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TOWN OF FREEPORT, MAINE

Annual Financial Report

June 30, 2008

TOWN OF FREEPORT, MAINE
Annual Financial Report
June 30, 2008

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macdonaldpage & co LLC

Certified Public Accountants and Management Advisors

Independent Auditors' Report

Town Council
Town of Freeport
Freeport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2009, 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 2007 financial statements and, in our report dated December 17, 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 Page & Co LLC

South Portland, Maine
February 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

TOWN OF FREEPORT FISCAL YEAR 2008 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, 2008. 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 \$1,460,000. The General Fund's fund balance increased by approximately \$226,000. A large portion of the increase in fund balance was due to higher than expected General Fund revenues, which exceeded estimated revenues by approximately \$1,333,000. Revenue surpluses and unspent appropriations exceeded the planned use of fund balance for capital reserves of \$550,000, capital project authorizations of \$200,000 and the budget use of surplus to reduce the tax rate of \$565,000. Additionally, Town reserve funds were increased significantly from dedicated revenues, 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 2008. 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	
	2008	2007	2008	2007	2008	2007
ASSETS						
Cash and cash equivalents	\$12,361,978	7,659,155	-	-	12,361,978	7,659,155
Investments	7,437,208	9,553,133	-	-	7,437,208	9,553,133
Receivables	987,653	1,079,713	172,971	160,057	1,160,624	1,239,770
Internal balances	150,759	156,539	(150,759)	(156,539)	-	-
Inventory	51,962	50,916	-	-	51,962	50,916
Capital assets, net	32,376,181	32,168,399	46,940	18,115	32,423,121	32,186,514
Total assets	53,365,741	50,667,855	69,152	21,633	53,434,893	50,689,487
LIABILITIES						
Current liabilities	2,222,715	1,262,703	4,695	3,518	2,227,410	1,266,221
Noncurrent liabilities	12,387,183	13,088,655	-	-	12,387,183	13,088,655
Total liabilities	14,609,898	14,351,358	4,695	3,518	14,614,593	14,354,876
NET ASSETS						
Invested in capital assets, net of debt	21,145,331	20,215,799	46,940	18,115	21,192,271	20,233,914
Restricted	3,431,592	2,857,667	-	-	3,431,592	2,857,667
Unrestricted	14,178,920	13,243,030	17,517	-	14,196,437	13,243,030
Total net assets	\$ 38,755,843	36,316,496	64,457	18,115	38,820,300	36,334,611

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 \$2,486,000 during the year ended June 30, 2008. The following analysis provides the key elements of the increases.

	Governmental	Business-type	2008 Total Primary Government	2007 Total Primary Government
	Activities	Activities		
Program revenues:				
Charges for Services	\$ 2,534,988	471,533	3,006,521	2,892,107
Operating grants and contributions	3,742,519	-	3,742,519	4,336,840
Capital grants and contributions	220,554	-	220,554	752,756
General revenues:				
Property taxes	19,386,306	-	19,386,306	18,608,749
Motor vehicle excise taxes	1,376,574	-	1,376,574	1,400,073
Interest and lien costs	81,027	-	81,027	68,277
State Revenue Sharing	690,964	-	690,964	613,118
Homestead exemption	153,236	-	153,236	151,201
Other State aid	61,924	-	61,924	85,235
Unrestricted investment earnings	443,118	-	443,118	1,111,190
Miscellaneous revenues	1,499,984	-	1,499,984	878,735
Total revenues	30,191,194	471,533	30,662,727	30,898,281
Program expenses:				
General government	1,607,371	-	1,607,371	1,565,930
Public safety	2,625,606	391,646	3,017,252	2,976,091
Public works	2,536,108	-	2,536,108	2,765,706
Community services	948,397	-	948,397	892,341
Education	16,543,002	-	16,543,002	16,117,641
County tax	761,800	-	761,800	751,831
Unclassified	1,602,863	-	1,602,863	1,511,850
Interest on debt	820,799	-	820,799	838,927
Capital maintenance expenses	339,446	-	339,446	62,940
Total expenses	27,785,392	391,646	28,177,038	27,483,257
Change in net assets	2,405,802	79,887	2,485,689	3,415,024
Transfers	33,545	(33,545)	-	-
Net assets – beginning	36,316,496	18,115	36,334,611	32,919,587
Net assets – ending	\$ 38,755,843	64,457	38,820,300	36,334,611

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 \$3.74 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 five 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 2008 and the account remained at \$1 million at June 30, 2008. 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, 2008, the Town managed to increase its total fund balance once again. General fund undesignated fund balance maintained its current strong position increasing by approximately \$276,000 for a total of \$3.73 million, not including the school. In addition, over the years, the Town has established various capital and other reserves. For the year ended June 30, 2008, the Town's reserves increased by approximately \$777,000. At June 30, 2008, the Town's reserved funds totaled \$6.05 million compared to the prior years \$5.27 million while School Capital reserves decreased slightly to a balance of approximately \$70,000. 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 \$194,000, for a balance of \$2.81 million at June 30, 2008.

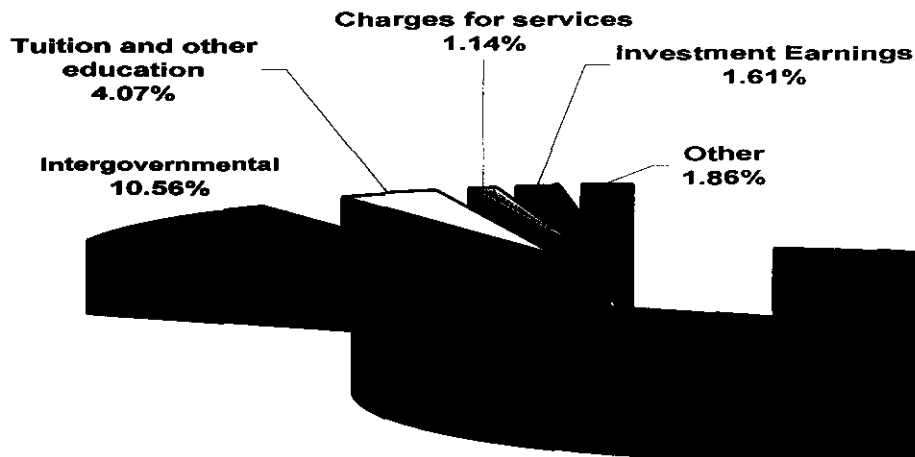
General Fund Revenues Budget to Actual Summary

For fiscal year 2008, revenues exceeded estimated revenues by approximately \$1,333,000. The major reasons were a large overlay, \$611,000, as a result of final valuation numbers coming in greater than expected, strong vehicle excise tax collections with collections exceeding budget by \$139,000, building permits exceeding estimates by \$105,000 and investment earnings exceeding estimates by approximately \$196,000. For FY 2008, \$565,000 was budgeted from the fund balance to reduce property taxes. The property tax collection rate for the year improved to 96.87% from the previous year's collection rate of 96.30%.

General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 19,057,409	19,806,182	748,773
Licenses and permits	234,400	346,261	111,861
Intergovernmental	2,538,563	2,589,519	50,956
Tuition and other charges for services – education	854,917	999,303	144,386
Charges for services	225,500	279,694	54,194
Fees and fines	69,500	78,551	9,051
Unclassified	14,400	31,879	17,479
Investment earnings	200,000	396,085	196,085
Total revenues	\$ 23,194,689	24,527,473	1,332,784

Revenue Sources 2008

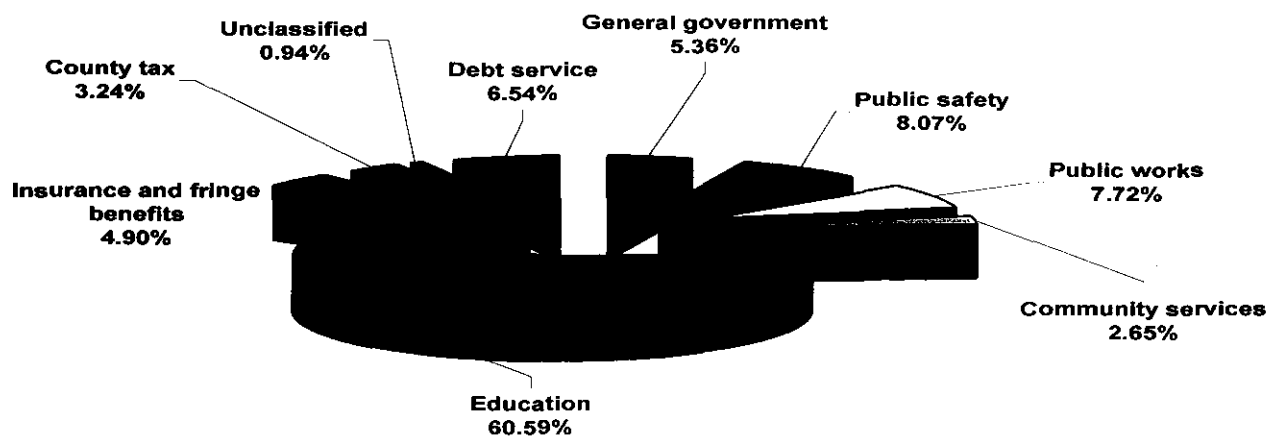


General Fund Expenditures Budget to Actual Summary

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 \$270,000 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, 2008 (see Exhibit A-2 for a more detailed presentation):

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government	\$ 1,307,747	1,259,835	47,912
Public safety	1,927,937	1,897,972	29,965
Public works	1,831,373	1,815,341	16,032
Community services	642,750	623,593	19,157
Education	14,161,148	14,250,762	(89,614)
Insurance and fringe benefits	1,310,200	1,152,955	157,245
County tax	761,800	761,800	-
Unclassified	245,500	220,848	24,652
Debt service	1,601,694	1,537,170	64,524
Total expenditures	\$ 23,790,149	23,520,275	269,874

Expenditure Components 2008



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 2008 capital budget that was approved in April of 2008 included the following:

	<u>Approved</u>	<u>Reserve</u>	<u>Bond</u>	<u>Fund Balance</u>	<u>TIF</u>
School	\$775,000	\$200,000	\$375,000	\$200,000	
Police	47,000	47,000	-		
Fire	132,500	132,500			
Rescue	55,000	55,000			
Public Works	50,000	50,000			
Comprehensive Town Imp.	738,000	388,000	350,000		
Municipal Facilities	30,000	30,000			
TIF	100,000	-			\$100,000
Cable	15,000	15,000			
Other	79,000	79,000			
Total 2008	\$2,021,500	\$996,500	\$725,000	\$200,000	\$100,000

The Town Council placed two items out for voter approval totaling \$655,000 which were both strongly approved for bonding in June 2008.

A summary of the Town's capital assets at June 30, 2008 and 2007 are as follows:

General fixed assets:	<u>2008</u>	<u>2007</u>
Land	\$1,849,869	\$1,850,869
Land improvements	1,487,909	1,380,566
Buildings and improvements	29,491,143	29,358,925
Machinery, equipment and other	5,032,266	4,960,620
Vehicles	4,265,358	4,026,323
Infrastructure	6,946,193	6,236,343
Construction in process	738,365	459,198
Total governmental fund capital assets	\$49,811,103	\$48,272,844

LONG-TERM DEBT

The State allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,515,400,000 for 2008, the debt limit would be over \$227,310,000. Our current debt is \$11,230,850, or less than .75% of State Valuation or approximately 4.94% of the Town's debt limit. Another measure of a municipalities debt load is debt per capita. As of June 30, 2008, the Town of Freeport's debt per capita was \$1,392 as compared to the prior year of \$1,482.

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2008:

Bonds and notes payable at June 30, 2007	\$ 11,952,600
Principal additions	655,000
Principal payments	(1,376,750)

<u>Bonds and notes payable at June 30, 2008</u>	<u>\$ 11,230,850</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. Over the past two years 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 and is expected to open in the spring of 2009. 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 and 2008 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 and a new 5,000 sq.ft. restaurant was constructed and opened. 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 2008, 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 fiscal year (2007) the Town underwent a market update to its valuation of all real and personal property as of April 1, 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. Presently for fiscal year 2009, the Town believes that its valuation (based on a valuation date of April 1, 2008) is at 100% of present market value.

The budget for the fiscal year starting July 1, 2008 was approved by the Town Council with a tax rate of 12.75 mils, for a slight increase over the prior years rate of 12.56 mils primarily the result of decreased State Education subsidies.

The following summarizes the major components of the FY 2008 and FY 2009 budgets:

	FY 2008 <u>Appropriation</u>	FY 2009 <u>Appropriation</u>	Increase (Decrease)
<u>REVENUES:</u>			
School	\$ 2,328,935	2,662,158	333,223
Town Non-Property Tax	3,403,545	3,436,350	32,805
Property Tax	17,769,909	18,448,430	678,521
Fund Balance	565,000	585,500	20,500
TOTALS	\$ 24,067,389	25,132,438	1,065,049
<u>EXPENDITURES:</u>			
Municipal	\$ 7,355,307	7,724,261	368,954
School	13,928,807	14,663,081	734,274
County Tax	761,800	788,142	26,342
Reserves	75,000	50,000	(25,000)
Debt Services	1,946,475	1,906,954	(39,521)
TOTALS	\$ 24,067,389	25,132,438	1,065,049
 Tax Mil Rate	 12.56	 12.75	 .19
Increase in Tax Rate			1.51 %

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, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,361,978	-	12,361,978
Investments	7,437,208	-	7,437,208
Receivables:			
Accounts, net	49,897	172,971	222,868
Intergovernmental	54,363	-	54,363
Taxes receivable	615,575	-	615,575
Tax liens	267,817	-	267,817
Internal balances	150,759	(150,759)	-
Inventory	51,962	-	51,962
Capital assets, net	32,376,181	46,940	32,423,121
Total assets	53,365,740	69,152	53,434,892
LIABILITIES			
Accounts payable and other current liabilities	1,875,153	28	1,875,181
Accrued wages and benefits payable	52,495	4,667	57,162
Compensated absences payable	202,200	-	202,200
Accrued interest	92,867	-	92,867
Noncurrent liabilities:			
Other long-term liabilities	1,156,333		1,156,333
Bonds due within one year	1,396,350	-	1,396,350
Bonds due in more than one year	9,834,500	-	9,834,500
Total liabilities	14,609,898	4,695	14,614,593
NET ASSETS			
Invested in capital assets, net of related debt	21,145,331	46,940	21,192,271
Restricted for:			
Special revenues	1,420,305	-	1,420,305
Capital projects	553,825	-	553,825
Nonexpendable trust principal	1,048,546	-	1,048,546
Other purposes	408,916	-	408,916
Unrestricted	14,178,920	17,517	14,196,437
Total net assets	\$ 38,755,843	64,457	38,820,300

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Activities
For the Year Ended June 30, 2008

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	\$ 1,607,371	319,294	-	-	(1,288,077)	-	(1,288,077)
Public safety	2,625,606	282,963	54,520	-	(2,288,123)	-	(2,288,123)
Public works	2,536,108	215,935	168,104	-	(2,152,069)	-	(2,152,069)
Community services	948,397	166,190	10,449	-	(771,759)	-	(771,759)
Education	15,106,002	999,303	1,936,855	-	(12,169,844)	-	(12,169,844)
Maine State Retirement on behalf payments	1,437,000	-	1,437,000	-	-	-	-
County tax	761,800	-	-	-	(761,800)	-	(761,800)
Unclassified	1,602,863	551,304	135,591	-	(915,968)	-	(915,968)
Interest on debt	820,799	-	-	-	(820,799)	-	(820,799)
Capital maintenance expenses	339,446	-	-	220,554	(118,892)	-	(118,892)
Total governmental activities	27,785,393	2,534,988	3,742,519	220,554	(21,287,332)	-	(21,287,332)
Business-type activities:							
Nonemergency Transportation	391,646	471,533	-	-	-	79,887	79,887
Total business-type activities	391,646	471,533	-	-	-	79,887	79,887
Total primary government	\$ 28,177,039	3,006,521	3,742,519	220,554	(21,287,332)	79,887	(21,207,445)
General revenues:							
Property taxes, levied for general purposes					\$ 19,386,306	-	19,386,306
Motor vehicle excise taxes					1,376,574	-	1,376,574
Interest and lien costs					81,027	-	81,027
Grants and contributions not restricted to specific programs:							
Homestead exemption					153,236	-	153,236
Other State aid					61,924	-	61,924
State Revenue Sharing					690,964	-	690,964
Unrestricted investment earnings					443,118	-	443,118
Transfer from NET					33,545	(33,545)	-
Miscellaneous revenues					1,499,984	-	1,499,984
Total general revenues and transfers					23,726,678	(33,545)	23,693,133
Change in net assets					2,439,346	46,342	2,485,688
Net assets - beginning					36,316,496	18,115	36,334,611
Net assets - ending					\$ 38,755,842	64,457	38,820,299

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Balance Sheet
Governmental Funds
June 30, 2008

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash	\$ 9,691,693	1,433,875	1,236,410	12,361,978
Investments	1,757,434	3,966,142	1,713,631	7,437,208
Receivables:				
Accounts	49,897	-	-	49,897
Intergovernmental	-	-	54,363	54,363
Taxes receivable	615,575	-	-	615,575
Tax liens	267,817	-	-	267,817
Interfund loans receivable	177,788	653,030	3,577,227	4,408,045
Inventory	21,134	-	30,828	51,962
Total assets	\$ 12,581,339	6,053,047	6,612,459	25,246,845
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 584,769	1,125	160,872	746,767
Accrued wages and benefits	52,495	-	-	52,495
Compensated absences payable	202,200	-	-	202,200
Taxes collected in advance	16,874	-	-	16,874
Interfund loans	4,230,256	-	27,030	4,257,286
Development escrows	764,656	-	-	764,656
Deferred tax revenues	678,000	-	-	678,000
Other deferred revenues	346,857	-	-	346,857
Total liabilities	6,876,107	1,125	187,902	7,065,134
Fund balances:				
Reserved for:				
Encumbrances	183,204	-	-	183,204
Nonexpendable trust principal	-	-	1,048,546	1,048,546
Future retirement pay	173,750	-	-	173,750
Inventory	21,134	-	30,828	51,962
Unreserved, reported in:				
Designated	1,585,500	-	803,529	2,389,029
Undesignated:				
General fund	3,741,644	-	-	3,741,644
Special revenue funds	-	6,051,922	1,704,452	7,756,373
Capital project funds	-	-	2,813,794	2,813,794
Permanent funds	-	-	23,408	23,408
Total fund balances	5,705,232	6,051,922	6,424,557	18,181,711
Total liabilities and fund balances	\$ 12,581,339	6,053,047	6,612,459	25,246,845
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.				32,376,181
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.				678,001
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.				(12,480,050)
Net assets of governmental activities				38,755,843

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, 2008

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 19,806,182	-	998,925	20,805,107
Licenses, permits and fees	346,261	76,845	-	423,106
Intergovernmental	2,589,519	-	833,124	3,422,643
Intergovernmental on behalf payments	1,437,000	-	-	1,437,000
Tuition and other charges for services - education	999,303	-	-	999,303
Charges for services	279,694	256,381	1,074,944	1,611,019
Fees and fines	78,551	-	-	78,551
Unclassified	31,879	437,407	463,262	932,548
Investment earnings	396,085	71,483	(24,450)	443,118
Total revenues	25,964,473	842,115	3,345,805	30,152,394
Expenditures:				
Current:				
General government	1,234,469	-	-	1,234,469
Public safety	1,892,586	-	19,076	1,911,662
Public works	1,877,433	-	7,200	1,884,633
Community services	608,049	-	-	608,049
Education	14,250,762	-	587,746	14,838,508
Maine State Retirement on behalf payments	1,437,000	-	-	1,437,000
Insurance and fringe benefits	1,143,655	34,632	-	1,178,287
County tax	761,800	-	-	761,800
Food services	-	-	561,763	561,763
Unclassified	215,908	29,157	762,298	1,007,363
Capital outlay	-	-	2,093,282	2,093,282
Debt service	1,537,170	-	281,978	1,819,148
Total expenditures	24,958,832	63,790	4,313,343	29,335,964
Excess (deficiency) of revenues over (under) expenditures	1,005,642	778,326	(967,537)	816,430
Other financing sources (uses):				
Bond proceeds	-	-	655,000	655,000
Refunding bonds issued	1,450,000	-	-	1,450,000
Payment to refunded bonds escrow agent	(1,495,546)	-	-	(1,495,546)
Operating transfers from other funds	307,700	963,345	1,248,675	2,519,720
Operating transfers to other funds	(1,041,358)	(964,200)	(480,617)	(2,486,175)
Total other financing sources (uses)	(779,204)	(855)	1,423,058	642,999
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	226,437	777,471	455,521	1,459,429
Fund balances, beginning of year	5,478,795	5,274,451	5,969,036	16,722,282
Fund balances, end of year	\$ 5,705,232	6,051,922	6,424,557	18,181,711

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, 2008

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,459,429
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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.		207,782
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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.		38,800
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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.		11,586
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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.		721,750
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Change in net assets of governmental activities (see Statement 2)	\$	2,439,347
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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, 2008

	Budgeted amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 19,057,409	19,057,409	19,806,182	748,773
Licenses, permits and fees	234,400	234,400	346,261	111,861
Intergovernmental	2,724,779	2,538,563	2,589,519	50,956
Tuition and other charges for services - education	854,917	854,917	999,303	144,386
Charges for services	225,500	225,500	279,694	54,194
Fees and fines	64,500	69,500	78,551	9,051
Unclassified	14,400	14,400	31,879	17,479
Investment earnings	200,000	200,000	396,085	196,085
Total revenues	23,375,905	23,194,689	24,527,473	1,332,784
Expenditures:				
Current:				
General government	1,312,747	1,307,747	1,259,835	47,912
Public safety	1,949,937	1,927,937	1,897,972	29,965
Public works	1,831,373	1,831,373	1,815,341	16,032
Community services	643,666	642,750	623,593	19,157
Education	14,257,625	14,161,148	14,250,762	(89,614)
Insurance and fringe benefits	1,310,200	1,310,200	1,152,955	157,245
County tax	761,800	761,800	761,800	-
Unclassified	245,500	245,500	220,848	24,652
Debt service	1,605,694	1,601,694	1,537,170	64,524
Total expenditures	23,918,542	23,790,149	23,520,275	269,874
Excess (deficiency) of revenues over expenditures	(542,637)	(595,460)	1,007,198	1,602,658
Other financing sources (uses):				
Use of undesignated fund balance - Town	550,000	550,000	-	(550,000)
Use of undesignated fund balance - School	15,000	15,000	-	(15,000)
Use of undesignated fund balance - Reserves	-	750,000	-	(750,000)
Refunding bonds issued	-	-	1,450,000	1,450,000
Payment to refunded bonds escrow agent	-	-	(1,495,546)	(1,495,546)
Operating transfers from other funds	279,877	307,700	307,700	-
Operating transfers to other funds	(302,240)	(1,027,240)	(1,041,358)	(14,118)
Total other financing sources (uses)	542,637	595,460	(779,204)	(1,374,664)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	227,994	227,994
Reconciliation to GAAP basis:				
Encumbrances			(1,556)	
Excess (deficiency) of revenues and other financing sources over (under) expenditures - GAAP basis			226,437	
Fund balance, beginning of year			5,478,795	
Fund balance, end of year	\$		5,705,232	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2008

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
ASSETS		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$113,000	\$	172,971
Total current assets		172,971
Non-current assets:		
Property, plant, and equipment		150,309
Less accumulated depreciation		(103,369)
Total noncurrent assets		46,940
Total assets	\$	219,911
LIABILITIES		
Current liabilities:		
Accounts payable		28
Interfund loans		150,759
Accrued wages and benefits payable		4,667
Total current liabilities		155,454
Total liabilities	\$	155,454
NET ASSETS		
Invested in capital assets, net of related debt		46,940
Unrestricted		17,517
Total net assets	\$	64,457

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, 2008

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
Operating revenues:		
Charges for services	\$	471,533
Total operating revenues		471,533
Operating expenses:		
Wages and benefits		330,276
Operational costs		47,159
Depreciation and amortization		14,211
Total operating expenses		391,646
Operating income		79,887
Transfer to Ambulance Reserves		(33,545)
Change in net assets		46,342
Total net assets, beginning of year		18,115
Total net assets, end of year	\$	64,457

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2008

Business-type Activities - Enterprise Funds			
			Nonemergency Transportation Program
Cash flows from operating activities:			
Receipts from customers and users		\$	458,619
Payments to suppliers			(47,131)
Payments to employees			(329,127)
Net cash provided by (used in) operating activities			82,361
Cash flows from capital and related financing activities:			
Purchase of fixed assets			(43,037)
Transfer to Ambulance reserve			(33,545)
Interfund borrowing			(5,779)
Net cash provided by (used in) financing activities			(82,361)
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)		\$	79,887
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization			14,211
(Increase) decrease in operating assets:			
Accounts receivable			(12,914)
Increase (decrease) in operating liabilities:			
Accounts payable			28
Accrued wages and benefits payable			1,149
Net cash provided by (used in) operating activities			82,361

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency Fund</u>
	<u>School Activity</u>
	<u>Fund</u>
<hr/>	
ASSETS	
Cash	\$ 134,811
<hr/>	
Total assets	134,811
<hr/>	
LIABILITIES AND	
FUND BALANCES	
Liabilities:	
Due to student groups	134,811
Total liabilities	134,811
<hr/>	
Net assets:	
Held in trust	\$ -
<hr/>	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

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 \$1,139,602 as of June 30, 2008. The financial statement of Maine Vocational Region No. 10 for the year ended June 30, 2008 and audit report dated October 29, 2008 are available from the Region in Topsham, Maine.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

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, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Receivables

Accounts receivable for the business-type activities include an allowance for doubtful accounts in the amount of \$113,000 as of June 30, 2008. Management has determined that potential uncollectible accounts for intergovernmental, taxes and tax liens receivable are not material.

E. Investments

Investments are stated at fair value, unless otherwise indicated.

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

F. Capital Assets

Capital assets, which include property, plant, and 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 three to 60 years. Business-type fund capital assets are depreciated using the straight line method over the assets' estimated useful lives ranging from four to seven 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, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Vacation and Sick Leave

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

H. Long-Term Obligations

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

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

I. Inventory

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

J. Interfund Transactions

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

K. Fund Equity

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

L. Use of Estimates

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

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Comparative Data/Reclassifications

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

N. Budgetary Information

Each year the Town Manager submits to the Town Council a budget for the ensuing fiscal year. Hearings are held to obtain public comments. The budget is legally enacted by a council order. The order enacts the total Town and the total School appropriation. Budgets are adopted for the General Fund, Winslow Park Fund and Nonemergency Transportation Fund only, and are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances and Maine State Retirement on-behalf payments. As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Town of Freeport School Department. These amounts have not been budgeted and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of \$1,437,000. 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, 2008, the Town reported deposits of \$12,361,977 with a bank balance of \$12,650,414. Of the Town's bank balances, \$3,488,135 was covered by FDIC insurance and \$9,162,280 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, \$3,685,382 was collateralized by the pledging bank and \$5,476,898 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, 2008

CASH AND INVESTMENTS, CONTINUED

At June 30, 2008, the Town had the following investments and maturities:

	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
Money market fund	\$ 487,795	-	487,795	-
US Agency Notes	392,234	-	192,234	200,000
US Agency Strips	96,701	-	96,701	-
Commercial paper	483,969	-	483,969	-
Mutual Funds	4,919,262	4,919,262	-	-
Investment Pool	1,057,247	1,057,247	-	-
Total investments	\$7,437,208	\$5,976,509	\$1,260,699	\$200,000

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, 2008 the Town had individual investments that exceeded 5 percent of the Town's investments as follows:

	<u>Fair Value</u> <u>June 30, 2008</u>	<u>Percent</u>	<u>Credit Risk</u> <u>Rating</u>
MBIA Maine Class Investment Pool	\$ 1,057,247	14.2%	AAA
GECC Commercial Paper	483,969	6.5%	P1/A1+
Mutual Funds:			
American Funds –Growth Fund of America	830,159	11.2%	N/A
American Funds –Fundamental Investors	813,718	10.9%	N/A
Evergreen Adjustable Rate Bond Fund	1,861,527	25.0%	AAA
Evergreen Core Bond Fund	431,331	5.8%	AA

Market Volatility: Subsequent to year-end, the credit and liquidity crisis in the United States and abroad has resulted in substantial volatility in the financial markets. The Town invests in various investment securities and money market funds. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the statement of net assets and statement of activities and the fund financial statements.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

PROPERTY TAX

Property taxes for the current period were committed on September 14, 2007, on the assessed value listed as of April 1, 2007, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 15, 2007 and May 15, 2008. Personal property taxes were due in whole on November 15, 2007. Interest at the rate of 12 % 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. The Town implemented a town-wide revaluation that was completed for the assessment list of April 1, 2006. The FY 2008 assessed value was 100% of the estimated market value and 107.96% of the 2007 state valuation of \$1,429,300,000.

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 \$611,400 for the period ended June 30, 2008.

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>2008</u>	<u>2007</u>
Assessed value	\$1,543,012,203	1,484,038,533
Tax rate (per \$1,000)	12.56	12.50
Commitment	19,380,233	18,550,482
Supplemental taxes assessed	2,370	69,973
	19,382,603	18,620,455
Less:		
Collections and abatements	18,776,172	17,930,859
Receivable at end of period (Current year)	\$ 606,431	689,596
Collection rate	96.87%	96.30%

SIGNIFICANT TAXPAYER

For the year ended June 30, 2008, the Town of Freeport committed and collected \$3,527,724 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 18.2% of total property taxes assessed.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Land	\$ 1,850,869	-	1,000	1,849,869
Total capital assets, not being depreciated	1,850,869	-	1,000	1,849,869
Capital assets, being depreciated:				
Land improvements	1,380,566	107,343	-	1,487,909
Buildings and building improvements	29,358,925	132,218	-	29,491,143
Machinery, equipment and other	4,960,620	175,054	103,408	5,032,266
Vehicles	4,026,323	435,035	196,000	4,265,358
Construction work in process	459,198	738,365	459,198	738,365
Infrastructure	6,236,343	709,850	-	6,946,193
Total capital assets being depreciated	46,421,975	2,297,865	758,606	47,961,234
Less accumulated depreciation	16,104,445	1,619,462	288,985	17,434,922
Total capital assets being depreciated, net	30,317,530	678,403	469,621	30,526,312
Governmental activities capital assets, net	\$32,168,399	678,403	470,621	32,376,181
	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Business-type activities:				
Equipment	\$ 10,772	-	-	\$ 10,772
Vehicles	96,500	43,037	-	139,537
Total capital assets being depreciated	107,272	43,037	-	150,309
Less accumulated depreciation	89,157	14,211	-	103,368
Business-type activities capital assets, net	\$18,115	28,826	-	\$ 46,941

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2008 as follows:

Governmental activities:

General government	\$ 81,908
Public Safety	248,294
Public Works	408,580
Community services and recreation	259,239
Education	587,704
Unclassified	33,737
Total depreciation expense – governmental activities	\$ 1,619,462

Business-type activities:

Nonemergency Transportation Program	14,211
Total depreciation expense - business activities	\$ 14,211

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

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, 2008 arising from these transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 177,788	\$4,230,256
Special Revenue Fund:		
Town reserve funds	653,030	-
Winslow Park	25,183	-
TIF funds	421,164	-
Bartol building lease fund	489,752	-
Tower lease fund	218,838	-
Other Town grants & programs	77,121	-
School categorical funds	202,989	-
Capital Project Funds:		
School capital projects	399,670	-
Fire department projects	143,879	-
Rescue department projects	78,917	-
Public Works projects	90,161	-
Police department projects	52,468	-
Recycling projects	145,519	-
Comprehensive Town projects	1,012,270	-
Municipal buildings and other	173,349	-
Boards and committees	45,948	-
Undesignated interest	-	8,607
Enterprise NET Program	-	150,759
Permanent Funds	-	18,423
Totals	\$4,408,046	\$4,408,046

FUND BALANCE

At June 30, 2008, the General Fund's fund balance was comprised of the following:

Reservations:	
Encumbrances	\$ 183,204
Inventory	21,134
Future retirement pay	173,750
Total	\$ 378,088
Designated fund balances:	
Town FY 2008 budgeted use of Fund Balance	\$ 550,000
Tax rate stabilization account	1,000,000
School FY 2008 budgeted use of Fund Balance	35,500
Total	\$ 1,585,500
Undesignated fund balance:	
General education undesignated	\$ 8,352
Town undesignated	3,733,292
Total	\$ 3,741,644

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

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, 2008 totaled \$609,164. The School Department's payroll for employees covered by this group, for the fiscal year ended June 30, 2008, was \$7,943,353. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to 18.71% of compensation. Contributions paid by the State (on-behalf payments) totaled approximately \$1,437,000 for the year ended June 30, 2008. There is no contribution required by the School Department except for federally funded teachers for which the School Department contributes 18.71% of their compensation. This cost amounted to \$48,450 for the year ended June 30, 2008, 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, 2008 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 (7/1/07-6/30/08):	
Payment/(Credit)	(\$ 3,380)
<u> Member contribution rate(s)</u>	<u>6.5%</u>

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

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 12 years starting with the fiscal year 2008. Employer contributions for the year ended June 30, 2008 were \$24,357 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 year ended June 30, 2008, employee contributions to the plan totaled \$105,488.

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, 2008, the Town's contribution to the plan totaled \$157,818.

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 \$525,952 for the year ended June 30, 2008.

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, 2008

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding at June 30, 2008 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>
2009	\$1,396,350	454,309	1,850,659
2010	1,340,550	397,084	1,737,634
2011	1,285,550	338,689	1,624,239
2012	980,550	291,112	1,271,662
2013	902,850	255,337	1,158,187
2014-2018	3,350,000	844,769	4,194,769
2019-2023	1,975,000	222,615	2,197,615
Totals	\$11,230,850	\$2,803,915	\$14,034,765

The State of Maine currently reimburses the Town for a portion of financing costs of school buildings 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, 2008, the Town's share is \$229,546 (3.65%) of Cumberland County's outstanding debt of \$6,295,000.

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, 2008, outstanding "Incinerator Debt" of ECOMAIN totaled \$28,224,000 and "Material Recycling Facility Debt" of ECOMAIN totaled \$3,676,000 of which the Town of Freeport's share, based on estimated tonnage to be delivered, amounted to \$890,034 and \$96,311. Additionally, the Town's share of the projected landfill closure and post closure cost relating to ECOMAIN is estimated to be \$727,163.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2008

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, 2008 is \$142,000. 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, 2008 has not been included in the general long-term debt of the Town.

The retained captured assessed valuation of \$9,000,000 generated \$113,040 of taxes, and \$85,353 of debt service payments were made for the year ended June 30, 2008. As of June 30, 2008, the bond sinking fund for the payment of principal and interest has accumulated \$36,720.

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, 2008.

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 \$185,000 for closure and an estimate for post closure monitoring and maintenance costs of \$188,500 for a total of \$373,500 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, 2008 and 2007

	2008	2007
ASSETS		
Cash	\$ 9,691,693	6,012,757
Investments	1,757,434	3,643,852
Accounts receivables	49,897	21,429
Taxes receivable	615,575	715,684
Tax liens	267,817	207,773
Inventory	21,134	21,023
Interfund loans	177,788	357,284
Total assets	\$ 12,581,339	10,979,801
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	584,769	454,035
Accrued wages and benefits	52,495	40,218
Compensated absences payable	202,200	181,000
Taxes collected in advance	16,874	17,982
Interfund loans	4,230,256	3,830,853
Development escrows	764,656	150,751
Deferred tax revenues	678,000	639,200
Other deferred revenues	346,857	186,967
Total liabilities	6,876,107	5,501,006
Fund balance:		
Reserved for:		
Encumbrances	183,204	261,152
Inventory	21,134	21,023
Future retirement pay	173,750	165,700
Designated	1,585,500	1,565,000
Undesignated - School	8,352	5,930
Undesignated - Town	3,733,292	3,459,990
Total fund balance	5,705,232	5,478,795
Total liabilities and fund balance	\$ 12,581,339	10,979,801

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, 2008

(with comparative actual amounts for the year ended June 30, 2007)

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,769,909	18,348,581	578,672	17,809,923
Excise taxes and registration fees	1,237,500	1,376,574	139,074	1,400,073
Interest and lien costs	50,000	81,027	31,027	68,277
Total taxes	19,057,409	19,806,182	748,773	19,278,273
Licenses, permits and fees:				
Building, plumbing and electrical permits	103,000	207,898	104,898	103,875
Town clerk licenses and fees	36,000	42,647	6,647	43,257
Moorings and other harbor fees	80,000	77,801	(2,199)	76,712
Solid waste permits	2,400	4,990	2,590	2,250
Shellfish licenses	13,000	12,925	(75)	12,859
Total licenses, permits and fees	234,400	346,261	111,861	238,953
Intergovernmental:				
Education subsidies	1,422,018	1,422,068	50	1,707,882
Adult education subsidy	52,000	49,219	(2,781)	48,024
State tree growth reimbursement	50,000	33,069	(16,931)	55,735
State general assistance	8,000	10,449	2,449	11,005
State revenue sharing	615,000	690,964	75,964	613,118
State homestead exemption reimbursement	150,000	153,236	3,236	151,201
State road assistance	156,000	159,940	3,940	156,072
Public safety contributions	54,445	41,720	(12,725)	80,705
Other intergovernmental	31,100	28,855	(2,245)	29,500
Total intergovernmental	2,538,563	2,589,519	50,956	2,853,242
Tuition and other charges for services - education	854,917	999,303	144,386	963,965
Charges for services:				
Planning	35,000	68,749	33,749	79,376
Transfer station and recycling	106,000	147,973	41,973	128,145
Parking lot	37,500	37,500	-	37,500
Vehicle maintenance	12,000	6,627	(5,373)	9,261
Engineering	35,000	18,845	(16,155)	19,769
Total charges for services	225,500	279,694	54,194	274,051
Fees and fines:				
Police parking and other fines	43,500	52,152	8,652	32,672
Library fines and fees	12,000	11,544	(456)	12,289
Alarm and other fire fees	14,000	14,855	855	16,669
Total fees and fines	69,500	78,551	9,051	61,630

See accompanying independent auditors' report.

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

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	14,400	31,879	17,479	16,897
Investment earnings	200,000	396,085	196,085	395,846
Total revenues	23,194,689	24,527,473	1,332,784	24,082,857
Expenditures:				
Current:				
General government:				
Town council	104,236	97,818	6,418	95,762
Town manager	123,926	121,212	2,714	118,626
Finance and treasury	280,795	272,085	8,710	263,213
Assessing	128,452	127,312	1,140	122,344
Code enforcement	71,728	72,325	(597)	69,610
Town clerk and elections	86,771	83,269	3,502	79,569
General administration	130,164	117,708	12,456	124,460
Municipal buildings	261,547	251,410	10,137	234,829
Planning	120,128	116,696	3,432	114,454
Total general government	1,307,747	1,259,835	47,912	1,222,866
Public Safety:				
Police department	843,908	842,218	1,690	825,328
Special enforcement	42,020	40,910	1,110	34,682
Fire department	331,211	330,084	1,127	313,619
Rescue	280,566	279,148	1,418	274,898
Dispatch	208,732	200,069	8,663	205,218
Hydrant rental	170,000	157,912	12,088	161,949
Street lights	51,500	47,631	3,870	47,534
Total public safety	1,927,937	1,897,972	29,965	1,863,228
Public Works:				
General road operations	669,695	684,799	(15,104)	638,423
Summer roads	459,600	416,117	43,483	445,266
Winter roads	107,000	146,020	(39,020)	89,957
Tree program	13,050	12,905	145	11,525
Solid waste	491,623	466,372	25,251	482,709
Engineering	90,405	89,127	1,278	86,889
Total public works	1,831,373	1,815,341	16,032	1,754,769

See accompanying independent auditors' report.

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

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	45,900	45,900	-	46,400
Public library	367,782	364,075	3,707	347,270
Cable TV	57,216	59,821	(2,605)	57,044
Promotions	15,900	12,033	3,867	14,565
General assistance	87,994	83,430	4,564	83,267
Coastal waters	55,708	53,574	2,134	50,167
Shellfish commission	4,100	413	3,687	3,513
Other	8,150	4,347	3,803	4,626
Total community services	642,750	623,593	19,157	606,852
Education:				
Elementary -Morse Street	2,047,079	2,064,009	(16,930)	2,030,159
Elementary -Mast Landing	2,206,052	2,128,691	77,361	2,159,478
Middle School	3,074,932	3,064,318	10,614	3,013,474
High School	4,483,692	4,528,933	(45,241)	4,314,134
Debt service	344,781	344,781	(0)	364,719
Administration and Central Services	1,449,920	1,462,936	(13,016)	1,379,109
Community services and recreation	554,692	657,092	(102,400)	674,199
Total education	14,161,148	14,250,762	(89,614)	13,935,271
Insurance and fringe benefits:				
Employee benefits	1,218,200	1,070,131	148,069	1,051,229
Insurances	92,000	82,824	9,176	85,178
Total insurance and fringe benefits	1,310,200	1,152,955	157,245	1,136,406
Unclassified:				
County tax	761,800	761,800	-	751,831
Bustin's Island Corporation	168,000	160,698	7,302	168,236
Miscellaneous & contingency	52,500	39,335	13,165	48,853
Abatements	25,000	20,815	4,185	55,167
Total unclassified	1,007,300	982,648	24,652	1,024,087
Debt service	1,601,694	1,537,170	64,524	1,715,489
Total expenditures	23,790,149	23,520,275	269,874	23,258,969
Excess (deficiency) of revenues over (under)				
expenditures	(595,460)	1,007,198	1,602,658	823,888

See accompanying independent auditors' report.

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

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	550,000	-	(550,000)	-
Budgeted utilization of surplus - School	15,000	-	(15,000)	-
Budgeted utilization of surplus - Reserves	750,000	-	(750,000)	
Refunding bonds issued	-	1,450,000	1,450,000	
Payment to refunded bonds escrow agent	-	(1,495,546)	(1,495,546)	
Operating transfers in	307,700	307,700	-	352,177
Operating transfers out	(1,027,240)	(1,041,358)	(14,118)	(872,904)
Total other financing sources (uses)	595,460	(779,204)	(1,374,664)	(520,727)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	227,994	227,994	303,161
Reconciliation to GAAP basis:				
Encumbrances		(1,556)		(208,657)
Future retirement and vacation pay		-		-
Excess of revenues and other financing sources over expenditures - GAAP basis		226,437		94,504
Fund balance, beginning of year		5,478,795		5,384,291
Fund balance, end of year	\$	5,705,232		5,478,795

See accompanying independent auditors' report.

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF FREEPORT
Combining Balance Sheet
All Other Governmental Funds
June 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ 814,079	422,330	-	1,236,410
Investments	345,354	277,400	1,090,877	1,713,631
Due from other governments	54,363	-	-	54,363
Accounts receivable	-	-	-	-
Inventory	30,828	-	-	30,828
Interfund loans	1,435,046	2,142,181	-	3,577,227
Total assets	\$ 2,679,671	2,841,911	1,090,877	6,612,459
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	140,862	19,510	500	160,872
Interfund loans	-	8,607	18,423	27,030
Total liabilities	140,862	28,117	18,923	187,902
Fund balances:				
Reserved for:				
Inventory	30,828	-	-	30,828
Encumbrances	-	-	-	-
Nonexpendable trust principal	-	-	1,048,546	1,048,546
Unreserved				
Designated	803,529	-	-	803,529
Undesignated, reported in:				
Special revenue funds	1,704,452	-	-	1,704,452
Capital project funds	-	2,813,794	-	2,813,794
Permanent funds	-	-	23,408	23,408
Total fund balance	2,538,808	2,813,794	1,071,954	6,424,557
Total liabilities and fund balances	\$ 2,679,671	2,841,911	1,090,877	6,612,459

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, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 998,925	-	-	998,925
Charges for services	1,074,944	-	-	1,074,944
Gifts and donations	268,542	-	2,457	271,000
Intergovernmental	662,123	171,001	-	833,124
Unclassified	164,405	27,857	-	192,262
Investment income	22,374	20,087	(66,911)	(24,450)
Total revenues	3,191,314	218,946	(64,454)	3,345,805
Expenditures:				
Current:				
Public safety	19,076	-	-	19,076
Public works	7,200	-	-	7,200
Education	587,746	-	-	587,746
Unclassified	738,791	-	23,508	762,298
Capital outlay	164,941	1,928,341	-	2,093,282
Debt service	281,978	-	-	281,978
Food services	561,763	-	-	561,763
Total expenditures	2,361,494	1,928,341	23,508	4,313,343
Excess of revenues over expenditures	829,820	(1,709,396)	(87,961)	(967,537)
Other financing sources (uses):				
Bond proceeds	-	655,000	-	655,000
Transfers (to) from other funds	(480,617)	1,248,675	-	768,058
Total other financing sources (uses)	(480,617)	1,903,675	-	1,423,058
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	349,203	194,279	(87,961)	455,521
Fund balances, beginning of year	2,189,605	2,619,515	1,159,916	5,969,036
Fund balances, end of year	\$ 2,538,808	2,813,794	1,071,954	6,424,557

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	School Reserve Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	School Categorical Programs	School Lunch	Totals 2008
ASSETS											
Cash	\$ -	397,362	384,973	-	-	100	16,431	-	11,377	3,837	814,079
Investments	69,696	-	-	-	-	-	85,826	189,832	-	-	345,354
Due from other governments	-	-	-	-	-	18,148	-	-	29,902	6,313	54,363
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	30,828	30,828
Interfund loans receivable	-	25,183	421,164	489,752	218,838	77,121	-	-	202,989	-	1,435,046
Total assets	\$ 69,696	422,545	806,137	489,752	218,838	95,369	102,257	189,832	244,268	40,978	2,679,671
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	52,493	47,658	-	-	14,247	-	315	-	26,150	140,862
Accrued wages	-	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	52,493	47,658	-	-	14,247	-	315	-	26,150	140,862
Fund balances:											
Reserved for inventory	-	-	-	-	-	-	-	-	-	30,828	30,828
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Designated	-	-	508,529	295,000	-	-	-	-	-	-	803,529
Undesignated	69,696	370,052	249,950	194,752	218,838	81,122	102,257	189,517	244,268	(16,000)	1,704,452
Total fund balances	69,696	370,052	758,479	489,752	218,838	81,122	102,257	189,517	244,268	14,828	2,538,808
Total liabilities and fund balances	\$ 69,696	422,545	806,137	489,752	218,838	95,369	102,257	189,832	244,268	40,978	2,679,671

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, 2008

	School Reserve Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	School Categorical Programs	School Lunch	Totals 2008
Revenues:											
Property taxes	\$ -	-	998,925	-	-	-	-	-	-	-	998,925
Charges for services	-	249,692	-	341,924	181,716	-	-	-	-	301,612	1,074,944
Gifts and donations	-	16,815	-	-	-	34,965	-	200,000	16,762	-	268,542
Intergovernmental	49,553	-	-	-	-	28,172	-	-	448,807	135,591	662,123
Investment income	3,133	10,516	7,226	-	-	-	3,407	(2,374)	199	267	22,374
Unclassified	-	-	-	-	-	6,469	5,377	-	152,560	-	164,405
Total revenues	52,686	277,023	1,006,151	341,924	181,716	69,606	8,784	197,626	618,327	437,470	3,191,314
Expenditures:											
Current:											
Public safety	-	-	-	-	-	19,076	-	-	-	-	19,076
Public works	-	-	-	-	-	7,200	-	-	-	-	7,200
Education	-	-	-	-	-	-	-	-	587,746	-	587,746
Unclassified	467	246,673	349,643	4,855	-	33,643	95,401	8,109	-	-	738,791
Debt service	-	-	281,978	-	-	-	-	-	-	-	281,978
Food services	-	-	-	-	-	-	-	-	-	561,763	561,763
Capital	-	24,992	113,281	-	-	26,668	-	-	-	-	164,941
Total expenditures	467	271,665	744,901	4,855	-	86,586	95,401	8,109	587,746	561,763	2,361,494
Excess (deficiency) of revenues over (under) expenditures	52,219	5,357	261,250	337,069	181,716	(16,980)	(86,617)	189,517	30,580	(124,293)	829,820
Other financing sources (uses):											
Transfer to (from) other funds	(161,245)	-	-	(350,000)	(175,000)	-	85,000	-	-	120,628	(480,617)
Total other financing sources (uses)	(161,245)	-	-	(350,000)	(175,000)	-	85,000	-	-	120,628	(480,617)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(109,026)	5,357	261,250	(12,931)	6,716	(16,980)	(1,617)	189,517	30,580	(3,664)	349,203
Fund balances, beginning of year	178,722	364,694	497,229	502,683	212,122	98,102	103,874	-	213,688	18,492	2,189,605
Fund balances, end of year	\$ 69,696	370,052	758,479	489,752	218,838	81,122	102,257	189,517	244,268	14,828	2,538,808

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, 2008

	Fund Balance (deficit) June 30, 2007	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2008
		Inter- governmental	Other				
Town Reserve Funds (Major Fund):							
Unemployment compensation fund	\$ 338,308	-	15,841	35,480	(19,639)		318,669
General administration reserve	363,495	-	4,269	915	3,354	26,250	393,100
Police equipment reserve	175,269	-	1,161	426	735	(750)	175,254
Cable TV equipment reserve	235,189	-	79,095	582	78,513	(50,700)	263,002
Public infrastructure reserve	909,692	-	336,573	5,803	330,770	70,000	1,310,463
Land Trust reserve	18,638	-	216	978	(762)		17,876
Public works equipment reserve	1,093,436	-	12,264	2,742	9,522	61,750	1,164,708
Ambulance equipment reserve	448,785	-	202,720	1,116	201,604	(126,455)	523,934
Building maintenance reserve	490,456	-	3,866	1,202	2,663	82,500	575,619
Fire equipment reserve	697,437	-	51,777	1,898	49,880	(40,000)	707,317
Municipal parking lot reserve	153,059	-	54,992	12,006	42,986		196,045
Hedgehog mountain reserve	22,785	-	290	58	233		23,017
Recycling equipment reserve	221,537	-	2,401	546	1,855	46,250	269,641
Road impact fee reserve	64,100	-	76,850	-	76,850	(88,000)	52,950
Community center reserve	17,500	-	(208)	37	(245)	4,800	22,055
Other	24,766	-	9	2	7	13,500	38,272
Total town reserve funds	5,274,451	-	842,115	63,790	778,326	(855)	6,051,922
School Reserve Funds:							
Building reserve	98,309	49,553	2,513	270	51,796	(84,803)	65,302
Technology reserve	23,931	-	634	66	568	(23,221)	1,278
Vehicle reserve	56,482	-	(14)	131	(145)	(53,221)	3,116
Total school reserve funds	178,722	49,553	3,133	467	52,219	(161,245)	69,696
Winslow Park fund	364,694	-	277,023	271,665	5,357	-	370,052
TIF Funds:							
TIF I - Desert road	61,889	-	114,620	85,353	29,268	-	91,157
TIF II - Desert road phase II	54,355	-	678,997	468,610	210,387	-	264,743
TIF III - Nursing home	116,365	-	21,502	-	21,502	-	137,867
TIF IV - Destination TIF	264,619	-	143,374	143,281	93	-	264,712
TIF V - Hotel TIF	-	-	47,658	47,658	-	-	-
Total TIF funds	497,229	-	1,006,151	744,901	261,250	-	758,479
Bartol Building Lease Fund	502,683	-	341,924	4,855	337,069	(350,000)	489,752
Tower Lease Fund	212,122	-	181,716	-	181,716	(175,000)	218,838

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, 2008

	Fund Balance (deficit) June 30, 2007	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2008
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 6,206	-	550	6,376	(5,826)	-	381
FEMA	26,109	8,164	-	7,200	964	-	27,073
Regional Efficiency grant	(350)	12,800	-	12,700	100	-	(251)
Department of Marine Resource Audit	15,188	1,326	-	16,514	(15,188)	-	-
Other	50,949	5,883	40,884	43,797	2,970	-	53,919
Total Town Grants and Projects	98,102	28,172	41,434	86,586	(16,980)	-	81,122
Freeport Economic Development Corporation	103,874	-	8,784	95,401	(86,617)	85,000	102,257
Leon Gorman Park	-	-	197,626	8,109	189,517	-	189,517
School Categorical & Other Funds:							
ECIA Title I-A	7,886	91,761	-	99,647	(7,886)	-	-
Local entitlement	27,091	269,022	-	274,816	(5,794)	-	21,296
Local entitlement Sec 619	4,691	8,018	-	6,640	1,378	-	6,069
Teacher quality grant	23,334	41,914	-	49,649	(7,735)	-	15,599
Carl Perkins	4,502	-	-	-	-	-	4,502
Transition Pilot	8,522	-	-	-	-	-	8,522
Title V	-	1,957	-	1,957	-	-	-
Title II technology	-	1,340	-	-	1,340	-	1,340
Drug free schools	-	5,072	-	5,072	-	-	-
State agency clients	9,366	18,427	-	6,632	11,795	-	21,162
RSU Reorganization	-	3,796	-	2,348	1,448	-	1,448
Medicaid	38,500	-	-	1,900	(1,900)	-	36,600
Health Coordinator	-	-	44,959	39,280	5,679	-	5,679
SAMHA	3,980	7,500	-	8,870	(1,370)	-	2,610
Donations	24,098	-	950	-	950	-	25,048
Community education scholarship	26,143	-	-	-	-	-	26,143
Auditorium fund	9,734	-	18,346	10,004	8,342	-	18,076
Community education football	13,230	-	40,055	22,657	17,398	-	30,628
Aspirations	3,420	-	15,821	9,888	5,932	-	9,352
Teen center	(2,582)	-	33,627	37,503	(3,876)	-	(6,458)
Dollars for scholars	3,940	-	190	1,400	(1,210)	-	2,730
Other	7,834	-	15,573	9,483	6,090	-	13,923
Total school categorical funds	213,688	448,807	169,520	587,746	30,580	-	244,268
School Lunch Program	18,492	135,591	301,879	561,763	(124,293)	120,628	14,828
Total special revenue funds	\$ 7,464,057	662,123	3,371,306	2,425,284	1,608,145	(481,472)	8,590,730

See accompanying independent auditors' report.

CAPITAL PROJECT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2008

	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 2008
ASSETS											
Cash	\$ 422,330	-	-	-	-	-	-	-	-	-	422,330
Investments	-	-	-	-	-	-	-	-	153,702	123,698	277,400
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	399,670	143,879	78,917	90,161	52,468	145,519	1,012,270	173,349	45,948	-	2,142,181
Total assets	\$ 822,000	143,879	78,917	90,161	52,468	145,519	1,012,270	173,349	199,650	123,698	2,841,911
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	14,495	-	-	-	2,315	-	2,700	-	19,510
Interfund loans	-	-	-	-	-	-	-	-	-	8,607	8,607
Total liabilities	-	-	14,495	-	-	-	2,315	-	2,700	8,607	28,117
Fund balances:											
Unreserved, undesignated	822,000	143,879	64,422	90,161	52,468	145,519	1,009,955	173,349	196,950	115,091	2,813,794
Total fund balances	822,000	143,879	64,422	90,161	52,468	145,519	1,009,955	173,349	196,950	115,091	2,813,794
Total liabilities and fund balances	\$ 822,000	143,879	78,917	90,161	52,468	145,519	1,012,270	173,349	199,650	123,698	2,841,911

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, 2008

	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 2008
Revenues:											
Interest earnings	\$ -	-	-	-	-	-	-	-	-	20,087	20,087
Intergovernmental	-	171,001	-	-	-	-	-	-	-	-	171,001
Other revenue	-	-	-	-	-	-	20,000	-	7,857	-	27,857
Total revenues	-	171,001	-	-	-	-	20,000	-	7,857	20,087	218,946
Expenditures:											
Capital outlay	491,861	630,300	78,938	161,005	1,243	2,986	332,691	43,386	185,932	-	1,928,341
Total expenditures	491,861	630,300	78,938	161,005	1,243	2,986	332,691	43,386	185,932	-	1,928,341
Excess of revenues over expenditures	(491,861)	(459,299)	(78,938)	(161,005)	(1,243)	(2,986)	(312,691)	(43,386)	(178,074)	20,087	(1,709,396)
Other financing sources (uses):											
Bond proceeds	655,000	-	-	-	-	-	-	-	-	-	655,000
Transfer in (out)	417,175	132,500	55,000	77,000	47,000	-	388,000	53,000	79,000	-	1,248,675
Total other financing sources (uses)	1,072,175	132,500	55,000	77,000	47,000	-	388,000	53,000	79,000	-	1,903,675
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	580,314	(326,799)	(23,938)	(84,005)	45,757	(2,986)	75,309	9,614	(99,074)	20,087	194,279
Fund balances, beginning of year	241,687	470,678	88,360	174,165	6,711	148,505	934,646	163,735	296,024	95,004	2,619,515
Fund balances, end of year	\$ 822,000	143,879	64,422	90,161	52,468	145,519	1,009,955	173,349	196,950	115,091	2,813,794

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, 2008

	Fund Balance (deficit) June 30, 2007	Inter- governmental	Other Revenues	Bond Proceeds	Transfers	Expenditures	Fund Balance (deficit) June 30, 2008
School Capital Project Funds:							
School buses & other vehicles	\$ -	-	-	-	75,000	-	75,000
Technology upgrades	93,318	-	-	-	75,000	118,030	50,288
Mast Landing improvements	29,345	-	-	-	-	19,345	10,000
Morse School improvements	20,000	-	-	-	75,000	-	95,000
Middle School improvements	3,500	-	-	-	77,175	20,579	60,096
High School improvements	59,662	-	-	570,000	53,500	244,992	438,171
Other School projects	35,862	-	-	85,000	61,500	88,916	93,445
Total school capital projects	241,687	-	-	655,000	417,175	491,861	822,000
Fire Department Capital Project Funds							
Protective clothing	14,547	-	-	-	10,000	21,821	2,726
Engine Five	450,000	-	-	-	-	422,823	27,177
Engine Three repair	-	-	-	-	60,000	1,630	58,370
Air packs & compressor	-	171,001	-	-	12,500	183,501	-
Communication upgrade	-	-	-	-	50,000	-	50,000
Other	6,132	-	-	-	-	525	5,607
Total fire department	470,678	171,001	-	-	132,500	630,300	143,879
Rescue Department Capital Project Funds							
Protective clothing	9,422	-	-	-	10,000	-	19,422
Ambulance replacement	76,638	-	-	-	-	76,638	-
Communication upgrade	-	-	-	-	45,000	-	45,000
Other	2,300	-	-	-	-	2,300	-
Total rescue department	88,360	-	-	-	55,000	78,938	64,422
Public Works Capital Project Funds							
Grader repair	24,470	-	-	-	-	2,870	21,601
Dump truck replacement, sander & plow	143,500	-	-	-	-	131,135	12,365
Bulldozer repair	-	-	-	-	27,000	27,000	-
Fuel Depot	-	-	-	-	24,000	-	24,000
Dump body repairs	-	-	-	-	26,000	-	26,000
Other	6,195	-	-	-	-	-	6,195
Total public works	174,165	-	-	-	77,000	161,005	90,161
Police Department Capital Project Funds							
Communication upgrade	-	-	-	-	47,000	-	47,000
Bullet proof vests	4,894	-	-	-	-	1,243	3,651
Other	1,817	-	-	-	-	-	1,817
Total police department	6,711	-	-	-	47,000	1,243	52,468

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, 2008

		Revenues and Other Sources						
	Fund Balance June 30, 2007	Inter- governmental	Other Revenues	Bond Proceeds	Transfers	Expenditures	Fund Balance June 30, 2008	
Recycling Capital Project Funds:								
Landfill closing	\$ 116,436	-	-	-	-	-	116,436	
Other	32,070	-	-	-	-	2,986	29,084	
Total recycling capital projects	148,505	-	-	-	-	2,986	145,519	
Comprehensive Town Improvement Funds:								
Pleasant Hill road projects	198,149	-	-	-	-	188,679	9,470	
Mallet Drive paving match	35,250	-	-	-	-	-	35,250	
Main St. paving and drainage match	54,123	-	20,000	-	-	-	74,123	
Flying Point Road	267,000	-	-	-	-	-	267,000	
North Main Street sidewalks	153,000	-	-	-	-	-	153,000	
Cottage & Forest Street reconstruction	145,000	-	-	-	-	115,059	29,941	
South Street project	40,000	-	-	-	-	-	40,000	
Desert Road match	-	-	-	-	23,000	-	23,000	
East Street reconstruction project	-	-	-	-	150,000	3,100	146,900	
Park Street reconstruction project	-	-	-	-	150,000	-	150,000	
Sequoia Drive project	-	-	-	-	65,000	-	65,000	
Other	42,124	-	-	-	-	25,853	16,271	
Total comprehensive town improvement	934,646	-	20,000	-	388,000	332,691	1,009,955	
Municipal Buildings and Other Improvement Funds:								
Computer system upgrade	41,835	-	-	-	20,000	11,850	49,985	
Dunning boat yard	6,445	-	-	-	-	4,000	2,445	
Cable TV	25,367	-	-	-	23,000	26,831	21,536	
Valuation update	16,595	-	-	-	-	-	16,595	
Building Winterization	-	-	-	-	10,000	-	10,000	
Other	73,493	-	-	-	-	706	72,787	
Total municipal buildings and other	163,735	-	-	-	53,000	43,386	173,349	
Boards and Committees Improvement Funds:								
Recreation fund	5,131	-	-	-	-	-	5,131	
Harbor fund	24,531	-	-	-	-	-	24,531	
Land conservation fund	239,702	-	-	-	-	86,000	153,702	
Citizens Survey & performance measures	25,000	-	-	-	17,500	30,574	11,926	
Harbor Master boat	-	-	-	-	61,500	61,500	-	
Other	1,659	-	7,857	-	-	7,857	1,659	
Total boards and committees	296,024	-	7,857	-	79,000	185,932	196,950	
Undesignated Interest	95,004	-	20,087	-	-	-	115,091	
Total capital project funds	2,619,515	171,001	47,945	655,000	1,248,675	1,928,341	2,813,794	

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS
PERMANENT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2008

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
ASSETS					
Investments	\$ 264,374	216,750	214,940	394,814	1,090,877
Accounts receivable	-	-	-	-	-
Interfund loans	-	-	-	-	-
Total assets	264,374	216,750	214,940	394,814	1,090,877
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	500	-	500
Interfund loans	9,703	136	2,000	6,585	18,423
Total liabilities	9,703	136	2,500	6,585	18,923
Fund balances:					
Principal	279,106	189,768	205,749	373,922	1,048,546
Unexpended income	(24,435)	26,846	6,691	14,307	23,408
Total fund balances	254,672	216,614	212,440	388,229	1,071,954
Total liabilities and fund balances	\$ 264,374	216,750	214,940	394,814	1,090,877

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, 2008

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:					
Investment income	\$ 9,324	5,626	6,057	11,021	32,028
Realized & unrealized gains (loses) on investments	(20,255)	(19,396)	(21,032)	(38,257)	(98,940)
Donations	-	2,241	216	-	2,457
Total revenues	(10,930)	(11,529)	(14,759)	(27,236)	(64,454)
Expenditures:					
Current:					
Other miscellaneous	9,703	1,165	2,716	9,924	23,508
Total expenditures	9,703	1,165	2,716	9,924	23,508
Excess (deficiency) of revenues over (under) expenditures	(20,633)	(12,693)	(17,475)	(37,160)	(87,961)
Fund balances, beginning of year	275,304	229,307	229,915	425,389	1,159,916
Fund balances, end of year	\$ 254,672	216,614	212,440	388,229	1,071,954

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, 2008

	Principal			Unexpended Income					Total
	Fund	Revenues		Fund	Fund			Fund	
	Balance	Unrealized/		Balance	Balance	Interest		Balance	
	(deficit)	Realized		(deficit)	(deficit)	Income	Expenditures	(deficit)	
	June 30, 2007	Gains (Losses)	Other	June 30, 2008	June 30, 2007			June 30, 2008	June 30, 2008
Cemetery Care:									
Perpetual Care:									-
Burr	\$ 140,015	(9,471)	-	130,544	(12,677)	4,362	4,540	(12,855)	117,690
Grove	49,998	(3,391)		46,608	(4,457)	1,552	1,612	(4,517)	42,091
Webster	14,895	(1,008)		13,887	(705)	464	483	(724)	13,163
Woodlawn	21,876	(1,480)	-	20,396	(2,406)	682	709	(2,434)	17,962
South Freeport	50,037	(3,381)		46,656	(4,086)	1,562	1,627	(4,152)	42,504
Flying Point	7,974	(539)	-	7,435	(876)	248	259	(886)	6,548
Town maintained	2,460	(166)	-	2,293	33	77	80	30	2,323
Davis Mausoleum	813	(55)	-	758	615	25	26	613	1,371
Carrie Thomas	423	(29)	-	395	133	13	14	133	528
A.O. Woodard	10,870	(735)	-	10,135	371	339	353	357	10,492
Total Cemetery Funds	299,361	(20,255)	-	279,106	(24,056)	9,324	9,703	(24,435)	254,672
Library Funds:									
Bartol Association	31,213	(2,906)		28,307	641	918	-	1,559	29,866
Paul and Emma Bennett	16,996	(1,578)		15,419	2,275	454	45	2,685	18,103
Eleanor Brewer	6,650	(617)		6,033	328	178	-	506	6,539
Albert Conley	30,651	(2,845)		27,806	10,302	820	1,120	10,002	37,808
Grace Ritchie	-	-	741	741	-	-	-	-	741
Jane Hall	121,413	(11,450)	1,500	111,463	8,838	3,256	-	12,095	123,557
Total Library Funds	206,923	(19,396)	2,241	189,768	22,384	5,626	1,165	26,846	216,614
School Scholarship Funds									
Fitts Award	2,646	(246)	-	2,401	(327)	71	-	(257)	2,144
Salomon Plummer	9,111	(846)	-	8,265	(1,978)	244	-	(1,734)	6,532
Wallace True	5,292	(491)	-	4,800	(403)	141	-	(262)	4,539
Millard and Enid Crooker	26,422	(2,452)	-	23,969	(3,023)	707	-	(2,316)	21,653
Alice Pollock	11,232	(1,042)	-	10,189	(511)	300	-	(211)	9,979
Auldis Foster	1,985	(184)	-	1,801	(105)	53	-	(52)	1,749
Kenneth Thompson	7,942	(737)	-	7,205	(128)	212	-	84	7,289
Christine Small Cushing	161,935	(15,033)	216	147,118	9,826	4,329	2,716	11,438	158,556
Total School Scholarship Funds	226,565	(21,032)	216	205,749	3,350	6,057	2,716	6,691	212,440
Benevolent Funds:									
George Davis	11,489	(1,066)	-	10,423	(500)	307	-	(193)	10,230
Arthur L. Gould	400,691	(37,191)	-	363,500	13,710	10,714	9,924	14,499	377,999
Total Benevolent Funds	412,180	(38,257)	-	373,922	13,210	11,021	9,924	14,307	388,229
Total	1,145,028	(98,940)	2,457	1,048,546	14,888	32,028	23,508	23,408	1,071,954

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, 2008

General fixed assets:	
Land	\$ 1,849,869
Land improvements	1,487,909
Buildings and improvements	29,491,143
Machinery, equipment and other	5,032,266
Vehicles	4,265,358
Infrastructure	6,946,193
Construction in process	738,365
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Total governmental fund capital assets	\$ 49,811,103

Exhibit F-2

TOWN OF FREEPORT, MAINE
Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the year ended June 30, 2008

Function and Activity	Balance 2007	Additions	Disposals	Balance 2008
General government	\$ 2,836,042	5,570	1,000	2,840,612
Community services				
Library	3,809,522	51,899	25,408	3,836,013
Cable TV	290,987	15,482	-	306,469
Coastal waters	282,093	31,500	-	313,593
Community center	2,349,015	-		2,349,015
Education	21,309,440	482,453		21,791,893
Public safety:		-		
Police	1,006,648	53,463	21,000	1,039,111
Fire and Rescue	3,726,646	717,064	143,000	4,300,710
Public works		-		
General	9,891,353	413,104	60,000	10,244,457
Solid waste	1,330,375	-	50,000	1,280,375
Recreation	870,702	-	-	870,702
Unclassified:		-		
Parking lots	135,022	68,132	-	203,154
School lunch	91,368	-	-	91,368
Winslow Park	343,631	-	-	343,631
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	\$ 48,272,844	1,838,667	300,408	49,811,103

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, 2008

Function and Activity	Land	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Construction Work in Process	Total
General government	\$ 710,566	-	1,545,985	584,061	-	-		2,840,612
Community Services								
Library	110,000	78,405	2,364,305	1,283,303	-	-	-	3,836,013
Cable TV	-	-	-	284,469	22,000	-	-	306,469
Coastal waters	-	19,555	5,000	245,513	43,525	-		313,593
Community center	-	28,725	2,293,446	26,844	-	-	-	2,349,015
Education	360,285	166,198	19,435,303	728,473	905,881	-	195,753	21,791,893
Public safety:								
Police	3,850	-	598,000	226,963	210,298	-	-	1,039,111
Fire and Rescue	40,000	-	1,289,370	800,016	1,746,871	-	424,453	4,300,710
Public works								
General	193,768	-	1,274,000	437,346	1,274,991	6,946,193	118,159	10,244,457
Solid waste	190,000	399,000	398,000	260,480	32,895	-	-	1,280,375
Recreation	238,400	595,872	-	36,430	-	-		870,702
Unclassified:								
Parking lots	3,000	200,154	-	-	-	-	-	203,154
School lunch	-	-	-	91,368	-	-	-	91,368
Winslow Park	-	-	287,734	27,000	28,897	-	-	343,631
Total capital assets	\$ 1,849,869	1,487,909	29,491,143	5,032,266	4,265,358	6,946,193	738,365	49,811,103

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Schedule of Depreciation - By Function and Activity
Year Ended June 30, 2008

Function and Activity	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Total
General government	\$ -	36,109	45,798	-	-	81,908
Community services						
Library	3,270	59,108	61,385	-	-	123,763
Cable TV	-		35,809	-	-	35,809
Coastal waters	978	333	12,984	-	-	14,295
Community center	1,436	57,336	5,369	-	-	64,141
Education	3,308	431,214	100,036	50,518	2,628	587,704
Public safety:						
Police	-	14,950	25,613	18,003	-	58,566
Fire and Rescue	-	33,305	41,189	115,234	-	189,728
Public works						
General	-	31,850	30,763	96,791	212,646	372,050
Solid waste	15,960	9,950	10,620	-	-	36,530
Recreation	18,802	-	2,429	-	-	21,231
Unclassified:						
Parking lots	7,508	-		-	-	7,508
School lunch	-	-	7,250	-	-	7,250
Winslow Park	-	17,849	1,130	-	-	18,979
Total capital assets	\$ 51,262	692,004	380,377	280,546	215,273	1,619,462

See accompanying independent auditors' report.