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TOWN OF FREEPORT, MAINE

Annual Financial Report

June 30, 2011

TOWN OF FREEPORT, MAINE
Annual Financial Report
June 30, 2011

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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 activity, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Freeport, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 activity, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 and the Schedule of Funding Progress on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Freeport, Maine's financial statements as a whole. The accompanying schedules on pages 46 through 73 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The prior year comparative information found on pages 46 – 50 has been derived from the Town's 2010 financial statements and, in our report dated December 16, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activity, 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.

Macdonald Page & Co LLC

South Portland, Maine
February 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
TOWN OF FREEPORT FISCAL YEAR 2011 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, 2011. 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*.

The FY 2011 financial statements are the Town's first use of the new GASB 54 fund balance reporting method. In prior fiscal years, the Town reported the general fund, reserve fund, and other governmental funds in the fund financial statements. The reserve fund has been consolidated into the general fund and the other governmental funds, based upon their purpose. For the reporting period, the Town had an increase in fund balance for total governmental funds (from statement 4) of approximately \$1,217,000. The General Fund's fund balance decreased by approximately \$606,000. The major reason for the decline in the general fund's June 30, 2011 fund balance is the Hunter Road Fields and Trails project. In May of 2011, the Town Council recognized the need for fields, and voted to expend up to \$2.3 million from the general fund's fund balance on athletic fields. By June 30, 2011, the Town had spent \$719,000 on the project, which caused the fund to show a deficit for FY 2011. Without this transfer to the capital fund, the general fund would have shown a \$112,000 surplus. Other Governmental Funds increased by approximately \$1,800,000; this is in large part to \$909,000 in investment earnings in the reserve and trust funds, \$352,000 in building lease revenue, and \$191,000 in cell tower lease proceeds.

ENTITY WIDE CONDENSED PRESENTATION OF NET ASSETS

Net Assets 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 2011. It distinguishes between capital and other assets, includes the Town's general liabilities and long-term debt obligations, and shows the Town's net assets by restricted and unrestricted amounts. This information is for the Town's Governmental Activities and Business-type Activity as of June 30:

	Governmental Activities		Business-type Activity		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash and cash equivalents	\$ 13,394,413	12,186,429			13,394,413	12,186,429
Investments	6,472,843	6,595,515			6,472,843	6,595,515
Receivables	1,590,547	1,158,100	156,789	29,039	1,747,336	1,287,139
Internal balances	127,094	79,146	(127,094)	(79,146)	-	-
Inventory	41,953	15,154	-	-	41,953	15,154
Capital assets, net	15,546,856	17,127,095	11,119	19,726	15,557,975	17,146,821
Total assets	37,173,706	37,161,439	40,814	69,619	37,214,520	37,231,058
LIABILITIES						
Current liabilities	1,371,895	1,061,242	3,003	14,648	1,374,898	1,075,890
Noncurrent liabilities	8,200,820	9,706,030	-	-	8,200,820	9,706,030
Total liabilities	9,572,715	10,767,272	3,003	14,648	9,575,718	10,781,920
NET ASSETS						
Invested in capital assets, net of debt	8,215,217	8,212,473	11,119	19,726	8,226,336	8,232,199
Restricted	2,472,845	2,157,016	-	-	2,472,845	2,157,016
Unrestricted	16,912,928	16,024,679	26,692	35,245	16,939,620	16,059,924
Total net assets	\$ 27,600,990	\$ 26,394,168	37,811	54,971	27,638,801	26,449,139

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 \$1,200,000 during the year ended June 30, 2011. The following analysis provides the key elements of the increases.

	Governmental Activities	Business-type Activities	2011 Primary Government	2010 Primary Government
Program revenues:				
Charges for Services	\$ 869,056	451,067	1,320,123	1,477,521
Operating grants and contributions	222,308	-	222,308	213,853
Capital grants and contributions	-	-	-	247,937
General revenues:				
Property taxes	20,465,268	-	20,465,268	20,012,186
Motor vehicle excise taxes	1,356,321	-	1,356,321	1,316,407
Interest and lien costs	85,595	-	85,595	80,668
State Revenue Sharing	506,347	-	506,347	533,336
Homestead exemption	142,546	-	142,546	160,625
Other State aid	362,872	-	362,872	346,470
Unrestricted investment earnings	1,044,476	-	1,044,476	687,788
Miscellaneous revenues	1,911,447	-	1,911,447	1,157,047
Loss on disposal of assets	(2,035,783)	-	(2,035,783)	
Total revenues	24,930,453	451,067	25,381,520	26,233,838
Program expenses:				
General government	1,887,390	-	1,887,390	2,358,539
Public safety	2,772,958	468,227	3,241,185	3,226,141
Public works	2,664,697	-	2,664,697	2,535,598
Community services	973,820	-	973,820	987,873
Education	12,084,925	-	12,084,925	11,883,626
County tax	825,598	-	825,598	824,736
Unclassified	2,238,553	-	2,238,553	2,668,299
Interest on debt	275,690	-	275,690	559,657
Total expenses	23,723,631	468,227	24,191,858	25,044,470
Change in net assets before transfers	1,206,822	(17,160)	1,189,662	1,189,368
Transfers	-	-	-	(14,789,049)
Change in net assets after transfers	1,206,823	(17,160)	1,189,662	(13,599,681)
Net assets - beginning	26,394,168	54,971	26,449,139	40,048,820
Net assets - ending	\$ 27,600,990	37,811	27,638,801	26,449,139

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 managed over the past several years to build its assigned and unassigned general fund balance (the equivalent of a savings account) to \$4.5 million. The Town Council established a figure of approximately \$2 million (one twelfth of the annual budget) as a minimum level of fund balance to maintain. During FY 2011, the Town Council voted to spend the additional fund balance on athletic fields (\$2.3 million) and assigned \$126,500 for the possibility of rehabilitating and moving an historic building for use as a train station. 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 eight 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 2011 and the account remained at \$1 million at June 30, 2011. In Statement No. 54, the GASB required Stabilization funds to be used only in situations meeting two criteria: specific and non-routine. The Council defined the need to use the stabilization fund in Freeport as a five percent increase in the combined budgets of the Town, RSU (Town portion) and County tax (Town portion) or a five percent in the Town's overall mil rate. In these cases, up to fifty (50) percent of the Tax Rate Stabilization Account may be used annually to offset the property tax rate.

The Town's general fund operations showed revenue over expenditures of \$494,000 before other financing sources and uses (transfers from and to other funds in this case). After transfers in-and-out of other funds, the general fund showed a \$606,000 loss. This is due mainly to transfers to the reserve and capital funds of \$700,000 and \$718,000 respectively. As stated above, after satisfying the minimum fund balance requirement of approximately \$2 million, fund balance can be transferred to reserves. During FY 2011, \$700,000 was transferred into reserves for future capital projects, and \$718,000 was transferred to the capital fund to offset the Hunter Road athletic fields project. For the past two years due to the economic downturn, the Town Council has passed relatively small capital improvement plans; the FY 2011 capital plan was relatively large at approximately \$2.5 million. The result of this large plan was a large transfer of \$1.5 million into the capital projects funds; this is seen on Exhibit B-2 under "Transfers (to) from other funds". The Town's capital plan spans calendar year 2011, and while the transfers occurred before June 30, 2011, applicable construction was in progress and purchases were not all complete by the end of the fiscal year.

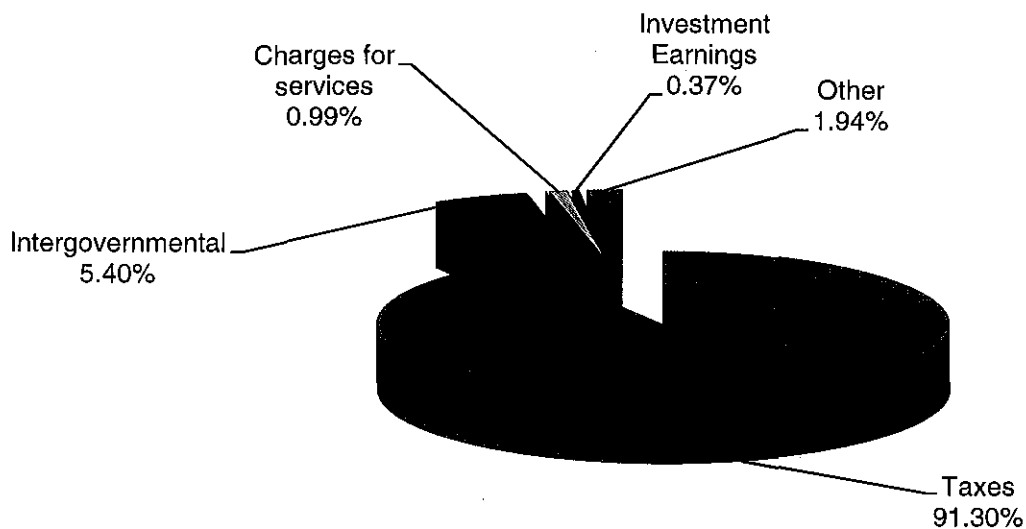
General Fund Revenues Budget to Actual Summary

For fiscal year 2011, revenues exceeded budgeted revenues by approximately \$1,020,000. The major reasons were an overlay of \$460,000, and strong vehicle excise tax collections with collections exceeding budget by \$109,000. It is notable that while the FY 2010 State revenue sharing amount received was \$533,000, and this was \$67,000 less than budgeted, the FY 2011 budget included an estimate of \$425,000; the actual received was \$508,000. For FY 2011, \$508,287 was budgeted from the fund balance to reduce property taxes. The property tax collection rate for the year increased slightly to 96.39% from the previous year's collection rate of 96.12%.

General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Taxes	\$ 19,981,486	20,536,591	555,105
Licenses and Permits	189,040	251,944	62,904
Intergovernmental	942,700	1,214,553	271,859
Charges for Services	167,200	222,467	55,267
Fees and Fines	76,800	106,577	29,777
Unclassified	16,500	78,599	62,099
Investment Earnings	100,000	83,373	(16,627)
Total Revenues	<u>\$ 21,473,726</u>	<u>22,494,110</u>	<u>1,020,384</u>

Revenue Sources 2011



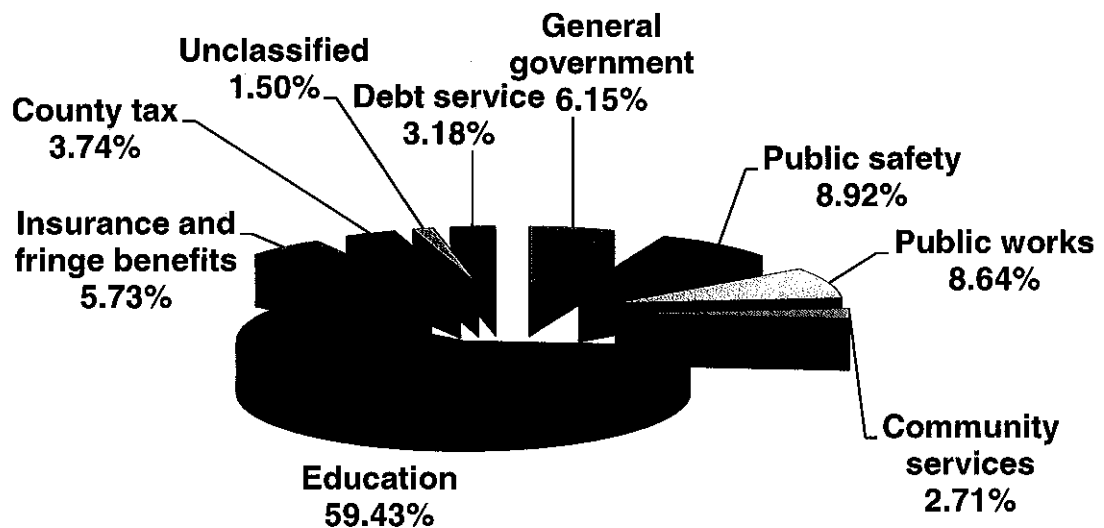
General Fund Expenditures Budget-to-Actual Summary

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 \$319,541 of savings. Department managers are directed and make every effort to leave five percent surpluses in budgets, especially during tough economic times when revenue could be lower than budgeted for the fiscal year. All charter function levels were 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, 2011 (see Exhibit A-2 for a more detailed presentation):

General Fund Expenditures Budget-to-Actual Summary

	Budget	Actual	Variance
General government	\$ 1,378,078	1,355,455	22,623
Public safety	1,972,231	1,966,313	5,918
Public works	2,096,260	1,906,075	190,185
Community services	613,442	596,513	16,929
Education	13,104,454	13,104,454	-
Insurance and fringe benefits	1,373,938	1,263,898	110,040
County tax	825,598	825,598	-
Unclassified	336,500	331,452	5,048
Debt service	669,512	700,714	(31,202)
Totals	<u>\$ 22,370,013</u>	<u>22,050,472</u>	<u>319,541</u>

Expenditure Components 2011



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 used for equipment, vehicles, building and Town wide infrastructure needs. Additionally, the Town has a street paving account in the public works department budget for ongoing street paving.

The Town's 2011 capital budget that was approved in May of 2011 included the following:

	2011		Funding Source			
	<u>Council Approved</u>	<u>Reserve</u>	<u>Bond</u>	<u>Fund Balance</u>	<u>TIF</u>	<u>Other</u>
Police	\$ 85,000	85,000				
Fire	14,000	14,000				
Rescue	205,000	205,000				
Public Works	170,000	170,000				
Solid Waste	95,000	95,000				
Comprehensive Town Improvements.	1,308,565	1,308,565				
Municipal Facilities	385,000	385,000				
TIF	276,200				276,200	
Cable	84,000	84,000				
Other	29,000	29,000				
Total	\$ 2,651,765	2,375,565	-	-	276,200	-

A summary of the Town's capital assets at June 30, 2011 and 2010 are as follows:

	2011	2010
General fixed assets:		
Land	\$ 1,489,584	1,489,584
Land improvements	1,570,709	1,570,709
Buildings and improvements	8,067,214	10,055,840
Machinery, equipment and other	4,617,967	4,548,728
Vehicles	3,762,230	3,766,620
Infrastructure	8,099,267	7,331,028
Construction in process	770,741	494,543
	<u>\$ 28,377,712</u>	<u>29,257,052</u>

The large decline in building fixed assets is due to the Community Center being given back to the Freeport Community Services, Inc. The building's net book value was \$2,035,783, and it was officially deeded back to FCS based upon Council action taken on April 26, 2011.

LONG-TERM DEBT

The State law allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,526,300,000 for 2011, the debt limit was more than \$228,900,000. The Town's current debt is \$7,331,639, or less than 1% of State Valuation or approximately 3.20% of the Town's debt limit. Another measure of a municipality's debt load is debt-per-capita. As of June 30, 2011, the Town of Freeport's debt per capita was \$905 as compared to the prior year of \$1,101 (based upon a population of 8,100).

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2011:

Bonds and notes payable at June 30, 2010	\$ 8,914,622
Principal additions	-
Principal payments	(1,582,983)
<u>Bonds and notes payable at June 30, 2011</u>	<u>\$ 7,331,639</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Freeport has a vibrant downtown, many thriving businesses, and residential growth outside the downtown, but has not been immune to the national economic downturn. For example, at the height of residential growth in 2005, the Town issued 85 new building permits, and only issued 37 during FY 2011.

In the spring of 2011, the Town Council approved an expenditure of up to \$2.3 million from fund balance for the construction of athletic fields on Hunter Road in the Western section of Town. The new construction is complete as of the writing of these footnotes in November, 2011, and includes 19 acres of playing fields (four multi-use and three baseball/softball) and 15 acres of trails that will connect the Hunter Road Fields to the Hedgehog Mountain trails. These fields will be open for use in the spring of 2012.

In April of 2009, Berenson Associates, in partnership with L.L. Bean, opened a 550 car parking garage and 118,000 sq ft of new retail and restaurant space. As of June 30, 2010, this complex was approximately 60 percent full, and as of June 30, 2011, it was approximately 90 percent occupied. While information regarding lease rates is not public information, Berenson Associates reports that lease rates have been competitive with local rates. The total project, including the parking garage and retail space, cost approximately \$45 million, and the Town has entered into a TIF credit enhancement agreement with the developer to assist with a maximum of \$17.5 million over 20 years toward the public parking garage portion of the development.

In addition to the new retail and parking garage space, as of June 30, 2011, Berenson had begun construction of a new movie theater. The theater is scheduled to open on November 18, 2011, and will include six screens and 700 seats.

The Northern New England Passenger Rail Authority received a \$35 million federal ARRA grant for the construction of passenger rail infrastructure from Brunswick to Portland with a stop in Freeport for service beginning in 2012. Construction on the train platform began in September of 2011.

The local grocery store/deli Bow Street Market completed its construction and opened its new market in June of 2011. This expansion tripled the size of the market to 15,000 square feet, and included the extension of School Street over a gulley to meet Bow Street; this has been an exciting project, as it will allow through auto, bicycle, and foot traffic.

In addition, Freeport's downtown storefront vacancy rate remains lower than that of other Southern Maine communities, which makes Freeport highly desirable for new retail businesses. Vacancy rate data is difficult to capture on any given date due to the different organizations tracking the information, but it is estimated that the average vacancy rate in Southern Maine retail districts is approximately 20%; Freeport's vacancy rate as of June 30, 2011 was only 13.9% of total storefront space. This has decreased from approximately 14.7% at June 30, 2010, and any downward movement during tough economic times is considered positive.

New Fiscal Year Budget

In adopting the budget for the ensuing fiscal year 2012, 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. The Town completed a comprehensive revaluation of Town property effective April 1, 2006 for the FY 2007 tax year. The total Town value increased by 33% during that revaluation, and increased by approximately \$21 million between 2009 and 2010, or 0.013% of the Town's total taxable value. However, the Town has not been immune to the nationwide economic downturn, and the Town's tax assessor studied the market, and subsequently reduced all property values by 15% for the FY 2011 tax commitment. This reduced the Town's value from \$1,568,325,529 by \$217,794,166 to \$1,350,531,363. Presently for fiscal year 2011, the Town believes that its valuation (based on a valuation date of April 1, 2010) is at 100% of present market value.

The budget for the fiscal year starting July 1, 2011 was approved by the Town Council with a tax rate of 15.20 mills, which is a five-cent increase per \$1,000 of valuation from FY 2011 to FY 2012.

The following summarizes the major components of the FY 2011 and FY 2012 budgets:

	FY 2011 Appropriation	FY 2012 Appropriation	Increase (Decrease)
REVENUES			
School	\$ -	-	-
Town Non-Property Tax	3,182,740	3,297,730	114,990
Property Tax	18,678,986	18,789,555	110,569
Fund Balance	508,287	500,000	(8,287)
TOTALS	\$ 22,370,013	22,587,285	\$ 217,272
EXPENDITURES			
Municipal	\$ 7,943,449	8,014,065	70,616
School	13,104,454	13,275,403	170,949
County Tax	825,598	846,018	20,420
Reserves	-	-	-
Debt Service	496,512	451,799	(44,713)
TOTALS	\$ 22,370,013	22,587,285	217,272
Mill Rate	\$ 15.15	15.20	

While Freeport is currently in very good financial shape, the Town must be very careful of declining revenues from the State of Maine. Such revenues include, but are not limited to revenue sharing (a portion of sales and income taxes), road assistance, homestead exemption, and business equipment tax payments. The Town must maintain a tight budget in order to ensure that expenditures do not begin to outpace revenues in future years.

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

Abigail C. Yacoben
Finance Director

BASIC FINANCIAL STATEMENTS

TOWN OF FREEPORT, MAINE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,394,413	-	13,394,413
Investments	6,472,843	-	6,472,843
Receivables:			
Accounts, net	495,443	156,789	652,232
Taxes receivable	760,108	-	760,108
Tax liens	334,996	-	334,996
Internal balances	127,094	(127,094)	-
Inventory	41,953	-	41,953
Capital assets, net	15,546,856	11,119	15,557,975
Total assets	37,173,706	40,814	37,214,520
LIABILITIES			
Accounts payable and other current liabilities	971,200	-	971,200
Accrued wages and benefits payable	88,310	3,003	91,313
Compensated absences payable	272,283	-	272,283
Accrued interest	40,102	-	40,102
Noncurrent liabilities:			
Other long-term liabilities	617,056	-	617,056
Other postemployment benefits liability	252,125	-	252,125
Bonds due within one year	1,022,983	-	1,022,983
Bonds due in more than one year	6,308,656	-	6,308,656
Total liabilities	9,572,715	3,003	9,575,718
NET ASSETS			
Invested in capital assets, net of related debt	8,215,217	11,119	8,226,336
Restricted for:			
Special revenues	1,312,556	-	1,312,556
Capital projects	24,531	-	24,531
Nonexpendable trust principal	1,130,649	-	1,130,649
Expendable trust - income portion	5,109	-	5,109
Unrestricted	16,912,928	26,692	16,939,620
Total net assets	\$ 27,600,990	37,811	27,638,801

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Activities
For the Year Ended June 30, 2011

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	\$ 1,887,390	190,356	-	-	(1,697,034)	-	(1,697,034)
Public safety	2,772,958	107,301	55,637	-	(2,610,020)	-	(2,610,020)
Public works	2,664,697	189,187	156,034	-	(2,319,476)	-	(2,319,476)
Community services	973,820	94,144	10,637	-	(869,039)	-	(869,039)
Education	12,084,925	-	-	-	(12,084,925)	-	(12,084,925)
County tax	825,598	-	-	-	(825,598)	-	(825,598)
Unclassified	2,238,554	288,068	-	-	(1,950,486)	-	(1,950,486)
Interest on debt	275,690	-	-	-	(275,690)	-	(275,690)
Total governmental activities	23,723,632	869,056	222,308	-	(22,632,268)	-	(22,632,268)
Business-type activities:							
Nonemergency Transportation	468,227	451,067	-	-	-	(17,160)	(17,160)
Total business-type activities	468,227	451,067	-	-	-	(17,160)	(17,160)
Total primary government	\$ 24,191,859	1,320,123	222,308	-	(22,632,268)	(17,160)	(22,649,428)
General revenues:							
Property taxes, levied for general purposes					\$ 20,465,268	-	20,465,268
Motor vehicle excise taxes					1,356,321	-	1,356,321
Interest and lien costs					85,595	-	85,595
Grants and contributions not restricted to specific programs:							
Homestead exemption					142,546	-	142,546
Other State aid					362,872	-	362,872
State Revenue Sharing					506,347	-	506,347
Unrestricted investment earnings (losses)					1,044,476	-	1,044,476
Transfer from NET					-	-	-
Miscellaneous revenues					1,911,447	-	1,911,447
Loss on Disposal of Assets					(2,035,783)	-	(2,035,783)
Total general revenues and transfers					23,839,090	-	23,839,089
Change in net assets					1,206,822	(17,160)	1,189,662
Net assets - beginning					26,394,168	54,971	26,449,139
Net assets - ending					\$ 27,600,990	37,811	27,638,801

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash	\$ 9,661,762	3,732,651	13,394,413
Investments	413,279	6,059,564	6,472,843
Receivables:			
Accounts	76,333	419,110	495,443
Taxes receivable	760,108	-	760,108
Tax liens	334,996	-	334,996
Interfund loans receivable	1,611,097	4,967,316	6,578,413
Inventory	41,953	-	41,953
Total assets	\$ 12,899,528	15,178,641	28,078,169
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 143,262	484,672	627,934
Accrued wages and benefits	88,310	-	88,310
Compensated absences payable	272,283	-	272,283
Interfund loans	5,026,656	1,424,663	6,451,319
Development escrows	155,111	-	155,111
Deferred tax revenues	771,165	-	771,165
Other deferred revenues	188,156	-	188,156
Total liabilities	6,644,943	1,909,335	8,554,278
Fund balances:			
Nonspendable	41,953	1,130,649	1,172,602
Restricted	-	1,317,664	1,317,664
Committed	1,173,750	10,820,992	11,994,742
Committed Reserves	585,505	-	585,505
Assigned	2,207,515	-	2,207,515
Unassigned	2,245,862	-	2,245,862
Total fund balances	6,254,585	13,269,305	19,523,891
Total liabilities and fund balances	\$ 12,899,528	15,178,641	28,078,169
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.			15,546,856
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			771,165
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(8,240,922)
Net assets of governmental activities			27,600,990

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 20,536,591	1,321,636	21,858,227
Licenses, permits and fees	251,944	-	251,944
Intergovernmental	1,214,559	134,659	1,349,218
Charges for services	222,467	831,667	1,054,134
Fees and fines	106,577	-	106,577
Unclassified	87,826	1,164,877	1,252,703
Investment earnings (losses)	135,268	909,208	1,044,476
Total revenues	22,555,232	4,362,047	26,917,279
Expenditures:			
Current:			
General government	1,355,455	-	1,355,455
Public safety	1,966,313	75	1,966,388
Public works	1,906,075	79,256	1,985,331
Community services	596,513	-	596,513
Education	13,104,454	-	13,104,454
Insurance and fringe benefits	1,263,898	-	1,263,898
County tax	825,598	-	825,598
Unclassified	341,722	1,874,182	2,215,904
Capital outlay	-	1,531,701	1,531,701
Debt service	700,714	154,700	855,414
Total expenditures	22,060,742	3,639,914	25,700,656
Excess of revenues over expenditures	494,490	722,133	1,216,623
Other financing sources (uses):			
Operating transfers from other funds	323,000	1,487,220	1,810,220
Operating transfers to other funds	(1,423,985)	(386,235)	(1,810,220)
Refunding bond issued	5,730,000	-	5,730,000
Payment to refunding bond escrow agent	(5,730,000)	-	(5,730,000)
Total other financing sources (uses)	(1,100,985)	1,100,985	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(606,495)	1,823,118	1,216,623
Fund balances, beginning of year, as restated	6,861,080	11,446,187	18,307,267
Fund balances, end of year	\$ 6,254,585	13,269,305	19,523,891

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, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$	1,216,623
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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.

(1,580,240)

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

48,957

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.

(61,503)

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

1,582,984

Change in net assets of governmental activities (see Statement 2)	\$	1,206,822
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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, 2011

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 19,981,486	19,981,486	20,536,591	555,105
Licenses, permits and fees	189,040	189,040	251,944	62,904
Intergovernmental	942,700	942,700	1,214,559	271,859
Charges for services	167,200	167,200	222,467	55,267
Fees and fines	76,800	76,800	106,577	29,777
Unclassified	16,500	16,500	78,599	62,099
Investment earnings	100,000	100,000	83,373	(16,627)
Total revenues	21,473,726	21,473,726	22,494,110	1,020,384
Expenditures:				
Current:				
General government	1,378,078	1,378,078	1,355,455	22,623
Public safety	1,972,231	1,972,231	1,966,313	5,918
Public works	2,096,260	2,096,260	1,906,075	190,185
Community services	613,442	613,442	596,513	16,929
Education	13,104,454	13,104,454	13,104,454	-
Insurance and fringe benefits	1,373,938	1,373,938	1,263,898	110,040
County tax	825,598	825,598	825,598	-
Unclassified	336,500	336,500	331,452	5,048
Debt service	669,512	669,512	700,714	(31,202)
Total expenditures	22,370,013	22,370,013	22,050,472	319,541
Excess (deficiency) of revenues over expenditures	(896,287)	(896,287)	443,638	1,339,925
Other financing sources (uses):				
Use of undesignated fund balance - Town	508,287	508,287	-	(508,287)
Operating transfers from other funds	388,000	388,000	323,000	(65,000)
Operating transfers to other funds	-	-	(1,423,985)	(1,423,985)
Total other financing sources (uses)	896,287	896,287	(1,100,985)	(1,997,272)
Deficiency of revenues and other financing sources over expenditures and other financing uses - budgetary basis	-	-	(657,347)	(657,347)
Fund balance, beginning of year - budgetary basis			6,326,427	
Fund balance, end of year - budgetary basis	\$		5,669,080	
Reconciliation to GAAP basis:				
Committed reserve funds fund balance			585,505	
Fund balance, end of year - GAAP basis	\$		6,254,585	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE

Statement of Net Assets

Proprietary Funds

June 30, 2011

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
ASSETS		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$90,000	\$	156,789
Total current assets		156,789
Non-current assets:		
Property, plant, and equipment		150,309
Less accumulated depreciation		(139,190)
Total noncurrent assets		11,119
Total assets	\$	167,908
LIABILITIES		
Current liabilities:		
Interfund loans		127,094
Accrued wages and benefits payable		3,003
Total current liabilities		130,097
Total liabilities	\$	130,097
NET ASSETS		
Invested in capital assets, net of related debt		11,119
Unrestricted		26,692
Total net assets	\$	37,811

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, 2011

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
Operating revenues:		
Charges for services	\$	451,067
Total operating revenues		451,067
Operating expenses:		
Wages and benefits		420,626
Operational costs		38,994
Depreciation and amortization		8,607
Total operating expenses		468,227
Operating loss		(17,160)
Change in net assets		(17,160)
Total net assets, beginning of year		54,971
Total net assets, end of year	\$	37,811

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2011

Business-type Activities - Enterprise Funds			
			Nonemergency Transportation Program
Cash flows from operating activities:			
Receipts from customers and users		\$	423,317
Payments to suppliers			(44,792)
Payments to employees			(426,473)
Net cash used in operating activities			(47,948)
Cash flows from capital and related financing activities:			
Interfund borrowing			47,948
Net cash provided by financing activities			47,948
Increase in cash			(0)
Cash, beginning of year			-
Cash, end of year		\$	(0)
Reconciliation of operating income to net cash provided by operating activities:			
Operating loss		\$	(17,160)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization			8,607
(Increase) decrease in operating assets:			
Accounts receivable			(27,750)
Increase (decrease) in operating liabilities:			
Accounts payable			(5,798)
Accrued wages and benefits payable			(5,847)
Net cash used in operating activities			(47,948)

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Freeport conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such 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 15 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.

Component Unit

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:

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.

Joint Venture

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 Region Ten Technical High School 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 Region Ten Technical High School had total net assets of \$972,669 as of June 30, 2011. The financial statement of Maine Region Ten Technical High School for the year ended June 30, 2011 is available from the Region in Topsham, Maine.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

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 and proprietary funds. Major individual governmental funds, other 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 is the proprietary 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.

The Town reports the following major governmental fund:

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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town reports the following proprietary fund:

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

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.

D. Receivables

Accounts receivable for the business-type activities include an allowance for doubtful accounts in the amount of \$90,000 as of June 30, 2011. 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 Reserve accounts and certain capital project funds are pooled on a cost basis, with each individual fund subscribing to or disposing of interest in the investment pool on the basis of cost value at the beginning of the fiscal year. As such, investment income, investment expense, and gains and losses on sales of investments are allocated to each fund based on its proportionate interest in the investment pool.

F. Capital Assets

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

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

F. Capital Assets, Continued

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

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

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

For all capital assets; buildings, vehicles and equipment, the Town elects to use the Depreciation Approach as defined by Statement No. 34 for reporting. The Town conducted an inventory of all other non-infrastructure capital assets for fiscal year 2003 and infrastructure for the fiscal year 2007. This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

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 has accrued 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.

It is notable that while several debt service payments are the responsibility of and budgeted by RSU #5, the Town must continue to book these long-term liabilities because the Town is responsible for paying the bondholders.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Inventory

Inventory in the General Fund consists of vehicle fuel and is recorded at the lower of cost or market on the first-in, first-out basis.

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. 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.

L. Fund Equity

The Town of Freeport implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ending June 30, 2011. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Town uses the following fund balance classifications.

Nonspendable fund balance

Nonspendable fund balance represents fund balance amounts that are not in spendable form, such as inventories.

Restricted

Restricted by State or Federal statute as a portion of fund balance such as TIF Fund commitments or Private or Public Grants. Any matching amounts are also considered Restricted as they cannot be withdrawn due to the outside parties' involvement and commitment.

Committed

Committed is that portion of fund balance that has been approved by the highest level of formal action of the Town Council and does not lapse at year-end. Committed fund balance requires action by the Town Council to remove them. Examples of Committed Funds are amounts for Town initiated projects or activities in the Recreation and Capital Funds.

Assigned

Assigned is the portion of fund balance that has been approved by formal action of the Town Council for appropriation in future budgets. The amounts are not for a highly specified purpose and their use has some discretion by the administration.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Fund Equity – Continued

Unassigned

Fund balance that has not been reported in any other classification. Note that in all governmental funds other than the general fund, amounts expended in excess of resources that do not meet the above categories are classified here – i.e. residual deficits.

The Town's fund balance policy establishes that an amount equal to at least 1/12 of the Town's most recent approved operating budget shall be established as a minimum unrestricted fund balance. Annually, following completion of the Town's audit, the Town Manager shall review the unrestricted fund balance and propose to utilize, through the annual budget process, surplus funds above the 1/12 minimum, if any. Use of those undesignated fund balance funds should be dedicated to projects in the capital improvement program or other unanticipated one-time expenses. The Council may vote to establish certain reserve accounts from the unrestricted fund balance for the purpose of funding specific capital improvement needs in the future and may decide to expend or to reserve amounts greater than that listed above based on the immediate or long-term needs of the Town.

The Town has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

In 2011 the Town Council adopted a "Tax Rate Policy" to ensure the financial well being of the Town. Under the Policy, a portion of the fund balance of the General Fund is committed for stabilization arrangements, entitled "Tax Rate Stabilization Account", to lower future year tax rates.

- Revenues generated by new valuation may be used to fund operating budgets, capital reserves or used for tax rate stabilization.
- Once operating budgets, fund balance and reserves are funded in accordance with Town policies, excess funds may be used to lower the current year tax rate, or may be placed in a Tax Rate Stabilization Account to lower future year tax rates.
- 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.
- The need for tax rate stabilization is defined as: a predicted five percent increase in the combination of the Town, RSU, and County budgets, or a predicted five percent increase in the Town's total mil rate.

M. 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 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. These 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

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, but requires all deposit accounts to hold collateral either at an outside bank in the Town's name or through an irrevocable letter of credit to the Town in any amounts above the FDIC insurance limits. 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, 2011, the Town reported deposits of \$13,394,413 with a bank balance of \$13,669,323. None of the Town's bank balances are uninsured or 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.

At June 30, 2011, the Town had the following investments and maturities:

	Fair Value	Not Applicable	Less than 1 year	1-5 years
Money Market Funds	\$ 118,346	-	118,346	-
Mutual Funds - Equity	3,327,040	3,327,040	-	-
Mutual Funds - Fixed Income	3,027,457	3,027,457	-	-
Total investments	\$ 6,472,843	6,354,497	118,346	-

Credit Risk and Concentration of 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. The Town's investments in debt securities that require disclosure of credit risk were rated by Standard & Poor's as follows: Money market funds \$118,346 - AAA, Fixed income mutual funds \$3,027,457 - unrated.

The Town's investment portfolio is comprised of a mix of money market, equity mutual funds and bond mutual funds. At June 30, 2011 the Town did not have any individual investments with a concentration of more than five percent of the total portfolio, but discloses the following funds that accounted for more than five percent of the total portfolio:

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

CASH AND INVESTMENTS, CONTINUED

Credit Risk and Concentration of Credit Risk:

	6/30/2011	S & P Rating	of Total
Short-Term Bond Fund of America – Fixed Income	\$ 2,747,267	Unrated	42.44%
Growth Fund of America – Equity	1,235,359	Unrated	19.09%
Fundamental Investors - Equity	1,274,667	Unrated	19.69%

Interest Rate Risk: The Town does not have a formal policy related to investment rate risk. To the extent possible, the Town 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.

PROPERTY TAX

Property taxes for the current period were committed on September 15, 2010, on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 16, 2010 and May 16, 2011. Personal property taxes were due in whole on November 15, 2010. Interest at the rate of 7% 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 FY 2011 assessed value was 100% of the estimated market value and 86.88% of the 2010 state valuation of \$1,554,400,000. The prior year ratio was 100.65%; the Town's assessor decreased all real property by 15% due to market data indicating that the Town's properties were overvalued by this amount.

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 \$459,928 for the period ended June 30, 2011.

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:

	2011	2010
Assessed value	\$1,350,531,363	1,568,325,529
<u>Tax rate (per \$1,000)</u>	<u>15.15</u>	<u>12.75</u>
Commitment	20,460,550	19,996,150
<u>Supplemental taxes assessed</u>	<u>8</u>	<u>12</u>
	20,487,295	19,996,162
Less:		
<u>Collections and abatements</u>	<u>19,748,610</u>	<u>19,220,359</u>
<u>Receivable at end of period (Current year)</u>	<u>\$ 738,685</u>	<u>775,809</u>
Collection rate	96.39%	96.12%

TOWN OF FREEPORT, MAINE

Notes to Financial Statements

June 30, 2011

SIGNIFICANT TAXPAYER

For the year ended June 30, 2011, the Town of Freeport committed and collected \$3,090,298 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 15.1% of total property taxes assessed.

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities				
Land	\$ 1,489,584			1,489,584
Total capital assets not bring depreciated	1,489,584			1,489,584
Capital assets being depreciated				
Land improvements	1,570,709			1,570,709
Buildings and building improvements	10,055,840	304,820	2,293,446	8,067,214
Machinery, equipment, and other	4,548,728	69,239		4,617,967
Vehicles	3,766,620	49,290	53,680	3,762,230
Construction work in process	494,543	276,198		770,741
Infrastructure	7,330,995	768,272		8,099,267
Total capital assets being depreciated	27,767,435	1,467,819	2,347,126	26,888,128
Less accumulated depreciation	12,132,856	1,009,343	311,343	12,830,856
Total capital assets being depreciated, net	15,634,579	458,476	2,035,783	14,057,272
Governmental activities capital assets, net	\$17,124,163	458,476	2,035,783	15,546,856
	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011
Business-type activities				
Equipment	\$ 10,772			10,772
Vehicles	139,537			139,537
Total capital assets being depreciated	150,309			150,309
Less accumulated depreciation	130,583	8,607		139,190
Business-type activities capital assets, net	\$ 19,726	(8,607)	-	11,119

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2011 as follows:

Governmental Activities	
General government	\$ 77,081
Public safety	286,703
Public works	419,692
Community services	203,217
Unclassified	22,650
Total depreciation expense-governmental activities	\$ 1,009,343
Business-type activities	
Nonemergency Transportation Program	\$ 8,607
Total depreciation expense-business activities	\$ 8,607

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, 2011 arising from these transactions were as follows:

	Receivable	Payable
General Fund	\$ 1,611,097	5,026,656
Special Revenue Funds:		
Winslow Park		245,341
TIF Funds	304,659	
Bartol building lease fund	492,994	
Tower lease fund	268,923	
Other Town grants and programs	413,949	
Capital Project Funds:		
Fire department projects	(60)	
Rescue department projects	223,417	
Public works projects	219,500	
Police department projects	83,541	
Recycling projects	245,484	
Comprehensive Town projects	1,858,310	
Municipal buildings and other	627,948	
Boards and committees	61,347	
Capital Reserves		1,166,486
Enterprise NET program		127,094
Permanent funds	167,304	12,836
Totals	\$ 6,578,413	\$ 6,578,413

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

FUND BALANCE

At June 30, 2011, the General Fund's fund balance was comprised of the following:

Nonspendable:	
Inventory	\$ 41,953
Total	\$ 41,953
Committed fund balances:	
Future Retirement Pay	\$ 173,750
Tax rate stabilization account	1,000,000
Total	\$ 1,173,750
Committed reserves:	
Unemployment compensation fund	\$ 356,509
Other	228,996
Total	\$ 585,505
Assigned fund balances:	
Funds Appropriated by Council for Athletic Fields	\$ 1,581,015
Funds Appropriated by Council for FY 2012 Budget Offset	500,000
Funds Appropriated for Depot Street Building	126,500
Total	\$ 2,207,515

PENSION PLANS

Maine Public Employees Retirement System

Description of the Plan - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing, multiple employer retirement system established by the Maine State Legislature. The Maine Public Employees 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, 2011 were as follows:

	<u>Special #2C</u>
Employer payroll rate(s):	
Normal cost	9.3%
Pooled UAL	-4.3%
Total payroll rate	5.0%
Monthly IUUAL available (7/1/10-6/30/11):	
Payment/(Credit)	(\$ 2,884)
Member contribution rate	6.5%

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

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, 2011 were \$85,324 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, 2011, employee contributions to the plan totaled \$155,912.

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, 2011, the Town's contribution to the plan totaled \$98,410.

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's contribution to Social Security (including Medicare) was approximately \$262,547 for the year ended June 30, 2011.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Balance	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 8,914,622	5,635,000	7,217,983	7,331,639	1,022,983
Compensated absences	213,115		28,059	185,056	
Landfill post-closure costs	409,000	23,000		432,000	
Other post-employment benefits	169,293	82,832		252,125	
Governmental Activities:					
Long-term liabilities	\$ 9,706,030	5,740,832	7,246,042	8,200,820	1,022,983

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standard Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post-employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, was implemented, as required, by the Town of Freeport for the year ended June 30, 2011. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other post-employment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in October, 2011. GASB 45 rules allow employers with less than 200 employees to use the same actuarial study for three years. The Town's ARC is \$98,093; this is offset by \$15,261 in current year payments by employees during FY 2011.

Plan Descriptions – In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of post-employment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide post-employment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 39,209
Amortization of unfunded	56,979
Interest	1,905
<u>Annual Required Contribution</u>	<u>\$ 98,093</u>

Funding Status and Funding Progress – The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 was as follows:

Annual required contribution	\$ 98,093
Interest on Net OPEB Obligation	3,313
Actual contribution	<u>(3,013)</u>
Annual OPEB Cost	98,393
Contributions Made	<u>(15,261)</u>
Increase (decrease) in Net OPEB Obligation	83,132
Net OPEB Obligation, Beginning of Year	<u>169,293</u>
Net OPEB Obligation, End of Year	<u>\$ 252,425</u>
Actuarial accrued liability	\$1,024,703
Plan assets	<u>0</u>
Unfunded actuarial accrued liability	\$1,024,703
Covered payroll	\$3,931,797
Unfunded actuarial accrued liability as a percentage of covered payroll	26%

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2011
Actuarial cost method	Early age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

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, 2011

LANDFILL CLOSURE AND POST CLOSURE COSTS

The following is a summary of the estimated cost of current landfill and post-closure operations for the Town's landfill for the year ended June 30, 2011:

	Years Remaining	Cost Per-Year	Total Cost
Post Closure Monitoring			
Section Closed in 1995-30 Years of Monitoring	14	\$ 5,000	\$ 70,000
Post Closure Monitoring			
Section Closed in 1992-30 Years of Monitoring	11	\$ 7,000	\$ 77,000
Current Activities in Open Portion			
First Ten-Year Period of Post-Closure Monitoring	10	\$ 4,000	\$ 40,000
Subsequent 20-Year Period of Post-Closure Monitoring	20	\$ 3,000	\$ 60,000
Demo Debris Closure Cost			\$ 185,000
Total Landfill Liability			\$ 432,000

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 1992 and 1995. 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 \$185,000 for its closure. The Town has estimated that there will be post closure care costs for the various landfills approximating \$247,000 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 \$247,000 for a total of \$432,000 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

LONG-TERM DEBT

Bonds and notes payable at June 30, 2011 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2011</u>
Governmental activities:					
1997 Capital improvements(2)	1/23/97	4,275,000	2016	2.91%	\$ 925,000
2000 School improvements(1)	4/19/2011	4,888,000	2021	4.58%	-
2001 Capital improvements	10/25/2001	517,000	2011	4.40%	47,700
2001 Capital improvements(1)	4/19/2011	1,000,000	2022	4.60%	-
2002 Capital improvements	10/30/2002	540,500	2012	2.98%	85,700
2002 School improvements(1)	4/19/2011	4,491,000	2012	4.32%	-
2008 School improvements	2/1/2008	655,000	2008	2.92%	420,000
2008 MMBB	10/30/2008	262,165	2013	0	98,239
2009 MMBB	3/11/2009	300,000	2019	variable	240,000
2011 Refunding	4/19/2011	5,635,000	2023	2.939	5,515,000
Total bonds and notes payable					

(1) Bonds were originally issued in 1992, 2000, 2001, 2002 but were refinanced in 2011 at a lower cost.

(2) Bonds were originally issued in 1997 but were refinanced in 2008 at a lower cost

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

The Town is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the Town. The Town's outstanding long-term debt of \$7,331,639 at June 30, 2011 was within the statutory limit.

The annual requirements to amortize all debt outstanding at June 30, 2011 are as follows. Such amounts exclude overlapping debt requirements, but include School debt requirements to be reimbursed by the State of Maine.

Year	Principal	Interest	Total
2012	\$ 1,022,983	277,340	1,300,323
2013	963,656	241,823	1,205,479
2014	715,000	209,967	924,967
2015	715,000	184,233	899,233
2016	715,000	158,259	873,259
2017-2021	2,720,000	410,983	3,130,983
2022-2026	480,000	19,525	499,525
Totals	\$ 7,331,639	1,502,130	8,833,769

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

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. For the year ended June 30, 2011, the Town's share of the expenditure was \$137,132 (3.72%) of Cumberland County's outstanding debt of \$3,685,250.

Other Contingencies

ECOMAINE (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 ECOMAINE payable from and secured by a pledge of ECOMAINE 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. ECOMAINE 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 ECOMAINE 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, 2011, outstanding "Incinerator Debt" of ECOMAINE totaled \$2,660,000 and "Material Recycling Facility Debt" of ECOMAINE totaled \$1,900,000 of which the Town of Freeport's share, based on estimated tonnage to be delivered, amounted to \$84,823 and \$49,780, respectively. Additionally, the Town's share of the projected landfill closure and post closure cost relating to ECOMAINE is estimated to be \$482,011.

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, 2011.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2011

FUND BALANCE CHANGES

For the period ended June 30, 2011, the General Fund includes two reserve funds that previously were reported as Special Revenue Funds. Also, funds that were previously classified as special revenue funds were reclassified to capital project funds because the purpose of the funds was for capital related expenditures. This change is the result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

	General Fund	Other Governmental Funds
Beginning fund balance as presently reported	\$ 6,326,427	11,980,841
Reclassification	534,653	(534,653)
Beginning fund balance as restated	<u>\$ 6,861,080</u>	<u>11,446,188</u>

COMMITMENTS

Construction in progress of \$770,741 as of June 30, 2011 consists primarily of recreation fields, transfer station paving and sidewalk improvements. It is expected that these projects will be completed during the fiscal year ending June 30, 2012. The additional estimated costs to complete these projects are approximately \$1,740,000.

TOWN OF FREEPORT, MAINE
Required Supplementary Information
Other Post-Employment Benefits Schedule of Funding Progress
Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2011	\$ -	\$ 1,024,703	\$ 1,024,703	\$ -	\$ 3,931,797	26%
June 30, 2010	\$ -	\$ 979,479	\$ 979,479	\$ -	\$ 3,469,043	27%
June 30, 2009	\$ -	\$ 979,479	\$ 979,479	\$ -	\$ 3,510,086	27%

GENERAL FUND

TOWN OF FREEPORT, MAINE
Comparative Balance Sheets - General Fund - Budgetary Basis
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash	\$ 9,411,887	10,138,092
Investments	16,439	16,432
Accounts receivables	76,333	51,907
Taxes receivable	760,108	789,062
Tax liens	334,996	291,790
Inventory	41,953	15,154
Interfund loans	1,611,097	176,799
Total assets	\$ 12,252,813	11,479,236
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	143,702	212,283
Accrued wages and benefits	88,310	168,863
Compensated absences payable	272,283	239,176
Interfund loans	4,965,006	3,487,926
Development escrows	155,111	196,422
Deferred tax revenues	771,165	722,208
Other deferred revenues	188,156	125,931
Total liabilities	6,583,733	5,152,809
Fund balance:		
Nonspendable	41,953	15,154
Committed-Stabilization Fund	1,000,000	1,000,000
Committed-Other	173,750	173,750
Assigned	2,207,515	609,591
Unassigned	2,245,862	4,527,932
Total fund balance	5,669,080	6,326,427
Total liabilities and fund balance	\$ 12,252,813	11,479,236

TOWN OF FREEPORT, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
Year ended June 30, 2011
(with comparative actual amounts for the year ended June 30, 2010)

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 18,678,986	19,094,675	415,689	18,714,316
Excise taxes and registration fees	1,237,500	1,356,321	118,821	1,316,407
Interest and lien costs	65,000	85,595	20,595	80,668
Total taxes	19,981,486	20,536,591	555,105	20,111,391
Licenses, permits and fees:				
Building, plumbing and electrical permits	58,700	104,973	46,273	81,790
Town clerk licenses and fees	33,700	44,441	10,741	40,261
Moorings and other harbor fees	81,000	82,243	1,243	83,865
Solid waste permits	2,640	7,662	5,022	2,275
Shellfish licenses	13,000	12,625	(375)	12,636
Total licenses, permits and fees	189,040	251,944	62,904	220,827
Intergovernmental:				
State tree growth reimbursement	30,000	36,741	6,741	34,114
State general assistance	8,000	10,637	2,637	12,261
State revenue sharing	425,000	506,347	81,347	533,336
State homestead exemption reimbursement	114,750	142,546	27,796	160,625
State road assistance	100,000	136,520	36,520	130,856
Public safety contributions	57,450	55,637	(1,813)	58,838
Other intergovernmental	207,500	326,131	118,631	312,356
Total intergovernmental	942,700	1,214,559	271,859	1,242,386
Charges for services:				
Planning	12,200	40,942	28,742	14,790
Transfer station and recycling	105,000	123,433	18,433	146,996
Parking lot	37,500	37,500	-	-
Vehicle maintenance	5,000	6,738	1,738	6,798
Engineering	7,500	13,854	6,354	8,085
Total charges for services	167,200	222,467	55,267	176,669
Fees and fines:				
Police parking and other fines	55,900	75,831	19,931	59,117
Library fines and fees	10,000	11,901	1,901	12,972
Alarm and other fire fees	10,900	18,845	7,945	25,575
Total fees and fines	76,800	106,577	29,777	97,664

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	16,500	78,599	62,099	66,829
Investment earnings	100,000	83,373	(16,627)	164,124
Total revenues	21,473,726	22,494,110	1,020,384	22,079,890
Expenditures:				
Current:				
General government:				
Town council	106,709	173,065	(66,356)	65,338
Town manager	126,757	126,618	139	123,916
Finance and treasury	294,025	288,585	5,440	265,316
Assessing	126,066	125,868	198	124,998
Code enforcement	75,126	74,314	812	71,337
Town clerk and elections	97,000	86,793	10,207	79,789
General administration	148,203	125,283	22,920	143,510
Municipal buildings	277,562	236,126	41,436	244,479
Planning	126,630	118,803	7,827	114,082
Total general government	1,378,078	1,355,455	22,623	1,232,765
Public Safety:				
Police department	892,466	903,763	(11,297)	854,706
Special enforcement	48,511	48,173	338	49,453
Fire department	363,886	357,928	5,958	345,813
Rescue	302,911	301,306	1,605	277,780
Dispatch	142,957	175,808	(32,851)	207,154
Hydrant rental	170,000	137,438	32,562	142,184
Street lights	51,500	41,897	9,603	41,159
Total public safety	1,972,231	1,966,313	5,918	1,918,249
Public Works:				
General road operations	722,044	666,851	55,193	640,656
Summer roads	618,500	598,732	19,768	586,213
Winter roads	153,000	130,557	22,443	87,875
Tree program	15,500	10,965	4,535	14,480
Solid waste	475,180	395,072	80,108	429,463
Engineering	112,036	103,898	8,138	96,424
Total public works	2,096,260	1,906,075	190,185	1,855,111

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	39,700	38,300	1,400	39,800
Public library	344,181	334,349	9,832	347,959
Cable TV	61,699	60,551	1,148	60,422
Promotions	7,800	3,510	4,290	2,208
General assistance	93,440	86,126	7,314	88,816
Coastal waters	59,822	69,019	(9,197)	51,044
Shellfish commission	4,100	2,578	1,522	3,824
Other	2,700	2,080	620	3,281
Total community services	613,442	596,513	16,929	597,354
Education:				
Education	13,104,454	13,104,454	-	12,985,533
Total education	13,104,454	13,104,454	-	12,985,533
Insurance and fringe benefits:				
Employee benefits	1,273,938	1,177,531	96,407	1,232,799
Insurances	100,000	86,367	13,633	86,310
Total insurance and fringe benefits	1,373,938	1,263,898	110,040	1,319,109
Unclassified:				
County tax	825,598	825,598	-	824,736
Freeport Economic Development Corp.	85,000	85,000	-	83,914
Bustin's Island Corporation	168,000	168,105	(105)	160,623
Miscellaneous & contingency	58,500	59,125	(625)	21,602
Abatements	25,000	19,222	5,778	12,992
Total unclassified	1,162,098	1,157,050	5,048	1,103,867
Debt service	669,512	700,714	(31,202)	705,347
Total expenditures	22,370,013	22,050,472	319,541	21,717,335
Excess (deficiency) of revenues over expenditures	(896,287)	443,638	1,339,925	362,555

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

	2011		Variance positive (negative)	2010 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	\$ 508,287	-	(508,287)	-
Final Transfer to RSU #5	-	-	-	(277,098)
Operating transfers in	388,000	323,000	(65,000)	358,000
Operating transfers out	-	(1,423,985)	(1,423,985)	(691,275)
Total other financing sources (uses)	896,287	(1,100,985)	(1,997,272)	(610,373)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - budgetary basis	-	(657,347)	(657,347)	(247,818)
Fund balance, beginning of year - budgetary basis		6,326,427		6,574,245
Fund balance, end of year - budgetary basis	\$	5,669,080		6,326,427
Reconciliation of Fund Balance to GAAP Basis:				
Committed reserve funds fund balance		585,505		-
Fund Balance, end of year - GAAP Basis	\$	6,254,585		6,326,427

OTHER GOVERNMENTAL FUNDS

TOWN OF FREEPORT
Combining Balance Sheet
All Other Governmental Funds
June 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ 672,207	3,060,444	-	3,732,651
Investments	52,826	4,860,453	1,146,285	6,059,564
Accounts receivable	2,317	416,793	-	419,110
Interfund loans	1,645,519	3,319,487	2,310	4,967,316
Total assets	\$ 2,372,869	11,657,177	1,148,595	15,178,641
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	53,055	431,617	-	484,672
Interfund loans	245,341	1,166,485	12,837	1,424,663
Total liabilities	298,396	1,598,102	12,837	1,909,335
Fund balances:				
Nonspendable	-	-	1,130,649	1,130,649
Restricted	1,312,556	-	5,109	1,317,665
Committed	761,917	10,059,075	-	10,820,992
Total fund balance	2,074,473	10,059,075	1,135,758	13,269,306
Total liabilities and fund balances	\$ 2,372,869	11,657,177	1,148,595	15,178,641

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 1,321,636	-	-	1,321,636
Charges for services	831,667	-	-	831,667
Gifts and donations	39,240	-	4,058	43,298
Intergovernmental	134,659	-	-	134,659
Unclassified	195,181	926,398	-	1,121,579
Investment income	19,988	684,031	205,189	909,208
Total revenues	2,542,371	1,610,429	209,247	4,362,047
Expenditures:				
Current:				
Public safety	75	-	-	75
Public works	79,256	-	-	79,256
Unclassified	1,856,800	-	17,382	1,874,182
Capital outlay	140,970	1,390,731	-	1,531,701
Debt service	154,700	-	-	154,700
Total expenditures	2,231,801	1,390,731	17,382	3,639,914
Excess of revenues over expenditures	310,570	219,698	191,865	722,133
Other financing sources (uses):				
Transfers (to) from other funds	(386,235)	1,487,220	-	1,100,985
Total other financing sources (uses)	(386,235)	1,487,220	-	1,100,985
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	(75,665)	1,706,918	191,865	1,823,118
Fund balances, beginning of year, as restated	2,150,138	8,352,157	943,893	11,446,188
Fund balances, end of year	\$ 2,074,473	10,059,075	1,135,758	13,269,306

SPECIAL REVENUE FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

		Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	Totals 2011
ASSETS									
Cash	\$	634,342	-	-	-	-	37,865	-	672,207
Investments		-	-	-	-	-	52,826	-	52,826
Accounts receivable		2,317	-	-	-	-	-	-	2,317
Interfund loans receivable		-	304,659	492,994	268,923	413,949	-	164,994	1,645,519
Total assets	\$	636,659	304,659	492,994	268,923	413,949	90,691	164,994	2,372,869
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		3,287	49,082	-	-	658	-	28	53,055
Interfund loans payable		245,341	-	-	-	-	-	-	245,341
Total liabilities		248,628	49,082	-	-	658	-	28	298,396
Fund balances:									
Restricted		388,031	255,577	-	-	413,291	90,691	164,966	1,312,556
Committed		-	-	492,994	268,923	-	-	-	761,917
Total fund balances		388,031	255,577	492,994	268,923	413,291	90,691	164,966	2,074,473
Total liabilities and fund balances	\$	636,659	304,659	492,994	268,923	413,949	90,691	164,994	2,372,869

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2011

	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	Totals 2011
Revenues:								
Property taxes	\$ -	1,321,636	-	-	-	-	-	1,321,636
Charges for services	288,068	-	352,225	191,374	-	-	-	831,667
Gifts and donations	-	-	-	-	39,240	-	-	39,240
Intergovernmental	-	-	-	-	134,659	-	-	134,659
Investment income	-	12	-	-	-	-	19,976	19,988
Unclassified	-	-	-	-	127,934	67,247	-	195,181
Total revenues	288,068	1,321,648	352,225	191,374	301,833	67,247	19,976	2,542,371
Expenditures:								
Current:								
Public safety	-	-	-	-	75	-	-	75
Public works	-	-	-	-	79,256	-	-	79,256
Unclassified	378,766	1,267,345	-	-	166,202	31,506	12,981	1,856,800
Debt service	-	154,700	-	-	-	-	-	154,700
Capital	-	140,970	-	-	-	-	-	140,970
Total expenditures	378,766	1,563,015	-	-	245,533	31,506	12,981	2,231,801
Excess (deficiency) of revenues over expenditures	(90,698)	(241,367)	352,225	191,374	56,300	35,741	6,995	310,570
Other financing sources (uses):								
Transfer to (from) other funds	-	-	(350,000)	(175,000)	138,765	-	-	(386,235)
Total other financing sources (uses)	-	-	(350,000)	(175,000)	138,765	-	-	(386,235)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(90,698)	(241,367)	2,225	16,374	195,065	35,741	6,995	(75,665)
Fund balances, beginning of year	478,729	496,944	490,769	252,549	218,226	54,950	157,971	2,150,138
Fund balances, end of year	\$ 388,031	255,577	492,994	268,923	413,291	90,691	164,966	2,074,473

TOWN OF FREEPORT, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2011

	Fund Balance (deficit) June 30, 2010	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2011
		Inter- governmental	Other				
Winslow Park fund	478,729	-	288,068	378,766	(90,698)	-	388,031
TIF Funds:							
TIF I -Desert road	54,438	-	-	54,438	(54,438)	-	-
TIF II - Desert road phase II	55,849	-	1,100,861	1,100,321	540	-	56,389
TIF III - Nursing home	159,371	-	12	159,383	(159,371)	-	-
TIF IV - Destination TIF	227,286	-	172,939	201,037	(28,098)	-	199,188
TIF V - Hotel TIF	-	-	47,836	47,836	-	-	-
Total TIF funds	496,944	-	1,321,648	1,563,015	(241,367)	-	255,577
Bartol Building Lease Fund	490,769	-	352,225	-	352,225	(350,000)	492,994
Tower Lease Fund	252,549	-	191,374	-	191,374	(175,000)	268,923

TOWN OF FREEPORT, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2011

	Fund Balance (deficit) June 30, 2010	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2011
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 381	-	-	75	(75)	-	306
FEMA	131,169	19,514	-	79,256	(59,742)	-	71,427
Regional Efficiency grant	1,249	-	-	-	-	-	1,249
CDBG-Historic Society	-	7,575	-	7,425	150	-	150
CDBG-57 Depot	-	5,349	-	5,349	-	-	-
ARRA-Town Hall Weatherization	24,000	72,522	-	115,939	(43,417)	-	(19,417)
Maine Arts Commission	1,441	-	783	317	466	-	1,907
Shellfish Water Testing	7,863	-	7,611	3,114	4,497	-	12,360
Shellfish Grant-State of Maine	(8,279)	8,800	-	-	8,800	-	521
Winslow Park-State of Maine	(13,172)	17,000	-	3,293	13,707	-	535
Fuel Assistance Fund-Freeport	5,996	-	12,047	10,772	1,275	-	7,271
Fuel Assistance Fund-Yarmouth	1,730	-	18,270	12,813	5,457	-	7,187
Library Donations	14,083	-	7,315	-	7,315	-	21,398
Road Impact Fees	-	-	65,218	-	65,218	138,765	203,983
Stormwater Connection Fees	-	-	55,930	-	55,930	-	55,930
Other	51,765	3,899	-	7,180	(3,281)	-	48,484
Total Town Grants and Projects	218,226	134,659	167,174	245,533	56,300	138,765	413,291
Freeport Economic Development Corporation	54,950	-	67,247	31,506	35,741	-	90,691
Leon Gorman Park	157,971	-	19,976	12,982	6,994	-	164,965
Total special revenue funds	\$ 2,150,138	\$ 134,659	\$ 2,407,712	\$ 2,231,802	\$ 310,569	\$ (386,235)	\$ 2,074,472

CAPITAL PROJECT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Town Capital Projects Funds
June 30, 2011

	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Capital Reserves	Total 2011
ASSETS										
Cash	\$ -	-	-	-	-	-	-	-	3,060,444	3,060,444
Investments	-	-	-	-	-	-	-	-	4,860,453	4,860,453
Accounts receivable	-	-	-	-	-	-	-	-	416,793	416,793
Due from other governments	-	-	-	-	-	-	-	-	-	-
Interfund loans	(60)	223,417	219,500	83,541	245,484	1,858,311	627,948	61,347	-	3,319,487
Total assets	\$ (60)	223,417	219,500	83,541	245,484	1,858,311	627,948	61,347	8,337,690	11,657,177
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	-	-	-	-	7,176	420,607	301	3,533	-	431,617
Interfund loans	-	-	-	-	-	-	-	-	1,166,485	1,166,485
Total liabilities	-	-	-	-	7,176	420,607	301	3,533	1,166,485	1,598,102
Fund balances:										
Committed	(60)	223,417	219,500	83,541	238,308	1,437,704	627,647	57,814	7,171,205	10,059,075
Total fund balances	(60)	223,417	219,500	83,541	238,308	1,437,704	627,647	57,814	7,171,205	10,059,075
Total liabilities and fund balances	\$ (60)	223,417	219,500	83,541	245,484	1,858,311	627,948	61,347	8,337,690	11,657,177

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year ended June 30, 2011

	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Capital Reserves	Total 2011
Revenues:										
Interest earnings	\$ -	-	-	-	-	-	-	-	684,031	684,031
Other revenue	-	-	-	-	-	-	-	103,103	823,295	926,398
Total revenues	-	-	-	-	-	-	-	103,103	1,507,326	1,610,429
Expenditures:										
Capital outlay	30,821	8,090	4,371	3,464	10,338	1,105,724	124,359	15,006	88,558	1,390,731
Total expenditures	30,821	8,090	4,371	3,464	10,338	1,105,724	124,359	15,006	88,558	1,390,731
Excess of revenues over expenditures	(30,821)	(8,090)	(4,371)	(3,464)	(10,338)	(1,105,724)	(124,359)	88,097	1,418,768	219,698
Other financing sources (uses):										
Transfer in (out)	14,000	205,000	170,000	85,000	95,000	2,015,550	481,000	(74,103)	(1,504,227)	1,487,220
Total other financing sources (uses)	14,000	205,000	170,000	85,000	95,000	2,015,550	481,000	(74,103)	(1,504,227)	1,487,220
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(16,821)	196,910	165,629	81,536	84,662	909,826	356,641	13,994	(85,459)	1,706,918
Fund balances, beginning of year	16,761	26,507	53,871	2,005	153,646	527,878	271,006	43,820	7,256,664	8,352,157
Fund balances, end of year	\$ (60)	223,417	219,500	83,541	238,308	1,437,704	627,647	57,814	7,171,205	10,059,075

TOWN OF FREEPORT, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2011

	Fund Balance (deficit) June 30, 2010	Revenues and Other Sources					Fund Balance (deficit) June 30, 2011
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers	Expenditures	
Fire Department Capital Project Funds							
Protective clothing	\$ 1,234	-	-	-	14,000	6,892	8,342
Engine Five	(8,838)	-	-	-	-	-	(8,838)
Engine Three repair	(4,827)	-	-	-	-	-	(4,827)
Air packs & compressor	(474)	-	-	-	-	-	(474)
Communication upgrade	(2,449)	-	-	-	-	-	(2,449)
Vehicle Exhaust and Ventillation System	1,509	-	-	-	-	-	1,509
Chief's Vehicle	25,000	-	-	-	-	23,929	1,071
Other	5,607	-	-	-	-	-	5,607
Total fire department	16,761	-	-	-	14,000	30,821	(60)
Rescue Department Capital Project Funds							
Protective clothing	15,208	-	-	-	15,000	8,090	22,118
Ambulance replacement	-	-	-	-	190,000	-	190,000
Communication upgrade	6,937	-	-	-	-	-	6,937
Rescue Equipment	4,362	-	-	-	-	-	4,362
Other	-	-	-	-	-	-	-
Total rescue department	26,507	-	-	-	205,000	8,090	223,417
Public Works Capital Project Funds							
Grader repair	21,601	-	-	-	-	-	21,601
Dump truck replacement, sander & plow	17,604	-	-	-	170,000	4,164	183,440
Fuel Depot	9,820	-	-	-	-	207	9,613
Pick-Up Truck Replacement	1,577	-	-	-	-	-	1,577
Dump Truck Body Sand Blast and Paint	3,269	-	-	-	-	-	3,269
Total public works	53,871	-	-	-	170,000	4,371	219,500
Police Department Capital Project Funds							
Communication upgrade	20	-	-	-	-	1,559	(1,539)
Bullet proof vests	168	-	-	-	-	1,905	(1,737)
In-Car Cameras	-	-	-	-	30,000	-	30,000
Radar Units/Speed Enforcement Equipment	-	-	-	-	25,000	-	25,000
Special Enforcement Truck	-	-	-	-	30,000	-	30,000
Other	1,817	-	-	-	-	-	1,817
Total police department	2,005	-	-	-	85,000	3,464	83,541

TOWN OF FREEPORT, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2011

	Fund Balance June 30, 2010	Inter- governmental	Other Revenues	Bond Proceeds	Transfers	Expenditures	Fund Balance June 30, 2011
Recycling Capital Project Funds:							
Landfill closing	\$ 116,436	-	-	-	-	-	116,436
Paving	-	-	-	-	95,000	10,338	84,662
Other	37,210	-	-	-	-	-	37,210
Total recycling capital projects	153,646	-	-	-	95,000	10,338	238,308
Comprehensive Town Improvement Funds:							
Mallet Drive paving match	2,219	-	-	-	-	2,220	(1)
Main St. paving and drainage match	35,492	-	-	-	-	5,618	29,874
Flying Point Road	164,910	-	-	-	-	153,179	11,731
Flying Point Road-2011 Reconstruction	-	-	-	-	521,000	-	521,000
Flying Point Road-Pleasant Hill to Wolfe's Neck	-	-	-	-	174,000	-	174,000
North Main Street sidewalks	111,582	-	-	-	-	121,262	(9,680)
Cottage & Forest Street reconstruction	655	-	-	-	-	164	491
South Street project	17,582	-	-	-	-	-	17,582
Desert Road match	23,000	-	-	-	-	-	23,000
East Street reconstruction project	7,296	-	-	-	-	5,330	1,966
Park Street reconstruction project	18,506	-	-	-	-	16,607	1,899
Sequoia Drive project	502	-	-	-	-	-	502
Burnett Road Bridge	11,048	-	-	-	-	-	11,048
Varney Road-Partial Reconstruction	(5,996)	-	-	-	-	-	(5,996)
US Route 1 North (PACTS)	-	-	-	-	191,565	-	191,565
Bow Street Paving Main to Dennison (PACTS)	31,000	-	-	-	-	31,000	-
Prout Road Culvert	60,000	-	-	-	-	25,770	34,230
Independence Drive Culvert	37,500	-	-	-	-	25,155	12,345
West Street-Depot Street to South Street Reconstruction	-	-	-	-	175,000	-	175,000
Desert Road Business Park	-	-	-	-	235,000	-	235,000
Freeport Fields and Trails Project	-	-	-	-	718,985	718,985	-
Other	12,582	-	-	-	-	434	12,148
Total comprehensive town improvement	527,878	-	-	-	2,015,550	1,105,724	1,437,704
Municipal Buildings and Other Improvement Funds:							
Computer system upgrade	44,678	-	-	-	75,000	62,254	57,424
Phone and Connectivity-Townwide	-	-	-	-	50,000	-	50,000
Dunning boat yard	2,445	-	-	-	-	-	2,445
Cable TV	20,373	-	-	-	84,000	29,666	74,707
Valuation update	20,313	-	-	-	-	1,310	19,003
Building Winterization	60,474	-	-	-	-	2,387	58,087
Public Safety Renovation (Sallyport, Flooring, etc.)	-	-	-	-	68,000	-	68,000
Town Hall Roof	-	-	-	-	80,000	-	80,000
Paving	-	-	-	-	12,000	12,000	-
Other	122,722	-	-	-	112,000	16,742	217,980
Total municipal buildings and other	271,006	-	-	-	481,000	124,359	627,647
Boards and Committees Improvement Funds:							
Recreation fund	5,131	-	-	-	-	-	5,131
Harbor fund	24,531	-	-	-	-	-	24,531
Land conservation fund	-	-	-	-	-	-	-
Citizens Survey & performance measures	6,498	-	-	-	-	5,200	1,298
Community Center Building	6,000	-	103,103	-	(103,103)	7,232	(1,232)
Village Parking Study	-	-	-	-	29,000	2,574	26,426
Other	1,659	-	-	-	-	-	1,659
Total boards and committees	43,820	-	103,103	-	(74,103)	15,006	57,814
Capital Reserves-See Exhibit F for Details	7,256,664	-	1,507,326	-	(1,504,227)	88,558	7,171,205
Total capital project funds	8,352,157	-	1,610,429	-	1,487,220	1,390,731	10,059,075

NONMAJOR PERMANENT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2011

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
ASSETS					
Investments	\$ 276,026	232,468	227,685	410,106	1,146,285
Interfund loans		2,310	-		2,310
Total assets	276,026	234,778	227,685	410,106	1,148,595
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund loans	3,997		1,500	7,340	12,837
Total liabilities	3,997	-	1,500	7,340	12,837
Fund balances:					
Nonspendable-Principal	296,483	214,687	219,930	399,549	1,130,649
Restricted-Unexpended income (deficit)	(24,454)	20,091	6,255	3,217	5,109
Total fund balances	272,029	234,778	226,185	402,766	1,135,758
Total liabilities and fund balances	\$ 276,026	234,778	227,685	410,106	1,148,595

TOWN OF FREEPORT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2011

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:					
Investment income	\$ 6,399	3,793	3,991	7,248	21,431
Realized & unrealized gains (loses) on investments	34,056	37,604	39,797	72,301	183,758
Donations	900	3,158	-	-	4,058
Total revenues	41,355	44,555	43,788	79,549	209,247
Expenditures:					
Current:					
Other miscellaneous	5,697	1,351	2,030	8,304	17,382
Total expenditures	5,697	1,351	2,030	8,304	17,382
Excess (deficiency) of revenues over expenditures	35,658	43,204	41,758	71,245	191,865
Fund balances, beginning of year	236,371	191,574	184,427	331,521	943,893
Fund balances, end of year	\$ 272,029	234,778	226,185	402,766	1,135,758

TOWN OF FREEPORT, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2011

	Fund Balance (deficit) June 30, 2010	Principal Revenues		Fund Balance (deficit) June 30, 2011	Fund Balance (deficit) June 30, 2010	Unexpended Income		Fund Balance (deficit) June 30, 2011	Total June 30, 2011
		Unrealized/ Realized Gains (Losses)	Other			Interest Income	Expenditures		
Cemetery Care:									
Perpetual Care:									
Burr	\$ 121,512	15,853	-	137,365	(12,968)	2,979	2,849	(12,838)	124,527
Grove	45,115	5,821	900	51,836	(5,399)	1,094	981	(5,286)	46,550
Webster	12,926	1,686	-	14,612	(745)	317	284	(712)	13,900
Woodlawn	18,985	2,477	-	21,462	(2,482)	465	417	(2,434)	19,028
South Freeport	43,428	5,666	-	49,094	(4,219)	1,065	955	(4,109)	44,985
Flying Point	6,920	903	-	7,823	(897)	170	152	(879)	6,943
Town maintained	2,135	279	-	2,414	26	52	7	71	2,485
Davis Mausoleum	705	92	-	797	615	17	15	617	1,414
Carrie Thomas	368	48	-	416	141	9	8	142	558
A.O. Woodard	9,434	1,231	-	10,665	772	231	29	974	11,639
Total Cemetery Funds	261,527	34,056	900	296,483	(25,156)	6,399	5,697	(24,454)	272,029
Library Funds:									
Bartol Association	30,291	6,018	187	36,496	2,473	626	82	3,017	39,513
Paul and Emma Bennett	13,494	2,981	-	16,475	(599)	299	40	(340)	16,135
Eleanor Brewer	5,279	1,347	-	6,626	700	140	18	822	7,448
Albert Conley	24,335	5,196	-	29,531	10,026	516	69	10,473	40,004
Grace Ritchie	2,222	471	-	2,693	(676)	48	6	(634)	2,059
Jane Hall	98,304	21,591	2,971	122,866	5,725	2,164	1,136	6,753	129,619
Total Library Funds	173,925	37,604	3,158	214,687	17,649	3,793	1,351	20,091	234,778
School Scholarship Funds									
Fitts Award	2,102	464	-	2,566	(179)	47	6	(138)	2,427
Salomon Plummer	7,233	1,598	-	8,831	(1,468)	160	21	(1,329)	7,502
Wallace True	4,201	928	-	5,129	(108)	93	12	(27)	5,103
Millard and Enid Crooker	20,977	4,635	-	25,612	(1,547)	465	62	(1,144)	24,468
Alice Pollock	8,917	1,970	-	10,887	117	198	26	289	11,176
Auldis Foster	1,576	348	-	1,924	5	35	5	35	1,959
Kenneth Thompson	6,306	1,393	-	7,699	315	140	19	436	8,135
Christine Small Cushing	128,820	28,461	-	157,281	7,159	2,853	1,879	8,133	165,414
Total School Scholarship Funds	180,133	39,797	-	219,930	4,294	3,991	2,030	6,255	226,185
Benevolent Funds:									
George Davis	9,121	2,015	-	11,136	141	202	27	316	11,452
Arthur L. Gould	318,127	70,286	-	388,413	4,132	7,046	8,277	2,901	391,314
Total Benevolent Funds	327,248	72,301	-	399,549	4,273	7,248	8,304	3,217	402,766
Total	942,833	183,758	4,058	1,130,649	1,060	21,431	17,382	5,109	1,135,758

TOWN RESERVE FUNDS

TOWN OF FREEPORT, MAINE
Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2011

	Fund Balance (deficit) June 30, 2010	Revenues Inter- governmental	Other	Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2011
Town Reserve Funds:							
Capital Projects Reserve Funds							
General administration reserve	\$ 336,972	-	44,259	851	43,408	(155,000)	225,380
Police equipment reserve	269,151	-	25,394	659	24,735	(85,000)	208,886
Cable TV equipment reserve	336,234	-	122,436	817	121,619	(127,000)	330,853
Public infrastructure reserve	1,969,763	-	662,008	4,954	657,054	(155,462)	2,471,355
Land Trust reserve	17,697	-	1,907	44	1,863	-	19,560
Public works equipment reserve	1,096,445	-	113,759	2,709	111,050	(170,000)	1,037,495
Ambulance equipment reserve	687,216	-	281,947	1,685	280,262	(310,000)	657,478
Building maintenance reserve	718,734	-	69,085	1,763	67,322	(230,000)	556,056
Fire equipment reserve	808,811	-	83,960	1,998	81,962	(14,000)	876,773
Municipal parking lot reserve	284,948	-	57,414	10,190	47,224	(29,000)	303,172
Hedgehog mountain reserve	21,830	-	2,438	54	2,384	-	24,214
Recycling equipment reserve	321,968	-	31,350	791	30,559	(95,000)	257,527
Road impact fee reserve	138,765	-	-	-	-	(138,765)	-
Community center reserve	26,156	-	2,484	64	2,420	5,000	33,576
Land Purchase Reserve	147,452	-	7,168	-	7,168	-	154,620
Community Center Loan Repayment	60,747	-	-	60,747	(60,747)	-	-
Energy Savings Reserve	13,775	-	1,717	1,232	485	-	14,260
General Fund Reserve Funds							
Unemployment compensation fund	321,142	-	43,327	7,960	35,367	-	356,509
Other	213,511	-	17,795	2,310	15,485	-	228,996
Total town reserve funds	7,791,318	-	1,568,448	98,828	1,469,620	(1,504,227)	7,756,711
Totals by Fund							
Capital Projects Reserve Funds	7,256,664	-	1,507,326	88,558	1,418,768	(1,504,227)	7,171,205
General Fund Reserve Funds	534,653	-	61,122	10,270	50,852	-	585,505
Total Reserve Funds	7,791,318	-	1,568,448	98,828	1,469,620	(1,504,227)	7,756,711

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, 2011

General fixed assets:		
Land	\$	1,489,584
Land improvements		1,570,709
Buildings and improvements		8,067,214
Machinery, equipment and other		4,617,967
Vehicles		3,762,230
Infrastructure		8,099,266
Construction in process		770,741
Total governmental fund capital assets		\$ 28,377,711

TOWN OF FREEPORT, MAINE
Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the year ended June 30, 2011

Function and Activity	Balance 2010	Additions	Disposals	Balance 2011
General government	\$ 2,962,549	229,600	-	3,192,149
Community services				
Library	3,836,013	-	-	3,836,013
Cable TV	325,384	15,344	-	340,728
Coastal waters	313,593	-	-	313,593
Community center	2,349,015	-	2,293,446	55,569
Education				
Public safety:				
Police	1,095,510	25,011	20,630	1,099,891
Fire and Rescue	4,330,458	48,424	32,700	4,346,182
Public works				
General	11,345,827	419,733	-	11,765,560
Solid waste	1,281,216	46,768	-	1,327,984
Recreation	870,702	682,555	-	1,553,257
Unclassified:				
Parking lots	203,154	-	-	203,154
School lunch	-	-	-	-
Winslow Park	343,631	-	-	343,631
	\$ 29,257,052	1,467,435	2,346,776	28,377,711

TOWN OF FREEPORT, MAINE
Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity
June 30, 2011

Function and Activity	Land	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Construction Work in Process	Total
General government	\$ 710,566	-	1,850,805	630,778	-	-	-	3,192,149
Community Services								
Library	110,000	78,405	2,364,305	1,283,303		-	-	3,836,013
Cable TV	-	-	-	318,728	22,000	-	-	340,728
Coastal waters	-	19,555	5,000	245,513	43,525	-	-	313,593
Community center	-	28,725		26,844		-	-	55,569
Public safety:								
Police	3,850	-	598,000	256,313	241,728	-	-	1,099,891
Fire and Rescue	40,000	-	1,289,370	1,017,552	1,999,260	-	-	4,346,182
Public works								
General	193,768	248,998	1,274,000	535,026	1,373,084	8,099,266	41,418	11,765,560
Solid waste	190,000	399,000	398,000	276,910	53,736	-	10,338	1,327,984
Recreation	238,400	595,872	-	-	-	-	718,985	1,553,257
Unclassified:								
Parking lots	3,000	200,154	-	-	-	-	-	203,154
Winslow Park	-	-	287,734	27,000	28,897	-	-	343,631
Total capital assets	\$ 1,489,584	1,570,709	8,067,214	4,617,967	3,762,230	8,099,266	770,741	28,377,711

TOWN OF FREEPORT, MAINE
Schedule of Depreciation - By Function and Activity
Year Ended June 30, 2011

Function and Activity	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Total
General government	\$ -	36,617	40,464	-	-	77,081
Community services						
Library	3,270	59,108	41,459	-	-	103,837
Cable TV	-	-	32,266	-	-	32,266
Coastal waters	978	8,649	-	2,902	-	12,529
Community center	1,436	47,780	5,369	-	-	54,585
Education						
Public safety:					-	
Police	-	14,950	16,729	31,165	-	62,844
Fire and Rescue	-	33,305	61,804	128,750	-	223,859
Public works						
General	4,980	31,850	27,756	63,433	237,050	365,069
Solid waste	15,960	9,950	6,093	1,389	-	33,392
Recreation	18,802	-	2,429	-	-	21,231
Unclassified:						
Parking lots	4,801	-	-	-	-	4,801
School lunch	-	-	-	-	-	-
Winslow Park	-	17,849	-	-	-	17,849
Total capital assets	\$ 50,227	260,058	234,369	227,639	237,050	1,009,343