assets	3,242,316	172,708	3,415,024	3,186,780
Transfers	166,455	(166,455)	-	-
Net assets – beginning	32,907,725	11,862	32,919,587	29,732,807
Net assets – ending	\$ 36,316,496	18,115	36,334,611	32,919,587

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 \$3.46 million. The Town Council established a figure of \$2 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 four years ago, establishing a Tax Rate Stabilization Account. The Council funded the stabilization account, each of the first three years for a total of \$1 million. No additional funding was provided during FY 2007 and the account remained at \$1 million at June 30, 2007. 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, 2007, the Town managed to increase its total fund balance once again. General fund undesignated fund balance maintained its current strong position increasing by approximately \$200,000 for a total 3.46 million while increasing its funding for the subsequent years budget (designated fund balance) by \$180,000. In addition, over the years, the Town has established various capital and other reserves. For the year ended June 30, 2007, the Town's reserves increased by \$635,000 as a result of strong investment returns and repayments from the NET program of \$166,000 and Community Center donations of \$187,000. The Town anticipates donations for the community center will be collected over the next five years replenishing an advance in FY 2006 of \$800,000 from the reserves. At June 30, 2007, the Town's reserved funds totaled \$5.11 million compared to the prior years \$4.64 million while School Capital reserves decreased slightly to a balance of approximately \$179,000. The Town annually will fund various capital projects from reserves, appropriations from the general fund and from bond authorizations. This year unspent capital projects increased by approximately \$131,000, for a balance of \$2.62 million at June 30, 2007.

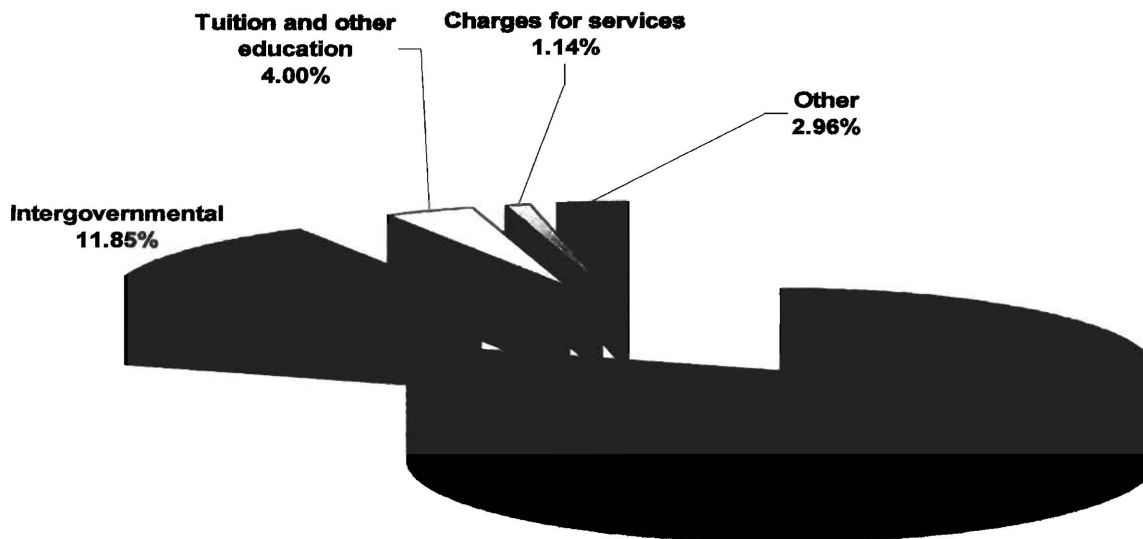
General Fund Revenues Budget to Actual Summary

For FY 07, revenues exceeded estimated revenues by approximately \$1,041,000. The major reasons were a large overlay, \$310,000, as a result of final valuation numbers coming in greater than expected, strong vehicle excise tax collections with collections exceeding budget by \$163,000 and much higher investment earnings due to improved interest rates resulting in earnings exceeding estimates by approximately \$266,000. For FY 2007, \$385,000 was budgeted from the fund balance to reduce property taxes. The property tax collection rate for the year decreased slightly to 96.30% from the previous year's collection rate of 96.45%.

General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 18,712,760	19,278,273	565,513
Licenses and permits	218,200	238,953	20,753
Intergovernmental	2,856,067	2,853,242	(2,825)
Tuition and other charges for services – education	839,917	963,965	124,048
Charges for services	218,500	274,051	55,551
Fees and fines	54,500	61,630	7,130
Unclassified	11,650	16,897	5,247
Investment earnings	130,000	395,846	265,846
Total revenues	\$ 23,041,594	24,082,857	1,041,263

Revenue Sources 2007

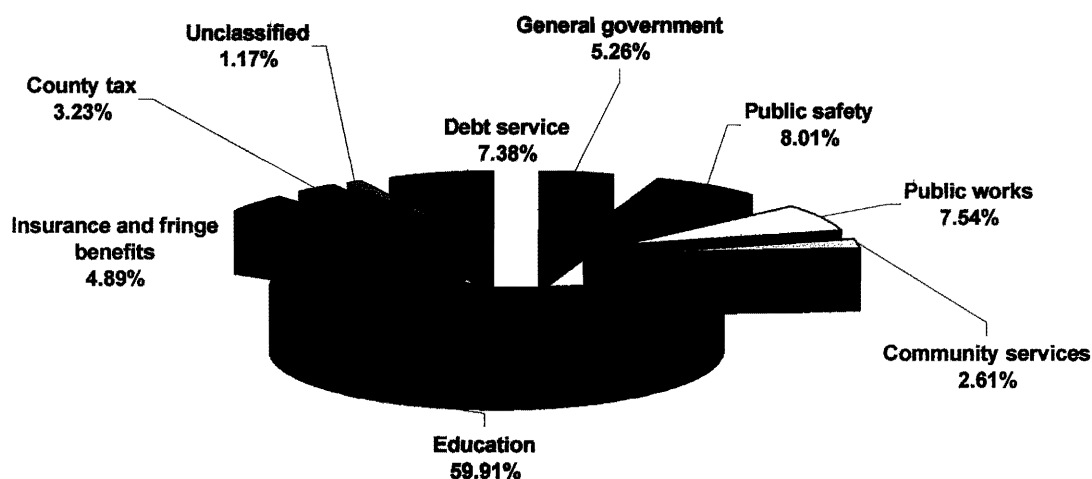


General Fund Expenditures Budget to Actual Summary

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 \$323,000 of savings. A few departments exceeded their authorized level by small amounts which were approved by management. A negative variance is noted in education due to higher than expected community education program expenditures as a result of higher than budgeted program revenues which offset the expenditures. 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, 2007 (see Exhibit A-2 for a more detailed presentation):

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government	\$ 1,280,151	1,222,866	57,285
Public safety	1,889,495	1,863,228	26,267
Public works	1,817,588	1,754,769	62,819
Community services	627,745	606,852	20,893
Education	13,918,981	13,935,271	(16,290)
Insurance and fringe benefits	1,260,800	1,136,406	124,394
County tax	751,831	751,831	-
Unclassified	276,500	272,256	4,244
Debt service	1,758,930	1,715,489	43,441
Total expenditures	\$ 23,582,021	23,258,969	323,052

Expenditure Components 2007



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 and is for equipment, vehicle, 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 2007 capital budget that was approved in April of 2007 included the following:

	2007 Funding Source				
	Council			Fund	
	<u>Approved</u>	<u>Reserve</u>	<u>Bond</u>	<u>Balance</u>	<u>TIF</u>
School	894,500	200,000	655,000	39,500	
Fire	464,000	464,000	-		
Rescue	157,000	157,000			
Public Works	143,500	143,500			
Solid Waste	10,000	10,000			
Comprehensive Town Imp.	625,000	465,000		160,000	
Municipal Facilities	20,000	20,000			
TIF	126,200	-			126,200
Cable	30,000	30,000			
Other	25,000	25,000			
Total 2007	2,495,200	1,514,500	655,000	199,500	126,200

The Town Council placed two items out for voter approval totaling \$655,000 which were both strongly approved for bonding in June 2007.

A summary of the Town's capital assets at June 30, 2007 and 2006 are as follows:

General fixed assets:	<u>2007</u>	<u>2006</u>
Land	\$1,850,869	1,850,869
Land improvements	1,380,566	1,257,016
Buildings and improvements	29,358,925	26,760,292
Machinery, equipment and other	4,960,620	4,382,998
Vehicles	4,026,323	3,885,671
Infrastructure	6,236,343	6,219,683
Construction in process	459,198	1,862,817
Total governmental fund capital assets	\$48,272,844	46,219,346

As part of General Accounting Standards Board statement #34 reporting changes, prior year fixed asset totals have been restated to reflect infrastructure assets acquired between 1967 and 2001 at a cost of \$3,805,468 and accumulated depreciation of \$1,564,946 at June 30, 2006.

LONG-TERM DEBT

The State allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,429,300,000 for 2007, the debt limit would be over \$214,395,000. Our current debt is \$11,952,600, or less than 1% of State Valuation or approximately 5.58% of the Town's debt limit. Another measure of a municipalities debt load is debt per capita. As of June 30, 2007, the Town of Freeport's debt per capita was \$1,497 as compared to the prior year of \$1,687.

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2007:

Bonds and notes payable at June 30, 2006	\$ 13,495,250
Principal additions	-
Principal payments	(1,542,650)

<u>Bonds and notes payable at June 30, 2007</u>	<u>\$ 11,952,600</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, completed a 335,000 sq. ft. expansion at their Order Fulfillment Center on Desert Road. Additionally, the Town entered into a partnership with Berenson Associates and LL Bean for the development of a \$45 million parking garage and retail complex in the downtown village. The project will include a two-story 550 space parking structure topped with a third story with approximately 118,000 s.f. of retail space which will include state of the art retailers and restaurants. LL Bean has leased 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, are currently under construction or have recently been completed. This includes the construction of a new maintenance facility, a new Hunting and Fishing Store, and a new 19,600 s.f. data center.

Other commercial proposals were significant, with development taking place in 2007 on US Route One. The types of commercial uses remained diverse and for many, construction has recently been completed. Three new office buildings have been 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 9,000 square feet of retail space has been constructed and will accommodate two retail tenants. A new 5,000 sq.ft. restaurant was constructed and opened this past spring. The Project Review Board has approved several single-family and condominium residential developments with over 100 new housing units being created in the last two years. The 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 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 1st 2007. 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, 2007 was approved by the Town Council with a tax rate of 12.56 mills, for a slight increase over the prior years rate of 12.50 mills primarily the result of decreased State Education subsidies.

The following summarizes the major components of the FY 2008 and FY 2007 budgets:

	FY 2008 <u>Appropriation</u>	FY 2007 <u>Appropriation</u>	Increase (Decrease)
<u>REVENUES:</u>			
School	\$ 2,328,935	2,680,574	(351,639)
Town Non-Property Tax	3,403,545	3,282,937	120,608
Property Tax	17,769,909	17,430,260	339,649
Fund Balance	565,000	385,000	180,000
TOTALS	\$ 24,067,389	23,778,771	288,618
<u>EXPENDITURES:</u>			
Municipal	\$ 7,355,307	7,239,779	115,528
School	13,928,807	13,588,512	340,295
County Tax	761,800	751,831	9,969
Capital Reserves	75,000	75,000	-
Debt Services	1,946,475	2,123,649	(177,174)
TOTALS	\$ 24,067,389	23,778,771	288,618
 Tax Mil Rate	 12.56	 12.50	 .06
Increase in Tax Rate			.48 %

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, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,659,155	-	7,659,155
Investments	9,553,133	-	9,553,133
Receivables:			
Accounts, net	25,710	160,057	185,767
Intergovernmental	130,546	-	130,546
Taxes receivable	715,684	-	715,684
Tax liens	207,773	-	207,773
Internal balances	156,539	(156,539)	-
Inventory	50,916	-	50,916
Capital assets, net	32,168,399	18,115	32,186,514
Total assets	50,667,854	21,633	50,689,488
LIABILITIES			
Accounts payable and other current liabilities	916,754	-	916,754
Accrued wages and benefits payable	40,218	3,518	43,736
Compensated absences payable	181,000	-	181,000
Accrued interest	124,731	-	124,731
Noncurrent liabilities:			
Other long-term liabilities	1,136,055		1,136,055
Bonds due within one year	1,376,750	-	1,376,750
Bonds due in more than one year	10,575,850	-	10,575,850
Total liabilities	14,351,358	3,518	14,354,876
NET ASSETS			
Invested in capital assets, net of related debt	20,215,799	18,115	20,233,914
Restricted for:			
Special revenues	965,797	-	965,797
Capital projects	269,074	-	269,074
Nonexpendable trust principal	1,145,028	-	1,145,028
Other purposes	477,768	-	477,768
Unrestricted	13,243,030	-	13,243,030
Total net assets	\$ 36,316,496	18,115	36,334,611

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Activities
For the Year Ended June 30, 2007

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	\$ 1,565,930	226,508	-	-	(1,339,422)	-	(1,339,422)
Public safety	2,643,358	304,578	94,392	-	(2,244,388)	-	(2,244,388)
Public works	2,765,706	196,925	260,215	-	(2,308,565)	-	(2,308,565)
Community services	892,341	163,431	11,005	-	(717,905)	-	(717,905)
Education	14,644,641	963,965	2,350,949	-	(11,329,727)	-	(11,329,727)
Maine State Retirement on behalf payments	1,473,000	-	1,473,000	-	-	-	-
County tax	751,831	-	-	-	(751,831)	-	(751,831)
Unclassified	1,511,850	531,259	147,278	-	(833,314)	-	(833,314)
Interest on debt	838,927	-	-	-	(838,927)	-	(838,927)
Capital maintenance expenses	62,940	-	-	752,756	689,816	-	689,816
Total governmental activities	27,150,524	2,386,666	4,336,840	752,756	(19,674,262)	-	(19,674,262)
Business-type activities:							
Nonemergency Transportation	332,733	505,441	-	-	-	172,708	172,708
Total business-type activities	332,733	505,441	-	-	-	172,708	172,708
Total primary government	\$ 27,483,257	2,892,107	4,336,840	752,756	(19,674,262)	172,708	(19,501,554)
General revenues:							
Property taxes, levied for general purposes					\$ 18,608,749	-	18,608,749
Motor vehicle excise taxes					1,400,073	-	1,400,073
Interest and lien costs					68,277	-	68,277
Grants and contributions not restricted to specific programs:							
Homestead exemption					151,201	-	151,201
Other State aid					85,235	-	85,235
State Revenue Sharing					613,118	-	613,118
Unrestricted investment earnings					1,111,190	-	1,111,190
Transfer from NET					166,455	(166,455)	-
Miscellaneous revenues					878,735	-	878,735
Total general revenues and transfers					23,083,033	(166,455)	22,916,578
Change in net assets					3,408,771	6,253	3,415,024
Net assets - beginning					32,907,725	11,862	32,919,587
Net assets - ending					\$ 36,316,496	18,115	36,334,611

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Balance Sheet
Governmental Funds
June 30, 2007

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash	\$ 6,012,757	1,113,272	533,126	7,659,155
Investments	3,643,852	4,297,825	1,611,456	9,553,133
Receivables:				
Accounts	21,429	-	4,281	25,709
Intergovernmental	-	-	130,546	130,546
Taxes receivable	715,684	-	-	715,684
Tax liens	207,773	-	-	207,773
Interfund loans receivable	357,284	-	3,786,552	4,143,835
Inventory	21,023	-	29,893	50,916
Total assets	\$ 10,979,801	5,411,097	6,095,853	22,486,751
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 454,035	-	107,019	561,054
Accrued wages and benefits	40,218	-	-	40,218
Compensated absences payable	181,000	-	-	181,000
Taxes collected in advance	17,982	-	-	17,982
Interfund loans	3,830,853	136,646	19,798	3,987,297
Development escrows	150,751	-	-	150,751
Deferred tax revenues	639,200	-	-	639,200
Other deferred revenues	186,967	-	-	186,967
Total liabilities	5,501,006	136,646	126,817	5,764,469
Fund balances:				
Reserved for:				
Encumbrances	261,152	-	-	261,152
Nonexpendable trust principal	-	-	1,145,028	1,145,028
Future retirement pay	165,700	-	-	165,700
Inventory	21,023	-	29,893	50,916
Unreserved, reported in:				
Designated	1,565,000	-	451,674	2,016,674
Undesignated:				
General fund	3,465,920	-	-	3,465,920
Special revenue funds	-	5,274,451	1,708,038	6,982,490
Capital project funds	-	-	2,619,515	2,619,515
Permanent funds	-	-	14,888	14,888
Total fund balances	5,478,795	5,274,451	5,969,036	16,722,282
Total liabilities and fund balances	\$ 10,979,801	5,411,097	6,095,853	22,486,751
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				32,168,399
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.				639,201
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.				(13,213,386)
Net assets of governmental activities				36,316,496

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 19,278,273	-	810,626	20,088,899
Licenses, permits and fees	238,953	74,430	-	313,383
Intergovernmental	2,853,242	-	1,148,022	4,001,264
Intergovernmental on behalf payments	1,473,000	-	-	1,473,000
Tuition and other charges for services - education	963,965	-	-	963,965
Charges for services	274,051	249,909	1,050,196	1,574,155
Fees and fines	61,630	-	-	61,630
Unclassified	16,897	212,340	587,916	817,153
Investment earnings	395,846	499,121	216,223	1,111,190
Total revenues	25,555,857	1,035,800	3,812,983	30,404,641
Expenditures:				
Current:				
General government	1,204,565	-	-	1,204,565
Public safety	1,906,443	-	19,437	1,925,881
Public works	1,975,840	-	78,035	2,053,875
Community services	593,005	-	-	593,005
Education	13,935,271	-	522,529	14,457,801
Maine State Retirement on behalf payments	1,473,000	-	-	1,473,000
Insurance and fringe benefits	1,122,783	-	-	1,122,783
County tax	751,831	-	-	751,831
Food services	-	-	532,721	532,721
Unclassified	262,397	22,722	661,328	946,447
Capital outlay	-	-	2,172,920	2,172,920
Debt service	1,715,489	-	319,660	2,035,149
Total expenditures	24,940,626	22,722	4,306,630	29,269,978
Excess (deficiency) of revenues over (under) expenditures	615,231	1,013,078	(493,647)	1,134,662
Other financing sources (uses):				
Operating transfers from other funds	352,177	864,863	1,491,638	2,708,677
Operating transfers to other funds	(872,904)	(1,243,045)	(426,273)	(2,542,222)
Total other financing sources (uses)	(520,727)	(378,183)	1,065,365	166,455
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	94,504	634,895	571,718	1,301,117
Fund balances, beginning of year	5,384,291	4,639,556	5,397,318	15,421,166
Fund balances, end of year	\$ 5,478,795	5,274,451	5,969,036	16,722,283

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, 2007

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,301,117
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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.		576,577
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(11,800)
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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.		227
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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.		1,542,650
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Change in net assets of governmental activities (see Statement 2)	\$	3,408,771
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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, 2007

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 18,712,760	18,712,760	19,278,273	565,513
Licenses, permits and fees	218,200	218,200	238,953	20,753
Intergovernmental	2,876,067	2,856,067	2,853,242	(2,825)
Tuition and other charges for services - education	839,917	839,917	963,965	124,048
Charges for services	218,500	218,500	274,051	55,551
Fees and fines	54,500	54,500	61,630	7,130
Unclassified	11,650	11,650	16,897	5,247
Investment earnings	130,000	130,000	395,846	265,846
Total revenues	23,061,594	23,041,594	24,082,857	1,041,263
Expenditures:				
Current:				
General government	1,280,151	1,280,151	1,222,866	57,285
Public safety	1,889,495	1,889,495	1,863,228	26,267
Public works	1,817,588	1,817,588	1,754,769	62,819
Community services	627,745	627,745	606,852	20,893
Education	13,918,981	13,918,981	13,935,271	(16,290)
Insurance and fringe benefits	1,260,800	1,260,800	1,136,406	124,394
County tax	751,831	751,831	751,831	-
Unclassified	276,500	276,500	272,256	4,244
Debt service	1,758,930	1,758,930	1,715,489	43,441
Total expenditures	23,582,021	23,582,021	23,258,969	323,052
Excess (deficiency) of revenues over expenditures	(520,427)	(540,427)	823,889	1,364,316
Other financing sources (uses):				
Use of undesignated fund balance - Town	350,000	370,000	-	(370,000)
Use of undesignated fund balance - School	15,000	15,000	-	(15,000)
Use of undesignated fund balance - Reserves	-	599,077	-	(599,077)
Operating transfers from other funds	352,177	352,177	352,177	-
Operating transfers to other funds	(196,750)	(795,827)	(872,904)	(77,077)
Total other financing sources (uses)	520,427	540,427	(520,727)	(1,061,154)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	303,161	303,161
Reconciliation to GAAP basis:				
Encumbrances			(208,657)	
Excess (deficiency) of revenues and other financing sources over (under) expenditures - GAAP basis			94,504	
Fund balance, beginning of year			5,384,291	
Fund balance, end of year	\$		5,478,795	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2007

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
ASSETS		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$101,000	\$	160,057
Total current assets		160,057
Non-current assets:		
Property, plant, and equipment		107,272
Less accumulated depreciation		(89,157)
Total noncurrent assets		18,115
Total assets	\$	178,172
LIABILITIES		
Current liabilities:		
Accounts payable		-
Interfund loans		156,539
Accrued wages and benefits payable		3,518
Total current liabilities		160,057
Total liabilities	\$	160,057
NET ASSETS		
Invested in capital assets, net of related debt		18,115
Unrestricted		-
Total net assets	\$	18,115

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, 2007

Business-type Activities - Enterprise Funds	
	Nonemergency Transportation Program
Operating revenues:	
Charges for services	\$ 505,441
Total operating revenues	505,441
Operating expenses:	
Wages and benefits	279,983
Operational costs	38,188
Depreciation and amortization	14,562
Total operating expenses	332,733
Operating income	172,708
Transfer to Ambulance Reserves	(166,455)
Change in net assets	6,253
Total net assets, beginning of year	11,862
Total net assets, end of year	\$ 18,115

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2007

Business-type Activities - Enterprise Funds			Nonemergency Transportation Program
Cash flows from operating activities:			
Receipts from customers and users		\$	446,566
Payments to suppliers			(42,885)
Payments to employees			(279,032)
Net cash provided by (used in) operating activities			124,649
Cash flows from capital and related financing activities:			
Purchase of vehicle			-
Transfer to Ambulance reserve			(166,455)
Interfund borrowing			41,806
Net cash provided by (used in) financing activities			(124,649)
Decrease in cash			-
Cash, beginning of year			-
Cash, end of year		\$	-

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

Operating income (loss)		\$	172,708
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization			14,562
(Increase) decrease in operating assets:			
Accounts receivable			(58,875)
Increase (decrease) in operating liabilities:			
Accounts payable			(4,697)
Accrued wages and benefits payable			951
Net cash provided by (used in) operating activities			124,649

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Agency Fund
	School Activity Fund
ASSETS	
Cash	\$ 168,285
Total assets	168,285
LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to student groups	168,285
Total liabilities	168,285
Net assets:	
Held in trust	\$ -

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

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.

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 \$1,110,873 as of June 30, 2006. The financial statement of Maine Vocational Region No. 10 for the year ended June 30, 2006 and audit report dated June 7, 2007 are available from the Region in Topsham, Maine.

B. Change in Accounting Principles

In the year ended June 30, 2007 the Town implemented the second phase of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements (GASB #34). GASB #34 requires retroactive reporting of infrastructure assets by June 30, 2007. Accordingly, the Town has recorded such infrastructure as required by GASB #34.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. 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.

D. 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, 2007

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, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Receivables

Accounts receivable for the business-type activities include an allowance for doubtful accounts in the amount of \$101,000 as of June 30, 2007. Management has determined that potential uncollectible accounts for intergovernmental, taxes and tax liens receivable are not material.

F. 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.

G. 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 and infrastructure for the fiscal year 2007. 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. 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.

I. 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.

J. 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.

K. 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.

L. 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.

M. 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, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. 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. For the year ending June 30, 2007, the school department was required by the State to report all insurance and benefit cost by school location and function. Prior year general fund education expenditures in Exhibit A-2 have not been reclassified to reflect such changes.

O. 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 \$1,473,000. 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, 2007, the Town reported deposits of \$7,659,154 with a bank balance of \$8,096,549. Of the Town's bank balances, \$1,819,327 was covered by FDIC insurance and \$6,277,223 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, \$2,291,600 was collateralized by the pledging bank and \$3,985,623 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, 2007

CASH AND INVESTMENTS, CONTINUED

At June 30, 2007, the Town had the following investments and maturities:

	Fair Value	Not Applicable	Less than 1 year	1-5 years
Money market fund	\$ 562,337	-	562,337	-
US Agency Notes	749,646	-	100,290	649,356
US Agency Strips	188,420	-	99,077	89,343
Commercial paper	2,552,144	-	2,552,144	-
Mutual Funds	4,894,109	4,894,109	-	-
Investment Pool	625,777	625,777	-	-
Total investments	\$9,572,433	\$5,519,886	\$3,313,848	\$738,699

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, 2007 the Town had individual investments that exceeded 5 percent of the Town's investments as follows:

	Fair Value June 30, 2007	Percent	Credit Risk Rating
MBIA Maine Class Investment Pool	\$ 625,777	6.6%	AAA
GECC Commercial Paper	2,552,144	26.7%	P1/A1+
Mutual Funds:			
American Funds –Growth Fund of America	876,188	9.2%	N/A
American Funds –Fundamental Investors	1,116,481	11.7%	N/A
Evergreen Adjustable Rate Bond Fund	1,394,536	14.6%	AAA

NET ASSETS –INFRASTRUCTURE RESTATEMENT

The town has restated infrastructure assets to include assets acquired from 1970 to 2001. The restatement resulted in the following:

Net Assets as previously reported at June 30, 2006	\$30,667,203
Infrastructure assets restated	3,805,468
Accumulated depreciation infrastructure restated	(1,564,946)
Net Assets restated June 30, 2006	\$32,907,725

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

PROPERTY TAX

Property taxes for the current period were committed on September 15, 2006, on the assessed value listed as of April 1, 2006, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 15, 2006 and May 15, 2007. Personal property taxes were due in whole on November 15, 2006. Interest at the rate of 11 % 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 2007, the Town implemented a town-wide revaluation that was completed for the assessment list of April 1, 2006. The 2006 assessed value was 100% of the estimated market value and 87.4% of the 2006 state valuation of \$1,337,850,000.

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 \$309,596 for the period ended June 30, 2007.

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>2007</u>
Assessed value	\$1,032,170,329	1,484,038,533
<u>Tax rate (per \$1,000)</u>	<u>17.90</u>	<u>12.50</u>
Commitment	18,475,849	18,550,482
<u>Supplemental taxes assessed</u>	<u>49,276</u>	<u>69,973</u>
	18,525,125	18,620,455
Less:		
<u>Collections and abatements</u>	<u>17,867,390</u>	<u>17,930,859</u>
<u>Receivable at end of period (Current year)</u>	<u>\$ 657,735</u>	<u>689,596</u>
Collection rate	96.45%	96.30%

SIGNIFICANT TAXPAYER

For the year ended June 30, 2007, the Town of Freeport committed and collected \$2,988,355 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 16.11% of total property taxes assessed.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
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	1,257,016	123,550	-	1,380,566
Buildings and building improvements	26,760,292	2,598,633	-	29,358,925
Machinery, equipment and other	4,382,998	585,622	8,000	4,960,620
Vehicles	3,885,671	262,542	121,890	4,026,323
Construction work in process	1,862,817	260,168	1,663,787	459,198
Infrastructure	6,219,683	16,660	-	6,236,343
Total capital assets being depreciated	44,368,477	3,847,175	1,793,677	46,421,975
Less accumulated depreciation	14,627,525	1,606,810	129,890	16,104,445
Total capital assets being depreciated, net	29,740,952	2,240,365	1,663,787	30,317,530
Governmental activities capital assets, net	\$31,591,821	2,240,365	1,663,787	32,168,399
	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Business-type activities:				
Equipment	\$ 10,772	-	-	\$ 10,772
Vehicles	96,500	-	-	96,500
Total capital assets being depreciated	107,272	-	-	107,272
Less accumulated depreciation	74,595	14,562	-	89,157
Business-type activities capital assets, net	\$32,677	14,562	-	\$ 18,115

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2007 as follows:

Governmental activities:

General government	\$ 78,746
Public Safety	271,966
Public Works	442,606
Community services	204,915
Education	554,664
Unclassified	53,913
Total depreciation expense – governmental activities	\$ 1,606,810

Business-type activities:

Nonemergency Transportation Program	14,562
Total depreciation expense - business activities	\$ 14,562

In accordance with GASB Statement No. 34, the Town is required to retroactively report all major general infrastructure assets by June 30, 2007. Previously, the Town had only recorded infrastructure assets acquired after June 30, 2001. For these financial Statements a prior period adjustment has been recorded to restate infrastructure assets to include assets acquired from 1970 to 2001 with a historical total cost of \$3,805,468 and accumulated depreciation of \$1,564,946 at June 30, 2006.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

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, 2007 arising from these transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 357,284	\$3,830,853
Special Revenue Fund:		
Town reserve funds	-	136,646
School reserve funds	178,722	-
Winslow Park	23,518	-
TIF funds	420,552	-
Bartol building lease fund	502,683	-
Tower lease fund	212,122	-
Other Town grants & programs	2,367	-
School categorical funds	175,966	-
Capital Project Funds:		
School capital projects	241,687	-
Fire department projects	470,678	-
Rescue department projects	88,360	-
Public Works projects	174,165	-
Police department projects	6,711	-
Recycling projects	148,505	-
Comprehensive Town projects	934,646	-
Municipal buildings and other	158,894	-
Boards and committees	45,866	-
Enterprise NET Program	-	156,539
Permanent Funds	1,109	19,798
Totals	\$4,143,835	\$4,143,835

FUND BALANCE

At June 30, 2007, the General Fund's fund balance was comprised of the following:

Reservations:	
Encumbrances	\$ 261,152
Inventory	21,023
Future retirement pay	165,700
Total	\$ 447,875
Designated fund balances:	
Town FY 2007 budgeted use of Fund Balance	\$ 550,000
Tax rate stabilization account	1,000,000
School FY 2007 budgeted use of Fund Balance	15,000
Total	\$ 1,565,000
Undesignated fund balance:	
General education undesignated	\$ 5,930
Town undesignated	3,459,990
Total	\$ 3,465,920

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

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, 2007 totaled \$609,164. The School Department's payroll for employees covered by this group, for the fiscal year ended June 30, 2007, was \$7,953,753. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to 19.14% of compensation. Contributions paid by the State (on-behalf payments) totaled approximately \$1,473,000 for the year ended June 30, 2007. There is no contribution required by the School Department except for federally funded teachers for which the School Department contributes 19.14% of their compensation. This cost amounted to \$49,069 for the year ended June 30, 2007, 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, 2007 were as follows:

	<u>Special #2C</u>
Employer payroll rate(s):	
Normal cost	9.6%
Pooled UAL	-5.6%
<u> Total payroll rate</u>	<u>4.0%</u>
Monthly IUUAL available (7/1/06-6/30/07):	
Payment/(Credit)	(\$ 3,525)
<u> Member contribution rate(s)</u>	<u>6.5%</u>

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

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 13 years starting with the fiscal year 2007. Employer contributions for the year ended June 30, 2007 were \$21,339 net of 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, 2007, employee contributions to the plan totaled \$103,098.

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, 2007, the Town's contribution to the plan totaled \$139,549.

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 \$492,628 for the year ended June 30, 2007.

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, 2007

LONG-TERM DEBT

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2007:

Bonds and notes payable at June 30, 2006	\$ 13,495,250
Principal additions	-
Principal payments	(1,542,650)
<u>Bonds and notes payable at June 30, 2007</u>	<u>\$ 11,952,600</u>

Bonds and notes payable at June 30, 2007 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, 2007</u>
Governmental activities:					
1990 Capital improvements	9/01/90	6,175,000	2010	7.244%	\$1,100,000
1992 Capital improvements	12/15/98(1)	3,274,000	2012	4.206%	900,000
1997 Capital improvements	1/23/97	4,275,000	2016	5.300%	1,625,000
1997 Capital improvements	10/30/97	465,000	2007	4.668%	46,500
1998 Capital improvements	10/29/98	508,000	2008	4.034%	101,600
1999 Capital improvements	11/01/99	960,000	2009	5.000%	150,000
2000 School improvements	2/08/01	4,888,000	2021	4.578%	3,180,000
2001 Capital improvements	10/25/01	517,000	2011	4.401%	238,500
2001 Capital improvements	2/14/02	1,000,000	2022	4.598%	750,000
2002 Capital improvements	10/30/02	540,500	2012	2.983%	267,500
2002 School improvements	11/07/02	4,491,000	2012	4.319%	3,590,000
2002 School improvements	6/02/03	25,000	2007	N/A	3,500
<u>Total bonds and notes payable</u>					<u>\$ 11,952,600</u>

(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 \$11,952,600 at June 30, 2007 was within the statutory limit.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding at June 30, 2007 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>
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	905,550	301,175	1,206,725
2013-2017	3,412,850	1,005,564	4,418,414
2018-2022	2,250,000	330,460	2,580,460
2022-2023	220,000	5,335	225,335
Totals	\$11,952,600	\$3,423,415	\$15,376,015

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, 2007, the Town's share is \$300,558 (3.76%) of Cumberland County's outstanding debt of \$7,999,569.

Other Contingencies

ECOMAIN (formerly Regional Waste Systems, Inc.), a Maine corporation with over 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 ECOMAIN payable from and secured by a pledge of ECOMAIN 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. ECOMAIN 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 ECOMAIN 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, 2007, outstanding "Incinerator Debt" of ECOMAIN totaled \$35,772,000 and "Material Recycling Facility Debt" of ECOMAIN totaled \$4,418,000 of which the Town of Freeport's share, based on estimated tonnage to be delivered, amounted to \$1,121,434 and \$115,752. Additionally, the Town's share of the projected landfill closure and post closure cost relating to ECOMAIN is estimated to be \$638,226.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2007

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, 2007 is \$211,000. 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, 2007 has not been included in the general long-term debt of the Town.

The retained captured assessed valuation of \$9,000,000 generated \$112,500 of taxes, and \$90,700 of debt service payments were made for the year ended June 30, 2007. As of June 30, 2007, the bond sinking fund for the payment of principal and interest has accumulated \$31,028. Under terms of the trust agreement with the developer, the developer may request reimbursement for amounts previously paid under the guarantee agreement. During the year ended June 30, 2007, the developer requested and was paid subsequent to year end reimbursements for amounts previously paid totaling \$23,576 which was available in the sinking fund.

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, 2007.

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 is 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 \$196,500 over the next 30 years. As such, the Town has recognized a liability of \$180,000 for closure and an estimate for post closure monitoring and maintenance costs of \$196,500 for a total of \$376,500 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, 2007 and 2006

	2007	2006
ASSETS		
Cash	\$ 6,012,757	4,723,416
Investments	3,643,852	4,206,108
Accounts receivables	21,429	23,862
Taxes receivable	715,684	663,918
Tax liens	207,773	231,719
Inventory	21,023	17,523
Interfund loans	357,284	118,191
Total assets	\$ 10,979,801	9,984,737
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	454,035	339,352
Accrued wages and benefits	40,218	38,809
Compensated absences payable	181,000	179,000
Taxes collected in advance	17,982	15,739
Interfund loans	3,830,853	3,097,084
Development escrows	150,751	173,965
Deferred tax revenues	639,200	651,000
Other deferred revenues	186,967	105,497
Total liabilities	5,501,006	4,600,446
Fund balance:		
Reserved for:		
Encumbrances	261,152	555,588
Inventory	21,023	17,523
Future retirement pay	165,700	157,300
Designated	1,565,000	1,385,000
Undesignated - School	5,930	49,577
Undesignated - Town	3,459,990	3,219,303
Total fund balance	5,478,795	5,384,291
Total liabilities and fund balance	\$ 10,979,801	9,984,737

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, 2007

(with comparative actual amounts for the year ended June 30, 2006)

	2007		Variance positive (negative)	2006 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,430,260	17,809,923	379,663	17,400,030
Excise taxes & registration fees	1,237,500	1,400,073	162,573	1,365,683
Interest and lien costs	45,000	68,277	23,277	51,714
Total taxes	18,712,760	19,278,273	565,513	18,817,428
Licenses, permits and fees:				
Building, plumbing & electrical permits	95,000	103,875	8,875	199,411
Town clerk licenses & fees	31,800	43,257	11,457	35,561
Mooring and other harbor fees	76,000	76,712	712	47,951
Solid waste permits	2,400	2,250	(150)	2,250
Shellfish licenses	13,000	12,859	(141)	12,800
Total licenses, permits and fees	218,200	238,953	20,753	297,973
Intergovernmental:				
Education subsidies	1,713,657	1,707,882	(5,775)	1,380,220
Adult education subsidy	52,000	48,024	(3,976)	57,517
State tree growth reimbursement	35,000	55,735	20,735	-
State general assistance	8,000	11,005	3,005	9,360
State revenue sharing	625,000	613,118	(11,882)	691,097
State homestead exemption reimbursement	170,000	151,201	(18,799)	171,441
State road assistance	165,000	156,072	(8,928)	170,268
Public safety contributions	56,110	80,705	24,595	15,525
Other intergovernmental	31,300	29,500	(1,800)	47,882
Total intergovernmental	2,856,067	2,853,242	(2,825)	2,543,311
Tuition and other charges for services - education	839,917	963,965	124,048	972,732
Charges for services:				
Planning	35,000	79,376	44,376	92,644
Transfer station and recycling	99,000	128,145	29,145	116,671
Parking lot	37,500	37,500	-	37,500
Vehicle maintenance	12,000	9,261	(2,739)	7,982
Engineering	35,000	19,769	(15,231)	28,228
Total charges for services	218,500	274,051	55,551	283,024
Fees and fines:				
Police parking and other fines	28,500	32,672	4,172	30,150
Library fines and fees	12,000	12,289	289	10,688
Alarm and other fire fees	14,000	16,669	2,669	13,620
Total fees and fines	54,500	61,630	7,130	54,458

See accompanying independent auditors' report.

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

	2007		Variance positive (negative)	2006 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	11,650	16,897	5,247	17,740
Investment earnings	130,000	395,846	265,846	279,911
Total revenues	23,041,594	24,082,857	1,041,263	23,266,576
Expenditures:				
Current:				
General government:				
Town council	103,100	95,762	7,338	96,734
Town manager	120,552	118,626	1,926	109,944
Finance and treasury	264,801	263,213	1,588	254,685
Assessing	123,494	122,344	1,150	119,049
Code enforcement	69,116	69,610	(494)	67,792
Town clerk and elections	81,444	79,569	1,875	77,907
General administration	141,884	124,460	17,424	127,926
Municipal buildings	258,932	234,829	24,103	199,356
Planning	116,828	114,454	2,374	109,777
Total general government	1,280,151	1,222,866	57,285	1,163,170
Public Safety:				
Police department	828,796	825,328	3,468	800,584
Special enforcement	39,982	34,682	5,300	38,198
Fire department	315,917	313,619	2,298	283,733
Rescue	275,469	274,898	571	240,267
Dispatch	207,831	205,218	2,613	201,558
Hydrant rental	170,000	161,949	8,051	162,433
Street lights	51,500	47,534	3,966	46,316
Total public safety	1,889,495	1,863,228	26,267	1,773,089
Public Works:				
General road operations	646,287	638,423	7,864	601,979
Summer roads	454,600	445,266	9,334	439,856
Winter roads	107,000	89,957	17,043	69,877
Tree program	13,050	11,525	1,525	11,023
Solid waste	508,699	482,709	25,990	444,709
Engineering	87,952	86,888	1,064	84,104
Total public works	1,817,588	1,754,769	62,819	1,651,548

See accompanying independent auditors' report.

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

	2007		Variance positive (negative)	2006 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	46,400	46,400	-	46,100
Public library	359,670	347,270	12,400	333,418
Cable TV	55,716	57,044	(1,328)	45,081
Promotions	15,900	14,565	1,335	15,850
General assistance	86,373	83,267	3,106	70,512
Coastal waters	54,036	50,167	3,869	51,587
Shellfish commission	4,100	3,513	587	560
Other	5,550	4,626	924	15,494
Total community services	627,745	606,852	20,893	578,601
Education:				
Elementary -Morse Street	1,968,023	2,030,159	(62,136)	1,654,306
Elementary -Mast Landing	2,168,686	2,159,478	9,208	1,666,965
Middle School	3,029,484	3,013,474	16,011	2,334,228
High School	4,280,934	4,314,134	(33,200)	3,308,623
Debt service	364,719	364,719	-	384,656
Administration and Central Services	1,551,343	1,379,109	172,234	1,516,992
Employee benefits & insurances	-	-	-	1,993,169
Community services and recreation	555,792	674,199	(118,407)	624,337
Total education	13,918,981	13,935,271	(16,290)	13,483,277
Insurance and fringe benefits:				
Employee benefits	1,168,800	1,051,229	117,571	1,062,687
Insurances	92,000	85,178	6,823	75,034
Total insurance and fringe benefits	1,260,800	1,136,406	124,394	1,137,721
Unclassified:				
County tax	751,831	751,831	-	736,850
Bustin's Island Corporation	174,000	168,236	5,764	166,013
Miscellaneous & contingency	52,500	48,853	3,647	33,689
Abatements	50,000	55,167	(5,167)	46,658
Total unclassified	1,028,331	1,024,087	4,244	983,209
Debt service	1,758,930	1,715,489	43,441	1,841,519
Total expenditures	23,582,021	23,258,969	323,052	22,612,135
Excess (deficiency) of revenues over (under)				
expenditures	(540,427)	823,889	1,364,316	654,441

See accompanying independent auditors' report.

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

	2007		Variance positive (negative)	2006 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	370,000	-	(370,000)	-
Budgeted utilization of surplus - School	15,000	-	(15,000)	-
Budgeted utilization of surplus - Reserves	599,077	-	(599,077)	
Operating transfers in	352,177	352,177	-	381,177
Operating transfers out	(795,827)	(872,904)	(77,077)	(755,121)
Total other financing sources (uses)	540,427	(520,727)	(1,061,154)	(373,944)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	303,161	303,161	280,497
Reconciliation to GAAP basis:				
Encumbrances		(208,657)		208,172
Future retirement and vacation pay		-		-
Excess of revenues and other financing sources over expenditures - GAAP basis		94,504		488,669
Fund balance, beginning of year		5,384,291		4,895,622
Fund balance, end of year	\$	5,478,795		5,384,291

See accompanying independent auditors' report.

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF FREEPORT
Combining Balance Sheet
All Other Governmental Funds
June 30, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ 533,126	-	-	533,126
Investments	82,588	350,263	1,178,605	1,611,456
Due from other governments	130,546	-	-	130,546
Accounts receivable	4,281	-	-	4,281
Inventory	29,893	-	-	29,893
Interfund loans	1,515,930	2,269,513	1,109	3,786,552
Total assets	\$ 2,296,363	2,619,775	1,179,714	6,095,853
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	106,758	260	-	107,019
Interfund loans	-	-	19,798	19,798
Total liabilities	106,758	260	19,798	126,817
Fund balances:				
Reserved for:				
Inventory	29,893	-	-	29,893
Encumbrances	-	-	-	-
Nonexpendable trust principal	-	-	1,145,028	1,145,028
Unreserved				
Designated	451,674	-	-	451,674
Undesignated, reported in:				
Special revenue funds	1,708,038	-	-	1,708,038
Capital project funds	-	2,619,515	-	2,619,515
Permanent funds	-	-	14,888	14,888
Total fund balance	2,189,605	2,619,515	1,159,916	5,969,036
Total liabilities and fund balances	\$ 2,296,363	2,619,775	1,179,714	6,095,853

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, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 810,626	-	-	810,626
Charges for services	1,050,196	-	-	1,050,196
Gifts and donations	76,335	-	10,138	86,473
Intergovernmental	909,631	238,391	-	1,148,022
Unclassified	43,523	457,920	-	501,443
Investment income	45,742	17,298	153,183	216,223
Total revenues	2,936,053	713,610	163,321	3,812,983
Expenditures:				
Current:				
Public safety	19,437	-	-	19,437
Public works	78,035	-	-	78,035
Education	522,530	-	-	522,530
Unclassified	637,799	-	23,529	661,328
Capital outlay	98,490	2,074,429	-	2,172,920
Debt service	319,660	-	-	319,660
Food services	532,721	-	-	532,721
Total expenditures	2,208,673	2,074,429	23,529	4,306,631
Excess of revenues over expenditures	727,380	(1,360,819)	139,791	(493,648)
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Transfers (to) from other funds	(426,273)	1,491,638	-	1,065,365
Total other financing sources (uses)	(426,273)	1,491,638	-	1,065,365
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	301,108	130,818	139,791	571,717
Fund balances, beginning of year	1,888,497	2,488,697	1,020,124	5,397,318
Fund balances, end of year	\$ 2,189,605	2,619,515	1,159,916	5,969,036

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	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 2007
ASSETS										
Cash	\$ -	344,604	147,393	-	-	100	17,721	19,878	3,430	533,126
Investments	-	-	-	-	-	-	82,588	-	-	82,588
Due from other governments	-	-	-	-	-	105,735	-	17,843	6,968	130,546
Accounts receivable	-	-	-	-	-	-	4,281	-	-	4,281
Inventory	-	-	-	-	-	-	-	-	29,893	29,893
Interfund loans receivable	178,722	23,518	420,552	502,683	212,122	2,367	-	175,966	-	1,515,930
Total assets	\$ 178,722	368,122	567,945	502,683	212,122	108,202	104,590	213,688	40,290	2,296,363
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	-	3,427	70,716	-	-	10,100	716	-	21,798	106,758
Accrued wages	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	3,427	70,716	-	-	10,100	716	-	21,798	106,758
Fund balances:										
Reserved for inventory	-	-	-	-	-	-	-	-	29,893	29,893
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Designated	-	-	176,674	275,000	-	-	-	-	-	451,674
Undesignated	178,722	364,694	320,555	227,683	212,122	98,102	103,874	213,688	(11,401)	1,708,038
Total fund balances	178,722	364,694	497,229	502,683	212,122	98,102	103,874	213,688	18,492	2,189,605
Total liabilities and fund balances	\$ 178,722	368,122	567,945	502,683	212,122	108,202	104,590	213,688	40,290	2,296,363

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, 2007

	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 2007
Revenues:										
Property taxes	\$ -	-	810,626	-	-	-	-	-	-	810,626
Charges for services	-	247,057	-	341,924	177,013	-	-	-	284,202	1,050,196
Gifts and donations	-	8,377	-	-	-	-	-	67,958	-	76,335
Intergovernmental	56,711	-	-	-	-	178,557	-	527,085	147,278	909,631
Investment income	25,346	9,352	6,469	-	-	-	4,022	275	278	45,742
Unclassified	-	-	18,060	-	-	19,424	6,039	-	-	43,523
Total revenues	82,057	264,786	835,155	341,924	177,013	197,982	10,061	595,318	431,758	2,936,053
Expenditures:										
Current:										
Public safety	-	-	-	-	-	19,437	-	-	-	19,437
Public works	-	-	-	-	-	78,035	-	-	-	78,035
Education	-	-	-	-	-	-	-	522,530	-	522,530
Unclassified	692	173,386	365,670	-	-	6,202	91,849	-	-	637,799
Debt service	-	-	319,660	-	-	-	-	-	-	319,660
Food services	-	-	-	-	-	-	-	-	532,721	532,721
Capital	-	13,906	5,285	-	-	50,935	-	28,365	-	98,490
Total expenditures	692	187,292	690,615	-	-	154,609	91,849	550,895	532,721	2,208,673
Excess (deficiency) of revenues over (under) expenditures	81,365	77,494	144,540	341,924	177,013	43,373	(81,787)	44,423	(100,963)	727,380
Other financing sources (uses):										
Transfer to (from) other funds	(100,423)	-	-	(297,177)	(150,000)	-	85,000	(75,000)	111,327	(426,273)
Total other financing sources (uses)	(100,423)	-	-	(297,177)	(150,000)	-	85,000	(75,000)	111,327	(426,273)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(19,058)	77,494	144,540	44,747	27,013	43,373	3,213	(30,577)	10,364	301,108
Fund balances, beginning of year	197,780	287,201	352,689	457,936	185,109	54,729	100,661	244,265	8,128	1,888,497
Fund balances, end of year	\$ 178,722	364,694	497,229	502,683	212,122	98,102	103,874	213,688	18,492	2,189,605

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, 2007

	Fund Balance (deficit) June 30, 2006	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2007
		Inter- governmental	Other				
Town Reserve Funds (Major Fund):							
Unemployment compensation fund	\$ 293,828	-	47,961	3,481	44,480	-	338,308
General administration reserve	340,935	-	34,703	894	33,810	(11,250)	363,495
Police equipment reserve	129,296	-	12,541	317	12,223	33,750	175,269
Cable TV equipment reserve	196,568	-	94,125	504	93,620	(55,000)	235,189
Public infrastructure reserve	601,598	-	160,578	2,097	158,482	149,613	909,692
Land Trust reserve	17,333	-	1,790	485	1,305	-	18,638
Public works equipment reserve	996,892	-	107,873	2,830	105,043	(8,500)	1,093,436
Ambulance equipment reserve	247,147	-	262,691	507	262,183	(60,545)	448,785
Building maintenance reserve	385,649	-	38,284	977	37,307	67,500	490,456
Fire equipment reserve	995,922	-	100,598	2,583	98,015	(396,500)	697,437
Municipal parking lot reserve	136,939	-	21,945	5,825	16,119	-	153,059
Hedgehog mountain reserve	22,242	-	2,303	1,760	543	-	22,785
Recycling equipment reserve	180,264	-	17,983	460	17,523	23,750	221,537
Road impact fee reserve	55,250	-	132,350	-	132,350	(123,500)	64,100
Other	39,693	-	75	2	73	2,500	42,266
Total town reserve funds	4,639,556	-	1,035,800	22,722	1,013,078	(378,183)	5,274,451
School Reserve Funds:							
Building reserve	162,774	48,000	18,204	501	65,704	(130,169)	98,309
Technology reserve	11,565	8,711	3,884	102	12,493	(127)	23,931
Vehicle reserve	23,441	-	3,258	90	3,168	29,873	56,482
Total school reserve funds	197,780	56,711	25,346	692	81,365	(100,423)	178,722
Winslow Park fund	287,201	-	264,786	187,292	77,494	-	364,694
TIF Funds:							
TIF I -Desert road	60,675	-	115,491	114,276	1,214	-	61,889
TIF II - Desert road phase II	54,355	-	493,914	493,914	0	-	54,355
TIF III - Nursing home	95,654	-	20,711	-	20,711	-	116,365
TIF IV - Destination TIF	142,005	-	157,899	35,285	122,614	-	264,619
TIF V - Hotel TIF	-	-	47,140	47,140	-	-	-
Total TIF funds	352,689	-	835,155	690,615	144,540	-	497,229
Bartol Building Lease Fund	457,936	-	341,924	-	341,924	(297,177)	502,683
Tower Lease Fund	185,109	-	177,013	-	177,013	(150,000)	212,122

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, 2007

	Fund Balance (deficit) June 30, 2006	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2007
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 11,556	2,137	50	7,537	(5,350)	-	6,206
Homeland security grants	11,903	49,835	-	50,935	(1,100)	-	10,804
FEMA	-	104,143	-	78,035	26,109	-	26,109
Regional Efficiency grant	-	11,550	-	11,900	(350)	-	(350)
Department of Marine Resource Audit	-	9,300	5,888	-	15,188	-	15,188
Other	31,269	1,592	13,486	6,202	8,876	-	40,145
Total Town Grants and Projects	54,729	178,557	19,424	154,609	43,373	-	98,102
Freeport Economic Development Corporation	100,661	-	10,061	91,849	(81,787)	85,000	103,874
School Categorical & Other Funds:							
ECIA Title I-A	2,043	107,942	-	102,098	5,844	-	7,886
Local entitlement	49,500	272,850	-	295,259	(22,409)	-	27,091
Local entitlement Sec 619	1,371	3,320	-	-	3,320	-	4,691
Teacher quality grant	15,596	57,109	-	49,371	7,738	-	23,334
Carl Perkins	4,502	-	-	-	-	-	4,502
Transition Pilot	1,522	7,000	-	-	7,000	-	8,522
Title V	-	2,026	-	2,026	-	-	-
Title II technology	1,904	1,563	-	3,467	(1,904)	-	-
Drug free schools	3,223	5,250	-	8,473	(3,223)	-	-
Katrina grant	5,000	-	-	5,000	(5,000)	-	-
State agency clients	7,633	1,733	-	-	1,733	-	9,366
Professional development	13,850	11,414	-	24,007	(12,593)	-	1,257
Medicaid	67,580	49,377	-	3,457	45,920	(75,000)	38,500
SAMHA	-	7,500	-	3,520	3,980	-	3,980
Donations	20,319	-	3,779	-	3,779	-	24,098
Community education scholarship	25,956	-	187	-	187	-	26,143
Auditorium fund	3,666	-	14,791	8,723	6,068	-	9,734
Community education football	-	-	25,517	12,287	13,230	-	13,230
Aspirations	3,017	-	14,217	6,060	8,157	(8,414)	2,759
Teen center	7,490	-	924	18,996	(18,072)	8,000	(2,582)
Dollars for scholars	5,473	-	266	1,800	(1,534)	-	3,940
Other	4,620	-	8,553	6,350	2,203	414	7,237
Total school categorical funds	244,265	527,085	68,233	550,895	44,423	(75,000)	213,688
School Lunch Program	8,128	147,278	284,480	532,721	(100,963)	111,327	18,492
Total special revenue funds	\$ 6,528,054	909,631	3,062,222	2,231,395	1,740,458	(804,455)	7,464,057

See accompanying independent auditors' report.

CAPITAL PROJECT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2007

	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 2007
ASSETS											
Investments	\$ -	-	-	-	-	-	-	-	255,259	95,004	350,263
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	241,687	470,678	88,360	174,165	6,711	148,505	934,646	158,894	45,866	-	2,269,513
Total assets	\$ 241,687	470,678	88,360	174,165	6,711	148,505	934,646	158,894	301,125	95,004	2,619,775
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	-	-	-	-	-	-	260	-	260
Interfund loans	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	260	-	260
Fund balances:											
Unreserved, undesignated	241,687	470,678	88,360	174,165	6,711	148,505	934,646	158,894	300,864	95,004	2,619,515
Total fund balances	241,687	470,678	88,360	174,165	6,711	148,505	934,646	158,894	300,864	95,004	2,619,515
Total liabilities and fund balances	\$ 241,687	470,678	88,360	174,165	6,711	148,505	934,646	158,894	301,125	95,004	2,619,775

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, 2007

	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 2007
Revenues:											
Interest earnings	\$ -	-	-	-	-	-	-	-	-	17,298	17,298
Intergovernmental	-	-	-	-	-	-	198,858	-	39,533	-	238,391
Other revenue	-	-	-	-	-	-	-	-	457,920	-	457,920
Total revenues	-	-	-	-	-	-	198,858	-	497,453	17,298	713,610
Expenditures:											
Capital outlay	372,622	40,634	46,965	156,900	10,787	7,586	244,009	207,266	987,661	-	2,074,429
Total expenditures	372,622	40,634	46,965	156,900	10,787	7,586	244,009	207,266	987,661	-	2,074,429
Excess of revenues over expenditures	(372,622)	(40,634)	(46,965)	(156,900)	(10,787)	(7,586)	(45,150)	(207,266)	(490,208)	17,298	(1,360,819)
Other financing sources (uses):											
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfer in (out)	239,500	464,000	122,000	143,500	-	10,000	625,000	50,000	(162,363)	-	1,491,638
Total other financing sources (uses)	239,500	464,000	122,000	143,500	-	10,000	625,000	50,000	(162,363)	-	1,491,638
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(133,122)	423,366	75,035	(13,400)	(10,787)	2,414	579,850	(157,266)	(652,570)	17,298	130,818
Fund balances, beginning 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
Fund balances, end of year	\$ 241,687	470,678	88,360	174,165	6,711	148,505	934,646	158,894	300,864	95,004	2,619,515

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, 2007

	Fund Balance (deficit) June 30, 2006	Revenues and Other Sources				Expenditures	Fund Balance (deficit) June 30, 2007
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers		
School Capital Project Funds:							
School buses & other vehicles	\$ 65,101	-	-	-	(1,141)	63,960	-
Technology upgrades	85,652	-	-	-	109,500	101,834	93,318
Mast Landing improvements	10,290	-	-	-	19,055	-	29,345
Morse School improvements	106,647	-	-	-	39,852	126,500	20,000
Middle School improvements	30,957	-	-	-	(3,500)	23,957	3,500
High School improvements	60,000	-	-	-	56,034	56,372	59,662
Other School projects	16,162	-	-	-	19,700	-	35,862
Total school capital projects	374,809	-	-	-	239,500	372,622	241,687
Fire Department Capital Project Funds							
Protective clothing	6,007	-	-	-	14,000	5,460	14,547
Engine Five	-	-	-	-	450,000	-	450,000
Thermal imaging	35,000	-	-	-	-	33,000	2,000
Other	6,305	-	-	-	-	2,174	4,132
Total fire department	47,312	-	-	-	464,000	40,634	470,678
Rescue Department Capital Project Funds							
Protective clothing	13,325	-	-	-	-	3,903	9,422
Ambulance replacement	-	-	-	-	110,000	33,362	76,638
Electronic run reporting	-	-	-	-	12,000	9,700	2,300
Total rescue department	13,325	-	-	-	122,000	46,965	88,360
Public Works Capital Project Funds							
Grader repair	181,093	-	-	-	-	156,623	24,470
Dump truck replacement, sander & plow	-	-	-	-	143,500	-	143,500
One Ton Truck	3,203	-	-	-	-	277	2,926
Wheeler truck replacement, sander & plow	3,269	-	-	-	-	-	3,269
Total public works	187,565	-	-	-	143,500	156,900	174,165
Police Department Capital Project Funds							
Public safety recording equipment	2,882	-	-	-	-	1,284	1,598
Bullet proof vests	4,894	-	-	-	-	-	4,894
Other	9,723	-	-	-	-	9,503	219
Total police department	17,498	-	-	-	-	10,787	6,711

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, 2007

		Revenues and Other Sources					
	Fund Balance June 30, 2006	Inter- governmental	Other Revenues	Bond Proceeds	Transfers	Expenditures	Fund Balance June 30, 2007
Recycling Capital Project Funds:							
Landfill closing	\$ 116,436	-	-	-	-	-	116,436
Loader Tires	-	-	-	-	10,000	6,650	3,350
Other	29,655	-	-	-	-	936	28,720
Total recycling capital projects	146,091	-	-	-	10,000	7,586	148,505
Comprehensive Town Improvement Funds:							
South Freeport road projects	14,938	-	-	-	-	-	14,938
Pleasant Hill road projects	226,096	198,858	-	-	-	226,806	198,149
Grove street widening	10,202	-	-	-	-	-	10,202
Mallet Dr. paving match	35,250	-	-	-	-	-	35,250
Main St. paving and drainage match	34,123	-	-	-	20,000	-	54,123
Little River culvert	20,000	-	-	-	-	16,660	3,340
Flying Point Road	-	-	-	-	267,000	-	267,000
North Main street sidewalks	-	-	-	-	153,000	-	153,000
Cottage & Forest street reconstruction	-	-	-	-	145,000	-	145,000
South street projects	-	-	-	-	40,000	-	40,000
Other	14,187	-	-	-	-	543	13,644
Total comprehensive town improvement	354,796	198,858	-	-	625,000	244,009	934,646
Municipal Buildings and Other Improvement Funds:							
Resurface parking lot	49,029	-	-	-	-	45,213	3,815
Computer system upgrade	73,222	-	-	-	20,000	51,387	41,835
Dunning boat yard	13,488	-	-	-	-	7,043	6,445
Cable TV	86,835	-	-	-	30,000	91,468	25,367
Valuation update	24,998	-	-	-	-	8,403	16,595
Other	68,589	-	-	-	-	3,752	64,837
Total municipal buildings and other	316,160	-	-	-	50,000	207,266	158,894
Boards and Committees Improvement Funds:							
Recreation fund	4,865	-	266	-	-	-	5,131
Harbor fund	29,372	-	-	-	-	-	29,372
Land conservation fund	251,443	10,808	-	-	-	22,549	239,702
Community center	666,096	28,725	457,654	-	(187,363)	965,112	-
Citizens Survey	-	-	-	-	25,000	-	25,000
Other	1,659	-	-	-	-	-	1,659
Total boards and committees	953,435	39,533	457,920	-	(162,363)	987,661	300,864
Undesignated Interest	77,706	-	17,298	-	-	-	95,004
Total capital project funds	2,488,697	238,391	475,218	-	1,491,638	2,074,429	2,619,515

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS
PERMANENT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2007

		Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
ASSETS						
Investments	\$	282,796	228,198	231,415	436,196	1,178,605
Accounts receivable		-	-	-	-	-
Interfund loans		-	1,109	-	-	1,109
Total assets		282,796	229,307	231,415	436,196	1,179,714
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund loans		7,492	-	1,500	10,807	19,798
Total liabilities		7,492	-	1,500	10,807	19,798
Fund balances:						
Principal		299,361	206,923	226,565	412,180	1,145,028
Unexpended income		(24,056)	22,384	3,350	13,210	14,888
Total fund balances		275,304	229,307	229,915	425,389	1,159,916
Total liabilities and fund balances	\$	282,796	229,307	231,415	436,196	1,179,714

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, 2007

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:					
Investment income	\$ 7,311	4,831	4,761	8,660	25,563
Realized & unrealized gains on investments	22,780	25,684	28,096	51,060	127,620
Donations	7,200	2,768	170	-	10,138
Total revenues	37,291	33,283	33,027	59,720	163,321
Expenditures:					
Current:					
Other miscellaneous	7,792	2,166	1,670	11,902	23,529
Total expenditures	7,792	2,166	1,670	11,902	23,529
Excess (deficiency) of revenues over (under) expenditures	29,499	31,117	31,357	47,818	139,791
Fund balances, beginning of year	245,805	198,190	198,557	377,572	1,020,124
Fund balances, end of year	\$ 275,304	229,307	229,915	425,389	1,159,916

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, 2007

	Principal			Unexpended Income					Total June 30, 2007
	Fund Balance	Revenues		Fund Balance	Fund Balance	Interest Income	Expenditures	Fund Balance	
	(deficit) June 30, 2006	Unrealized/ Realized Gains	Other	(deficit) June 30, 2007	(deficit) June 30, 2006			(deficit) June 30, 2007	
Cemetery Care:									
Perpetual Care:									-
Burr	\$ 129,233	10,783	-	140,015	(12,379)	3,441	3,739	(12,677)	127,339
Grove	45,595	3,804	600	49,998	(4,352)	1,214	1,319	(4,457)	45,541
Webster	13,761	1,133		14,895	(676)	364	393	(705)	14,190
Woodlawn	20,191	1,685	-	21,876	(2,359)	538	584	(2,406)	19,470
South Freeport	39,788	3,649	6,600	50,037	(4,045)	1,202	1,244	(4,086)	45,950
Flying Point	7,360	614	-	7,974	(859)	196	213	(876)	7,098
Town maintained	2,271	189	-	2,460	38	60	66	33	2,493
Davis Mausoleum	755	57	-	813	615	19	20	615	1,427
Carrie Thomas	392	31	-	423	134	10	11	133	557
A.O. Woodard	10,036	834	-	10,870	308	267	204	371	11,241
Total Cemetery Funds	269,381	22,780	7,200	299,361	(23,576)	7,311	7,792	(24,056)	275,304
Library Funds:									
Bartol Association	26,859	3,815	540	31,213	(511)	1,152	-	641	31,854
Paul and Emma Bennett	14,883	2,113		16,996	2,726	358	809	2,275	19,271
Eleanor Brewer	5,525	1,126		6,650	161	167	-	328	6,978
Albert Conley	26,840	3,811		30,651	9,657	645	-	10,302	40,953
Jane Hall	104,365	14,820	2,228	121,413	7,686	2,509	1,357	8,838	130,251
Total Library Funds	178,471	25,684	2,768	206,923	19,719	4,831	2,166	22,384	229,307
School Scholarship Funds									
Fitts Award	2,317	329	-	2,646	(383)	56	-	(327)	2,319
Salomon Plummer	7,978	1,133	-	9,111	(2,169)	192	-	(1,978)	7,134
Wallace True	4,634	658	-	5,292	(515)	111	-	(403)	4,888
Millard and Enid Crooker	23,136	3,286	-	26,422	(3,579)	556	-	(3,023)	23,399
Alice Pollock	9,835	1,397	-	11,232	(747)	236	-	(511)	10,721
Auldis Foster	1,738	247	-	1,985	(147)	42	-	(105)	1,880
Kenneth Thompson	6,954	988	-	7,942	(295)	167	-	(128)	7,814
Christine Small Cushing	141,705	20,059	170	161,935	8,095	3,400	1,670	9,826	171,761
Total School Scholarship Funds	198,298	28,096	170	226,565	259	4,761	1,670	3,350	229,915
Benevolent Funds:									
George Davis	10,060	1,429	-	11,489	(742)	242	-	(500)	10,989
Arthur L. Gould	351,060	49,631	-	400,691	17,193	8,418	11,902	13,710	414,401
Total Benevolent Funds	361,120	51,060	-	412,180	16,452	8,660	11,902	13,210	425,389
Total	1,007,270	127,620	10,138	1,145,028	12,854	25,563	23,529	14,888	1,159,916

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, 2007

General fixed assets:	
Land	\$ 1,850,869
Land improvements	1,380,566
Buildings and improvements	29,358,925
Machinery, equipment and other	4,960,620
Vehicles	4,026,323
Infrastructure	6,236,343
Construction in process	459,198
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Total governmental fund capital assets	\$ 48,272,844

TOWN OF FREEPORT, MAINE
Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the year ended June 30, 2007

Function and Activity	Balance 2006	Additions	Disposals	Balance 2007
General government	\$ 2,788,903	55,139	8,000	2,836,042
Community services				
Library	3,743,508	66,014	-	3,809,522
Cable TV	228,107	62,880	-	290,987
Coastal waters	275,050	7,043	-	282,093
Community center	1,383,903	965,112		2,349,015
Education	20,942,787	366,653		21,309,440
Public safety:		-		
Police	913,957	114,581	21,890	1,006,648
Fire & Rescue	3,638,240	88,406		3,726,646
Public works		-		
General	9,579,006	412,347	100,000	9,891,353
Solid waste	1,330,375	-	-	1,330,375
Recreation	870,702	-	-	870,702
Unclassified:		-		
Parking lots	89,809	45,213	-	135,022
School lunch	91,368	-	-	91,368
Winslow Park	343,631	-	-	343,631
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	\$ 46,219,346	2,183,388	129,890	48,272,844

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, 2007

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	578,491	-	-		2,836,042
Community Services								
Library	110,000	78,405	2,364,305	1,256,812	-	-	-	3,809,522
Cable TV	-	-	-	268,987	22,000	-	-	290,987
Coastal waters	-	19,555	5,000	257,538	-	-		282,093
Community center	-	28,725	2,293,446	26,844	-	-	-	2,349,015
Education	360,285	126,987	19,303,085	613,202	905,881	-		21,309,440
Public safety:								
Police	3,850	-	598,000	195,333	209,465	-	-	1,006,648
Fire & Rescue	40,000	-	1,289,370	640,585	1,723,329	-	33,362	3,726,646
Public works								
General	193,768	-	1,274,000	657,550	1,103,856	6,236,343	425,836	9,891,353
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	132,022	-	-	-	-	-	135,022
School lunch	-	-	-	91,368	-	-	-	91,368
Winslow Park	-	-	287,734	27,000	28,897	-	-	343,631
Total capital assets	\$ 1,850,869	1,380,566	29,358,925	4,960,620	4,026,323	6,236,343	459,198	48,272,844

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Schedule of Depreciation - By Function and Activity
Year Ended June 30, 2007

Function and Activity	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Total
General government	\$ -	36,109	42,637	-	-	78,746
Community services						
Library	3,270	59,108	57,704	-	-	120,082
Cable TV	-	-	26,023	-	-	26,023
Coastal waters	733	333	14,983	-	-	16,049
Community center	958	38,224	3,579	-	-	42,761
Education	2,078	422,056	68,386	62,144	-	554,664
Public safety:						
Police	-	14,950	17,297	37,006	-	69,253
Fire & Rescue	-	33,305	51,571	117,837	-	202,713
Public works						
General	-	31,850	43,399	110,105	204,739	390,093
Solid waste	15,960	9,950	21,121	5,482	-	52,513
Recreation	18,802	-	2,429	-	-	21,231
Unclassified:						
Parking lots	4,806	-	-	-	-	4,806
School lunch	-	-	7,250	-	-	7,250
Winslow Park	-	17,849	2,777	-	-	20,626
Total capital assets	\$ 46,607	663,734	359,156	332,574	204,739	1,606,810

See accompanying independent auditors' report.