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2013

## Town of Freeport Maine Annual Audit 2013

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**TOWN OF FREEPORT, MAINE**

**Annual Financial Report**

**For the Year Ended  
June 30, 2013**



**TOWN OF FREEPORT, MAINE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2013**

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Table of Contents

	<u>Statement</u>	<u>Page</u>
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-13
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	17
Statement of Activities	2	18
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	19
Statement of Revenues, Expenditures and Changes in Fund		
Balances - Governmental Funds	4	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund		
Balances of Governmental Funds to the Statement of Activities	5	21
Statement of Revenues, Expenditures, and Changes in Fund Balances -		
Budget and Actual - General Fund	6	22
Statement of Net Position - Proprietary Funds	7	23
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	24
Statement of Cash Flows - Proprietary Funds	9	25
Notes to Financial Statements		26-44
Required Supplementary Information: Schedule of Funding Progress		45
	<u>Exhibit</u>	<u>Page</u>
Combining and Individual Fund Statements:		
General Fund:		
Comparative Balance Sheets - General Fund - Budgetary Basis	A-1	49
Statement of Revenues, Expenditures and Changes in Fund Balance -		
Budget and Actual - General Fund	A-2	50-53
All Other Governmental Funds:		
Combining Balance Sheet	B-1	57
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances	B-2	58
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Funds	C-1	61
Combining Statement of Revenues, Expenditures and Changes in Fund		
Balances - Nonmajor Funds	C-2	62
Combining Statement of Revenues, Expenditures and Changes in Fund		
Balances - Individual Funds	C-3	63-64

**TOWN OF FREEPORT, MAINE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2013**

---

Table of Contents, Continued

	<u>Exhibit</u>	<u>Page</u>
Capital Project Funds:		
Combining Balance Sheet	D-1	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds	D-3	69-70
Nonmajor Permanent Funds:		
Combining Balance Sheet - Nonmajor Funds	E-1	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Funds	E-2	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds	E-3	75
Town Reserve Funds:		
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds	F-1	79
Capital Assets Used in the Operation of Governmental Funds:		
Summary of Capital Assets by Type	G-1	83
Schedule of Capital Asset Changes by Function and Activity	G-2	83
Schedule of Capital Assets by Function and Activity	G-3	84
Schedule of Deprecation by Function and Activity	G-4	85

## Independent Auditor's Report

Town Council  
Town of Freeport, Maine

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retiree healthcare plan, as listed in the table of contents, 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.

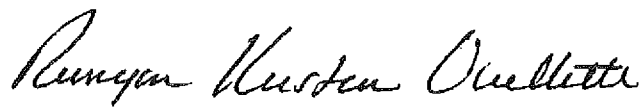
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Freeport, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 on our consideration of the Town of Freeport, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Freeport, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

November 21, 2013  
South Portland, Maine

**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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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, 2013. 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.

**FINANCIAL HIGHLIGHTS**

The assets of the Town of Freeport exceeded its liabilities as of June 30, 2013 by \$36,291,208 (net position). Of this amount, \$21,188,943 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

The Town of Freeport's governmental funds reported combined fund balances of \$18,430,020 which is an increase of \$554,368 from FY 2012. A large portion of this increase is due to a change in the Town's fund balance policy during FY 2012. The Town Council increased the fund balance minimum from one month to one and-one-half months, which equals approximately \$900,000 in required increase. A portion of the increase was seen in FY 2012 and the remainder is seen in FY 2013. On June 30, 2013, the Town's required fund balance minimum was \$3.03 million plus five percent, or approximately \$150,000. As of June 30, 2013, the Town's general fund unassigned fund balance was \$3.37 million. The additional \$200,000 is in fund balance and will likely be used to offset the FY 2015 budget. Since the governmental funds financial statements do not report capital assets, the value of the fields is not shown on Statement 3 from which this comparison is drawn. Of the \$18,430,020, \$3,373,106 is available for cash flow and spending at the government's discretion (unassigned fund balance).

The Town of Freeport's total outstanding long-term debt decreased by \$963,656 during the course of the fiscal year; the June 30, 2013 outstanding debt totaled \$5,345,000.

**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 position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF FREEPORT, MAINE  
Management's Discussion and Analysis, Continued  
June 30, 2013

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The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position 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*.

**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

**ENTITY WIDE CONDENSED PRESENTATION OF NET POSITION**

Net position will serve as a useful indicator of a government's financial position. The following information is condensed from Statement 1, Statement of Net Position for Fiscal 2013. It distinguishes between capital and other assets, includes the Town's general liabilities and long-term debt obligations, and shows the Town's net position by restricted and unrestricted amounts. This information is for the Town's Governmental Activities and Business-type Activity as of June 30:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 15,190,687	\$ 14,874,351	-	-	15,190,687	14,874,351
Investments	3,118,407	3,381,935	-	-	3,118,407	3,381,935
Receivables	1,238,221	1,281,184	258,746	203,443	1,496,967	1,484,627
Internal balances	29,900	93,689	(29,900)	(93,689)	-	-
Inventory	19,511	13,386	-	-	19,511	13,386
Receivable - RSU #5 debt payments	3,571,022	4,067,283	-	-	3,571,022	4,067,283
Capital assets, net	20,242,129	19,602,252	28,551	39,170	20,270,680	19,641,422
<b>Total assets</b>	<b>43,409,877</b>	<b>43,314,080</b>	<b>257,397</b>	<b>148,924</b>	<b>43,667,274</b>	<b>43,463,004</b>
<b>LIABILITIES</b>						
Current liabilities	589,599	1,426,326	9,833	11,033	599,432	1,437,359
Noncurrent liabilities	6,529,070	7,235,240	-	-	6,529,070	7,235,240
<b>Total liabilities</b>	<b>7,118,669</b>	<b>8,661,566</b>	<b>9,833</b>	<b>11,033</b>	<b>7,128,502</b>	<b>8,672,599</b>
<b>NET POSITION</b>						
Net investment in capital assets	12,342,948	13,293,596	28,551	39,170	12,371,499	13,332,766
Restricted	2,759,317	2,500,625	-	-	2,759,317	2,500,625
Unrestricted	21,188,943	18,858,293	219,013	98,721	21,407,956	18,957,014
<b>Total net position</b>	<b>\$ 36,291,208</b>	<b>\$ 34,652,514</b>	<b>\$ 247,564</b>	<b>\$ 137,891</b>	<b>\$ 36,538,772</b>	<b>\$ 34,790,405</b>

A large portion of the Town's net position 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 position represents resources that are subject to external restrictions on how they may be expended. The remaining unrestricted balance of net position may be used to meet the government's ongoing obligations to its citizens and creditors.

**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

**ENTITY WIDE CONDENSED PRESENTATION OF CHANGES IN NET POSITION**

Our next analysis focuses on changes in net position of the Town's governmental and business-type activities. Governmental activities increased the Town of Freeport's net position by \$1.4 million during the year ended June 30, 2013. The following analysis provides the key elements of the increases.

	<b>Governmental</b>	<b>Business-type</b>	<b>2013 Primary</b>	<b>2012 Primary</b>
	<b>Activities</b>	<b>Activities</b>	<b>Government</b>	<b>Government</b>
Program revenues:				
Charges for Services	\$ 1,158,965	631,889	1,790,854	1,456,018
Operating grants and contributions	182,911	-	182,911	209,749
General revenues:				
Property taxes	21,109,005	-	21,109,005	20,559,351
Motor vehicle excise taxes	1,420,825	-	1,420,825	1,353,054
Interest and lien costs	73,633	-	73,633	76,562
State Revenue Sharing	529,360	-	529,360	526,900
Homestead exemption	141,056	-	141,056	141,174
Other State aid	462,560	-	462,560	395,632
Unrestricted investment earnings	520,290	-	520,290	(1,801)
Gain (loss) on disposal	(11,116)	-	(11,116)	-
Miscellaneous revenues	1,784,013	-	1,784,013	2,453,769
<b>Total revenues</b>	<b>27,371,502</b>	<b>631,889</b>	<b>28,003,391</b>	<b>27,170,408</b>
Program expenses:				
General government	1,571,090	-	1,571,090	1,899,730
Public safety	2,517,445	522,216	3,039,661	3,373,946
Public works	2,346,121	-	2,346,121	2,633,568
Community services	2,223,007	-	2,223,007	907,943
Education	13,616,476	-	13,616,476	12,749,483
County tax	831,619	-	831,619	846,018
Unclassified	2,691,888	-	2,691,888	1,426,148
Interest on debt	184,910	-	184,910	249,251
<b>Total expenses</b>	<b>25,982,556</b>	<b>522,216</b>	<b>26,504,772</b>	<b>24,086,087</b>
Change in net position before transfers	1,388,946	109,673	1,498,619	3,084,321
Transfers	-	-	-	-
Change in net position after transfers	1,388,946	109,673	1,498,619	3,084,321
Net position - beginning	34,902,262	137,891	35,040,153	27,638,801
<b>Net position - ending</b>	<b>\$ 36,291,208</b>	<b>247,564</b>	<b>36,538,772</b>	<b>30,723,122</b>

It should be noted that this presentation is prepared on an entity-wide condensed net position 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.

**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

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

In Freeport, the Town managed over the past several years to build its unassigned general fund balance (the equivalent of a savings account) to \$3.37 million. The Town Council established a figure of approximately \$3 million (one and-one-half months of the annual budgets for the Town, RSU #5 Town portion, and County tax) as a minimum level of fund balance to maintain. The Town Council budgeted to use \$640,000 to offset taxes in the FY 2014 budget; that is an assigned fund balance. Under the Town's fund balance policy, amounts in one and one-half months 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 approximately ten 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 2012 and the account remained at \$1 million at June 30, 2013. In Statement No. 54, the Governmental Accounting Standards Board (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 \$805,040 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 \$313,772 increase in fund balance. This is due in part to a \$200,000 receivable from L.L. Bean offsetting transfers to the capital fund for the remaining construction on the Hunter Road Fields project. As of June 30, 2013, the Town's fund balance policy required the Town to hold just over \$3 million in fund balance (one and-a-half months of Town, RSU, and County budgets), and the unassigned fund balance was \$3.37 million. The Town's policy allows fund balance to be higher than the minimum by five percent, so the amount above that minimum plus the allowance is approximately \$3.15 million. Each year, staff presents the fund balance to the Town Council and recommends uses for any amount over the policy guideline. During the FY 2013 presentation, staff will recommend that the Town Council use the additional \$200,000 in fund balance to cover the State of Maine revenue shortfall of \$170,000 that is imminent for FY 2015. In addition, the Town's committed fund balance includes \$360,000 for sick and vacation payout upon employee retirements, and a very small fuel inventory of \$19,511 in the non-spendable category of fund balance.

**General Fund Revenues Budget to Actual Summary**

For fiscal year 2013, revenues exceeded budgeted revenues by approximately \$1,144,066. The major reasons were an overlay of \$323,000 and strong vehicle excise tax collections with collections exceeding budget by \$179,000. It is notable that State general assistance and revenue sharing intergovernmental revenues were down by \$38,000 in total. The bulk of this came from the FY 2013 State budget cuts and cuts to social services programs. The Town received news from the State that social services such as the Temporary Aid to Needy Families was to be reduced, and this would result in an increase in general assistance. The Town increased its general assistance budget, half of which is funded via State reimbursement. The Town did not spend the amount projected so the reimbursement was lower than budgeted. The State revenue sharing funds are based upon sales and income tax, and the original estimate of \$540,000 only produced \$529,000 in actual revenue. In addition, investment income was budgeted to be \$50,000 and due to market conditions producing low interest rates the Town only earned \$13,000 on its investments (excluding reserve and trust funds). The property tax collection rate for the year increased slightly to 97.21% from the previous year's collection rate of 96.26%.

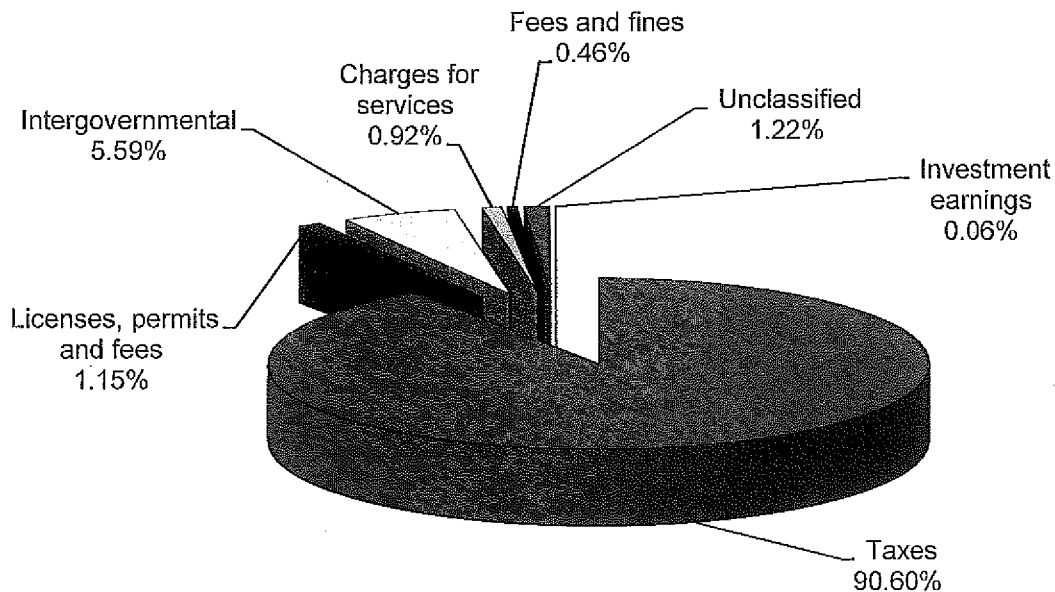
**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

**General Fund Revenues Budget to Actual Summary**  
**Budget and Actual – General Fund**  
**For the Year Ended June 30, 2013**

**Budgeted Amounts**

	Original	Final	Actual	Variance
<b>Revenues:</b>				
Taxes	\$ 20,557,575	20,557,575	21,331,266	773,691
Licenses, Permits, and Fees	253,290	253,290	271,689	18,399
Intergovernmental	1,207,742	1,207,742	1,315,887	108,145
Charges for Services	180,000	180,000	215,889	35,889
Fees and Fines	91,900	91,900	106,786	14,886
Unclassified	58,600	58,600	288,087	229,487
Investment Earnings	50,000	50,000	13,569	(36,431)
<b>Total Revenues</b>	<b>\$ 22,399,107</b>	<b>22,399,107</b>	<b>23,543,173</b>	<b>1,144,066</b>

## Revenue Sources 2013



### General Fund Expenditures Budget-to-Actual Summary

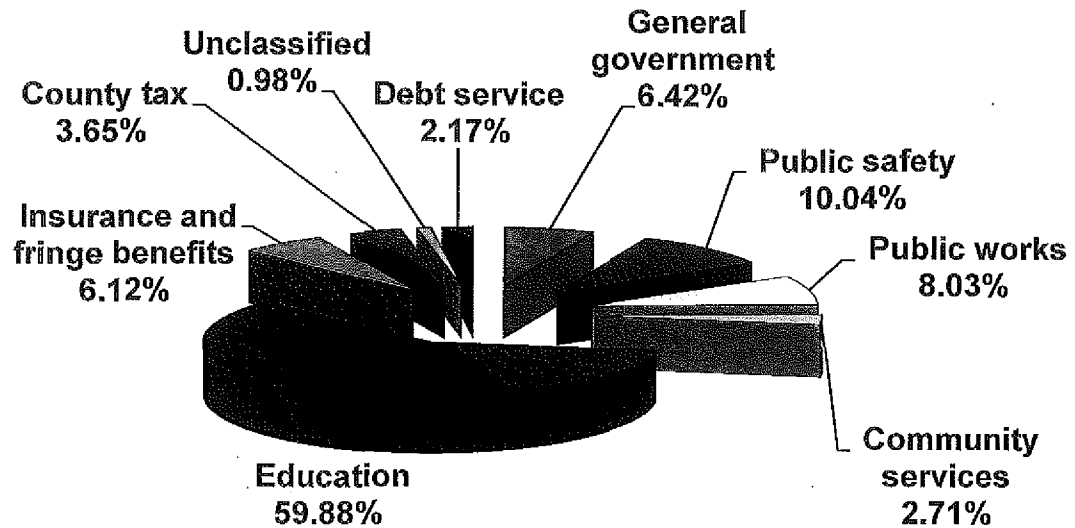
General Fund expenditure budgets are approved by the Town Council at the departmental level, with charter budgetary limits at the function level. Expenditures were less than appropriations throughout the budget resulting in approximately \$457,705 of savings. Department managers are directed and make 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, 2013 (see Exhibit A-2 for a more detailed presentation):

**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

**General Fund Expenditures Budget-to-Actual Summary**  
**Budget and Actual – General Fund**  
**For the Year Ended June 30, 2013**

Budgeted Amounts				
	Original	Final	Actual	Variance
Expenditures:				
Current:				
General Government	\$ 1,512,526	1,512,526	1,462,363	50,163
Public Safety	2,249,458	2,249,458	2,284,924	(35,466)
Public Works	2,065,001	2,065,001	1,828,000	237,001
Community Services	701,561	701,561	616,314	85,247
Education	13,631,935	13,631,935	13,631,935	-
Insurance and Fringe Benefits	1,506,300	1,506,300	1,393,393	112,907
County Tax	831,619	831,619	831,619	-
Unclassified	230,500	230,500	222,646	7,854
Debt Service	493,207	493,207	493,208	(1)
<b>Total Expenditures</b>	<b>\$ 23,222,107</b>	<b>23,222,107</b>	<b>22,764,402</b>	<b>457,705</b>

## Expenditure Components 2013



**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

**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 and purchases one police car from the police department's operating budget.

The Town's fiscal year 2014 capital budget that was approved in June of 2013 included the following:

**Town of Freeport**  
**Summary of Funding Sources**  
**FY 2014 Capital Program**

	FY 2013 Approved	FY 2014				Funding Source				
		Manager	Council	Council		Fund				
		Proposed	Approved	Appropriated	Reserve	Bond	Balance	TIF	Other	
Police	\$ 50,000	25,000	25,000	25,000	25,000	-	-	-	-	-
Fire	77,000	15,000	15,000	15,000	15,000	-	-	-	-	-
Rescue	174,000	189,000	189,000	189,000	189,000	-	-	-	-	-
Public Works	471,000	276,500	276,500	276,500	276,500	-	-	-	-	-
Solid Waste	90,000	30,000	30,000	30,000	30,000	-	-	-	-	-
Comprehensive Town Imp.	614,900	245,600	245,600	235,600	235,600	-	-	-	-	-
Municipal Facilities (1)	266,000	133,000	84,000	84,000	84,000	-	-	-	-	-
Cable	16,750	19,000	19,000	19,000	19,000	-	-	-	-	-
Other (2)	188,000	101,000	71,000	71,000	71,000	-	-	-	-	-
Total	\$ 1,947,650	1,034,100	955,100	945,100	945,100	-	-	-	-	-

It is notable that the FY 2014 capital improvement plan is funded on June 30, 2013. This is the reason the Town reflects the FY 2014 plan in the MD&A section of the financial statements.

A summary of the Town's capital assets at June 30, 2013 and 2012 are as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>General capital assets:</b>		
Land	\$ 2,204,884	1,489,584
Land improvements	3,502,741	1,570,709
Buildings and improvements	8,423,965	8,067,214
Machinery, equipment and other	5,039,847	4,781,446
Vehicles	3,915,444	3,734,492
Infrastructure	10,642,724	8,990,440
Construction in process	349,297	3,932,842
<b>Total</b>	<b>\$ 34,078,902</b>	<b>32,566,727</b>

The large change in construction-in-progress is attributable to the Town placing the Hunter Road Fields into service as of June 30, 2013.

**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

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**LONG-TERM DEBT**

The State law allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,362,450,000 for 2013, the debt limit was more than \$204 million. The Town's current debt is \$5,345,000, or less than 1% of State Valuation or approximately 3% of the Town's debt limit. Another measure of a municipality's debt load is debt-per-capita. As of June 30, 2013, the Town of Freeport's debt per capita was \$660 as compared to the prior year of \$779 (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, 2013:

Bonds and notes payable at June 30, 2012	\$ 6,308,656
Principal payments	(963,656)
<b><u>Bonds and notes payable at June 30, 2013</u></b>	<b><u>\$ 5,345,000</u></b>

**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 building growth in 2005, the Town issued 85 building permits for residential and commercial projects, and only issued 37 during FY 2011. The Town issued 59 building permits during FY 2012, with 25 being attributed to the Oak Leaf Affordable Housing Project, and 55 during FY 2013.

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. As of June 30, 2013, the fields are open and have been capitalized on the financial statements. The FY 2014 budget includes \$119,000 in maintenance for the new complex, which includes several fields and a 1,600 square foot fieldhouse.

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. This impacted the general fund in FY 2013; the Town budgeted \$55,000 for capital improvements to the new train station and \$50,000 in the operating budget for the maintenance and operation of the station. The FY 2014 budget includes \$102,000 in operating and maintenance costs, as it includes a full year of service and snow-removal costs were higher than expected.

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, 2013 was only 7.9% of total storefront space. This has decreased from approximately 9.9% at June 30, 2012, and any downward movement during tough economic times is considered positive.

**TOWN OF FREEPORT, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2013**

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**New Fiscal Year Budget**

In adopting the budget for the ensuing fiscal year 2014, 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 Council focused on the tax rate during the FY 2014 budgeting process, as the State passed a \$140,000 cut in the Town's share of State revenue sharing.

The budget for the fiscal year starting July 1, 2013 was approved by the Town Council with a tax rate of 15.85 mills, which is a 40 cent increase per \$1,000 of valuation from FY 2013 to FY 2014. The tax bills are sent out twice each year, and during FY 2013 were due on November 15, 2012 and May 15, 2013.

The following summarizes the major components of the FY 2013 and FY 2014 budgets:

	<u>FY 2013 Appropriation</u>	<u>FY 2014 Appropriation</u>	<u>Increase (Decrease)</u>
<b>REVENUES</b>			
Town Non-Property Tax	\$ 3,471,032	\$ 3,486,527	\$ 15,495
Property Tax	19,251,075	20,001,046	749,971
Fund Balance	500,000	640,000	140,000
<b>TOTALS</b>	<b>23,222,107</b>	<b>24,127,573</b>	<b>905,466</b>
<b>EXPENDITURES</b>			
Municipal	8,386,214	8,685,015	298,801
School	13,631,935	14,291,054	659,119
County Tax	831,619	858,284	26,665
Reserves			-
Debt Service	372,339	293,220	(79,119)
<b>TOTALS</b>	<b>\$ 23,222,107</b>	<b>\$ 24,127,573</b>	<b>\$ 905,466</b>
<b>Mill Rate</b>	<b>\$ 15.45</b>	<b>\$ 15.85</b>	

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,

Peter Joseph  
Town Manager

Abigail C. Yacoben  
Finance Director



## ***BASIC FINANCIAL STATEMENTS***



**TOWN OF FREEPORT, MAINE**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities	Business-type Activities	Total	Component Unit FEDC
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,190,687	-	15,190,687	25,563
Investments	3,118,407	-	3,118,407	23,989
Receivables:				
Accounts, net	325,512	258,746	584,258	-
Taxes receivable	612,759	-	612,759	-
Tax liens	299,950	-	299,950	-
Internal balances	29,900	(29,900)	-	-
Inventory	19,511	-	19,511	-
Receivable - RSU #5 debt service payments	3,571,022	-	3,571,022	-
Capital assets, not being depreciated	2,554,181	-	2,554,181	-
Capital assets, net of accumulated depreciation	17,687,948	28,551	17,716,499	-
<b>Total assets</b>	<b>43,409,877</b>	<b>257,397</b>	<b>43,667,274</b>	<b>49,552</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	424,693	834	425,527	-
Accrued wages and benefits payable	126,849	8,999	135,848	-
Accrued interest	38,057	-	38,057	-
Noncurrent liabilities:				
Other long-term liabilities	767,665	-	767,665	-
Other postemployment benefits liability	416,405	-	416,405	-
Bonds due within one year	715,000	-	715,000	-
Bonds due in more than one year	4,630,000	-	4,630,000	-
<b>Total liabilities</b>	<b>7,118,669</b>	<b>9,833</b>	<b>7,128,502</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	12,342,948	28,551	12,371,499	-
Restricted for:				
Special revenues	1,524,203	-	1,524,203	-
Capital projects	24,531	-	24,531	-
Nonexpendable trust principal	1,173,980	-	1,173,980	-
Expendable trust - income portion	36,603	-	36,603	-
Unrestricted	21,188,943	219,013	21,407,956	49,552
<b>Total net position</b>	<b>\$ 36,291,208</b>	<b>247,564</b>	<b>36,538,772</b>	<b>49,552</b>

*See accompanying notes to financial statements.*

TOWN OF FREEPORT, MAINE  
Statement of Activities  
For the Year Ended June 30, 2013

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position			Component Unit
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			
					Governmental activities	Business-type activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,571,090	728,069	-	-	{843,021}	-	{843,021}	-
Public safety	2,517,445	120,977	42,176	-	{2,354,292}	-	{2,354,292}	-
Public works	2,346,121	210,593	138,228	-	{1,997,300}	-	{1,997,300}	-
Community services	2,223,007	99,326	2,507	-	{2,121,174}	-	{2,121,174}	-
Education	13,616,476	-	-	-	{13,616,476}	-	{13,616,476}	-
County tax	831,619	-	-	-	{831,619}	-	{831,619}	-
Unclassified	2,691,888	-	-	-	{2,691,888}	-	{2,691,888}	-
Interest on debt	184,910	-	-	-	{184,910}	-	{184,910}	-
Total governmental activities	25,982,556	1,158,965	182,911	-	{24,640,680}	-	{24,640,680}	-
Business-type activities:								
Nonemergency Transportation	522,216	631,889	-	-	-	109,673	109,673	-
Total business-type activities	522,216	631,889	-	-	-	109,673	109,673	-
Total primary government	\$ 26,504,772	1,790,854	182,911	-	{24,640,680}	109,673	{24,531,007}	-
Component Unit:								
Freeport Economic Development Corporation	141,944	-	142,750	-	-	-	-	806
General revenues:								
Property taxes, levied for general purposes					\$ 21,109,005	-	21,109,005	-
Motor vehicle excise taxes					1,420,825	-	1,420,825	-
Interest and lien costs					73,633	-	73,633	-
Grants and contributions not restricted to specific programs:								-
Homestead exemption					141,056	-	141,056	-
Other State aid					462,560	-	462,560	-
State Revenue Sharing					529,360	-	529,360	-
Unrestricted investment earnings (losses)					520,290	-	520,290	-
Gain (loss) on disposals					{11,116}	-	{11,116}	-
Miscellaneous revenues					1,784,013	-	1,784,013	-
Total general revenues					26,029,626	-	26,029,626	-
Change in net position					1,388,946	109,673	1,498,619	806
Net position - beginning (restated)					34,902,262	137,891	35,040,153	48,746
Net position - ending					36,291,208	247,564	36,538,772	49,552

*See accompanying notes to financial statements.*

TOWN OF FREEPORT, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 9,897,138	4,769,384	524,165	15,190,687
Investments	147,408	1,770,972	1,200,027	3,118,407
Receivables:				
Accounts	290,255	33,402	1,855	325,512
Taxes receivable	612,759	-	-	612,759
Tax liens	299,950	-	-	299,950
Interfund loans receivable	666,376	2,595,643	2,123,151	5,385,170
Inventory	19,511	-	-	19,511
Receivable - RSU #5 debt service payments	3,571,022	-	-	3,571,022
<b>Total assets</b>	<b>\$ 15,504,419</b>	<b>9,169,401</b>	<b>3,849,198</b>	<b>28,523,018</b>
<b>LIABILITIES</b>				
Accounts payable	205,322	26,945	29,991	262,258
Accrued wages and benefits	126,849	-	-	126,849
Interfund loans	4,939,242	309,860	106,168	5,355,270
Development escrows	162,435	-	-	162,435
<b>Total liabilities</b>	<b>5,433,848</b>	<b>336,805</b>	<b>136,159</b>	<b>5,906,812</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	615,164	-	-	615,164
Unavailable revenue - RSU #5 debt service payments	3,571,022	-	-	3,571,022
<b>Total deferred inflows of resources</b>	<b>4,186,186</b>	<b>-</b>	<b>-</b>	<b>4,186,186</b>
<b>FUND BALANCES</b>				
Nonspendable	19,511	-	1,173,980	1,193,491
Restricted	-	-	1,560,806	1,560,806
Committed	1,359,666	2,568,699	998,234	4,926,599
Committed Reserves	463,225	6,263,898	-	6,727,122
Assigned	668,877	-	-	668,877
Unassigned	3,373,106	-	(19,981)	3,353,125
<b>Total fund balances</b>	<b>5,884,385</b>	<b>8,832,596</b>	<b>3,713,039</b>	<b>18,430,020</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 15,504,419</b>	<b>9,169,401</b>	<b>3,849,198</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,242,129
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Unavailable revenue - property taxes	615,164
Unavailable revenue - RSU #5 debt service payments	3,571,022
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,567,127)

**Net position of governmental activities** **\$ 36,291,208**

*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, 2013**

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 21,331,266	-	1,526,976	22,858,242
Licenses, permits and fees	271,689	-	-	271,689
Intergovernmental	1,315,887	-	157,634	1,473,521
Charges for services	215,889	-	566,101	781,990
Fees and fines	106,786	-	-	106,786
Unclassified	293,684	776,177	555,018	1,624,879
Investment earnings (losses)	38,058	353,734	128,498	520,290
<b>Total revenues</b>	<b>23,573,259</b>	<b>1,129,911</b>	<b>2,934,227</b>	<b>27,637,397</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,462,363	-	-	1,462,363
Public safety	2,284,924	-	-	2,284,924
Public works	1,828,000	-	-	1,828,000
Community services	616,314	-	-	616,314
Education	13,631,935	-	-	13,631,935
Insurance and fringe benefits	1,393,393	-	-	1,393,393
County tax	831,619	-	-	831,619
Unclassified	226,463	-	1,857,988	2,084,451
Capital outlay	-	2,180,159	129,113	2,309,272
Debt service	493,208	-	147,550	640,758
<b>Total expenditures</b>	<b>22,768,219</b>	<b>2,180,159</b>	<b>2,134,651</b>	<b>27,083,029</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>805,040</b>	<b>(1,050,248)</b>	<b>799,576</b>	<b>554,368</b>
<b>Other financing sources (uses):</b>				
Transfers from other funds	323,000	977,310	(486,042)	814,268
Transfers to other funds	(814,268)	-	-	(814,268)
<b>Total other financing sources (uses)</b>	<b>(491,268)</b>	<b>977,310</b>	<b>(486,042)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>313,772</b>	<b>(72,938)</b>	<b>313,534</b>	<b>554,368</b>
<b>Fund balances, beginning of year, as restated</b>	<b>5,570,613</b>	<b>8,905,534</b>	<b>3,399,505</b>	<b>17,875,652</b>
<b>Fund balances, end of year</b>	<b>\$ 5,884,385</b>	<b>8,832,596</b>	<b>3,713,039</b>	<b>18,430,020</b>

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2013**

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Net change in fund balances - total governmental funds (from Statement 4)	554,368
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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.	639,876
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(254,779)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(17,914)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.	963,656
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The Town has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #5 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$3,571,022 with principal amounts paid off during the year totaling \$496,261.	(496,261)
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<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>1,388,946</b>
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*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - All Budgeted Governmental Fund Types**  
**General Fund**  
**For the year ended June 30, 2013**

				Variance with Final Budget Positive (Negative)	
		Budgeted amounts			
		Original	Final	Actual	
Revenues:					
Taxes	\$	20,557,575	20,557,575	21,331,266	773,691
Licenses, permits and fees		253,290	253,290	271,689	18,399
Intergovernmental		1,207,742	1,207,742	1,315,887	108,145
Charges for services		180,000	180,000	215,889	35,889
Fees and fines		91,900	91,900	106,786	14,886
Unclassified		58,600	58,600	288,087	229,487
Investment earnings		50,000	50,000	13,569	(36,431)
Total revenues		22,399,107	22,399,107	23,543,173	1,144,066
Expenditures:					
Current:					
General government		1,512,526	1,512,526	1,462,363	50,163
Public safety		2,249,458	2,249,458	2,284,924	(35,466)
Public works		2,065,001	2,065,001	1,828,000	237,001
Community services		701,561	701,561	616,314	85,247
Education		13,631,935	13,631,935	13,631,935	-
Insurance and fringe benefits		1,506,300	1,506,300	1,393,393	112,907
County tax		831,619	831,619	831,619	-
Unclassified		230,500	230,500	222,646	7,854
Debt service		493,207	493,207	493,208	(1)
Total expenditures		23,222,107	23,222,107	22,764,402	457,705
Excess (deficiency) of revenues over (under) expenditures		(823,000)	(823,000)	778,771	1,601,771
Other financing sources (uses):					
Use of unassigned fund balance - Town		500,000	500,000	-	(500,000)
Transfers from other funds		323,000	323,000	323,000	-
Transfers to other funds		-	-	(681,086)	(681,086)
Total other financing sources (uses)		823,000	823,000	(358,086)	(1,181,086)
Net change in fund balance - budgetary basis		-	-	420,685	420,685
Fund balance, beginning of year - budgetary basis, as restated				5,000,475	
Fund balance, end of year - budgetary basis				5,421,160	
Reconciliation to GAAP basis:					
Committed reserve funds fund balance				463,225	
Fund balance, end of year - GAAP basis		\$		5,884,385	

*See accompanying notes to financial statements.*

TOWN OF FREEPORT, MAINE  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
<b>ASSETS</b>		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$90,000	\$	258,746
Total current assets		258,746
Noncurrent assets:		
Property, plant, and equipment		124,354
Less accumulated depreciation		(95,803)
Total noncurrent assets		28,551
<b>Total assets</b>	<b>\$</b>	<b>287,297</b>
<b>LIABILITIES</b>		
Current liabilities:		
Interfund loans payable		29,900
Accounts payable		834
Accrued wages and benefits payable		8,999
Total current liabilities		39,733
<b>Total liabilities</b>	<b>\$</b>	<b>39,733</b>
<b>NET POSITION</b>		
Net investment in capital assets		28,551
Unrestricted		219,013
<b>Total net position</b>	<b>\$</b>	<b>247,564</b>

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2013**

<b>Business-type Activities - Enterprise Funds</b>	
	<b>Nonemergency Transportation Program</b>
Operating revenues:	
Charges for services	\$ 631,889
Total operating revenues	631,889
Operating expenses:	
Wages and benefits	472,414
Operational costs	39,182
Depreciation	10,620
Total operating expenses	522,216
Operating income	109,673
Change in net position	109,673
Net position, beginning of year	137,891
Net position, end of year	\$ 247,564

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the year ended June 30, 2013**

<b>Business-type Activities - Enterprise Funds</b>		
		<b>Nonemergency Transportation Program</b>
Cash flows from operating activities:		
Receipts from customers and users	\$	576,586
Payments to suppliers		(40,408)
Payments to employees		(472,388)
Net cash provided by operating activities		63,790
Cash flows from capital and related financing activities:		
Interfund borrowing		(63,790)
Net cash used in financing activities		(63,790)
Change in cash		-
Cash, beginning of year		-
<b>Cash, end of year</b>	<b>\$</b>	<b>-</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$	109,673
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		10,620
(Increase) decrease in operating assets:		
Accounts receivable		(55,303)
Increase (decrease) in operating liabilities:		
Accounts payable		(1,226)
Accrued wages and benefits payable		26
Net cash from operating activities		63,790

*See accompanying notes to financial statements.*

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements**  
**June 30, 2013**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 Governmental Accounting Standards Board (GASB) Statement 14 and subsequent Statements 39 and now 61 "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 fiscal dependence upon the primary government in addition to financial benefits or burden relationship. It is notable that TIF increment as a source of financing a component unit demonstrates a burden as it is a use of the government's taxing authority. 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. 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 discretely presented component unit. This is a change from prior fiscal years; in prior fiscal years, FEDC has been reported as a special revenue fund blended component unit. GASB Statement 61 requires the FEDC to be classified as a discretely presented component unit. The change is that the FEDC appears on the face of the financial statements and its totals are separate from the primary government's.

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

The government-wide financial statements (i.e., the statement of net position and the statement activities) 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.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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 funds:

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

**The Capital Projects Fund** holds the Town's funds that are associated with capital and non-routine projects. As the Town Council appropriates funds from reserves (or other sources) for capital projects, these funds are transferred into the capital fund for expenditure on the project.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The Town reports the following proprietary fund:

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

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, 2013. 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.

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.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**F. Capital Assets, continued**

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 position. Bond premiums and discounts, if material to the 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. 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.

**I. Deferred Inflows of Resources**

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**I. Deferred Inflows of Resources, continued**

The government has two types of items, which arise under a modified accrual basis of accounting that qualifies for reporting in this category. They are unavailable revenue from property taxes and unavailable revenue from Regional School Unit #5 debt service payments, which are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**J. 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.

**K. Interfund Transactions**

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

**L. Use of Estimates**

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

**M. Fund Equity**

The Town uses the following fund balance classifications.

<b>Nonspendable</b>	Nonspendable fund balance represents fund balance amounts that are not in spendable form, such as inventories or resources that must be maintained intact pursuant to legal or contractual requirements.
<b>Restricted</b>	Restricted fund balance represents amounts that are restricted by State or Federal statute or by external third parties, 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.
<b>Committed</b>	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.
<b>Assigned</b>	Assigned is the portion of fund balance that does not meet the definition of restricted or committed. 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, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**M. 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 one and-one-half months of the Town's most recent approved operating budget shall be established as a minimum unassigned 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 minimum, if any. Use of those unassigned fund balances 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 revised its "Tax Rate Policy" to continue 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.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**N. Budgetary Information**

Each year, the Town Manager submits to the Town Council a budget for the ensuing fiscal year. Hearings are held to obtain public comments. The budget is legally enacted by a council order. The order enacts the total Town appropriation. Budgets are adopted for the General Fund, Winslow Park Fund and Nonemergency Transportation Fund only, and are adopted on a basis consistent with accounting principles Generally Accepted in the United States of America (GAAP), except for amounts held in reserves. The respective balances for the reserves (e.g., investments) are reported on Statement 3 and the revenues and expenditures for the reserves have been reported on Statement 4. These amounts have been excluded from Exhibit A-2 and Statement 6 for budgetary purposes.

**Excess of Expenditures over Appropriations**

For the year ended June 30, 2013, the following expenditures exceeded appropriations:

Town council	\$ 2,657	Rescue department	\$ 8,813
Finance and treasury	13,982	General road operations	656
Municipal buildings	6,847	Engineering	776
Police department	55,492	Cable TV	217
Special enforcement	476	Shellfish commission	590
Fire department	1,538	Abatements	8,136

These over expenditures lapsed to fund balance at year end.

**O. Recent Accounting Pronouncements**

In November 2010, the GASB issued GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. It applies to financial reporting by primary governments and other stand-alone governments, and to the separately issued financial statements of governmental component units as defined in GASB Statement No. 14. The new statement is effective for financial statement periods beginning after June 15, 2012. The impact on the Town's financial statements is the reclassification of the FEDC component unit from a blended to a discretely presented component unit, as seen on Statements one and two of these financial statements.

In June 2011, the GASB issued GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement will require amounts reported as deferred outflows and inflows of resources to be reported in a separate section following assets and liabilities, respectively, in a new statement of net position. The new statement is effective for periods beginning after December 15, 2011. The Town has implemented this new standard; the impact on the financial statements can be seen in the Town's deferred inflows, unavailable revenue – property taxes and unavailable revenue – RSU #5 debt service payments on Statement 3 on the face of the financial statements and Exhibit A after the footnotes. In addition, the Town uses the term "net position" instead of "net assets" as had been used in its prior financial statements.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**O. Recent Accounting Pronouncements, Continued**

In March 2012, the GASB issued GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The new statement is effective for periods beginning after December 15, 2012. The Town has implemented this new standard; the impact on the financial statements can be seen in the Town's only deferred inflow, unavailable revenue – property taxes.

In June 2012, the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" – an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The new statement is effective for periods beginning after June 15, 2014. The Town is currently assessing the impact of this statement on its financial statement.

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**RESTATEMENT OF FUND BALANCES/NET POSITION**

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During the year, the Town restated fund balances and net position. The restatements are summarized as follows:

	<b>General Fund <u>7/1/2012</u></b>	<b>Town Grant Funds <u>7/1/2012</u></b>	<b>Governmental Activities <u>7/1/2012</u></b>
Fund balance/net position as previously stated	\$ 4,653,002	524,251	30,585,231
Implementing the new accounting standard GASB 61-reclassifying FEDC to a discretely presented component unit	-	-	(48,746)
Recognizing a receivable for the RSU#5 debt payments	-	-	4,067,283
Reclassing items charged to the income statement to the balance sheet	92,190	-	92,190
Reclassing liabilities originally recorded in the general fund to special revenue funds	-	186,681	186,681
Removal of a liability that should have been removed in prior years	19,623	-	19,623
Moving the accrued vacation liability from the fund financials to the entity-wide financials	235,660	-	-
<b>Fund balance/net position as restated</b>	<b>\$ 5,000,475</b>	<b>710,932</b>	<b>34,902,262</b>

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.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**CASH AND INVESTMENTS**

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**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, 2013, the Town reported deposits of \$15,190,687 with a bank balance of \$15,275,618. 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, 2013, the Town had the following investments and maturities:

	<b>Fair Value</b>	<b>Not Applicable</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>
Money Market Funds	\$ 1,319,378	1,319,378	-	-
Federal Farm Credit Bank	499,900	-	499,900	-
Federal Farm Credit Bank	501,318	-	-	501,318
Federal Home Loan Mortgage Corp	249,850	-	-	249,850
Federal Home Loan Bank	547,961	-	-	547,961
<b>Total Investments</b>	<b>\$ 3,118,407</b>	<b>1,319,378</b>	<b>499,900</b>	<b>1,299,129</b>

**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 \$1,319,378 – AAA, Fixed income government agency notes \$1,799,022 – AA+.

The Town's investment portfolio is comprised of a mix of money market, equity mutual funds and bond mutual funds. At June 30, 2013, the Town had investments exceeding five percent of the total portfolio as follows:

	<b>6/30/2013</b>	<b>S&amp;P Rating</b>	<b>% of Total</b>
Federal Farm Credit Bank	\$ 1,001,218	AA+	20.26%
Federal Home Loan Mortgage Corp	249,850	AA+	5.06%
Federal Home Loan Bank	547,961	AA+	11.09%

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**CASH AND INVESTMENTS, CONTINUED**

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**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.

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**PROPERTY TAX**

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Property taxes for the current period were committed on September 15, 2012, on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 15, 2012 and May 15, 2013. Personal property taxes were due in full on November 15, 2012. 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 2013 assessed value was 100% of the estimated market value and 100.24% of the 2013 state valuation of \$1,362,450,000. The prior year ratio was 88.58%; it is notable that 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 \$323,053 for the period ended June 30, 2013.

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 inflows of resources. The following summarizes the tax levies:

	<u><b>FY 2013</b></u>	<u><b>FY 2012</b></u>
Assessed value	\$ 1,365,767,145	1,351,992,423
Tax rate (per \$1,000)	15.45	15.20
Commitment	21,101,102	20,550,285
Supplemental taxes assessed	-	16,000
Subtotal	21,101,102	20,566,285
Less collections and abatements	20,512,562	19,797,865
Receivable at the end of period	588,540	768,420
<b>Collection rate</b>	<b>97.21%</b>	<b>96.26%</b>

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**SIGNIFICANT TAXPAYER**

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For the year ended June 30, 2013, the Town of Freeport committed and collected \$2,945,013 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 13.96% of total property taxes assessed.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Increases	Decreases	Balance 6/30/2013
<b>Governmental Activities</b>				
Construction work in process	\$ 3,932,842	746,293	4,329,838	349,297
Land	1,489,584	715,300	-	2,204,884
Total capital assets not bring depreciated	5,422,426	1,461,593	4,329,838	2,554,181
Capital assets being depreciated				
Land improvements	1,570,709	1,932,032	-	3,502,741
Buildings and building improvements	8,067,214	356,751	-	8,423,965
Machinery, equipment, and other	4,781,446	275,576	17,175	5,039,847
Vehicles	3,734,492	434,776	253,824	3,915,444
Infrastructure	8,990,440	1,652,284	-	10,642,724
Total capital assets being depreciated	27,144,301	4,651,419	270,999	31,524,721
Less accumulated depreciation	12,964,475	1,137,379	265,081	13,836,773
Total capital assets being depreciated, net	14,179,826	3,514,040	5,918	17,687,948
<b>Governmental activities capital assets, net</b>	<b>\$ 19,602,252</b>	<b>4,975,633</b>	<b>4,335,756</b>	<b>20,242,129</b>
<b>Business-type Activities</b>				
Equipment	28,227	-	-	28,227
Vehicles	96,127	-	-	96,127
Total capital assets being depreciated	124,354	-	-	124,354
Less accumulated depreciation	85,183	10,620	-	95,803
<b>Business-type activities capital assets, net</b>	<b>\$ 39,171</b>	<b>(10,620)</b>	<b>-</b>	<b>28,551</b>

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2013 as follows:

<b>Governmental Activities</b>	
General government	\$ 84,610
Public safety	289,748
Public works	530,122
Community services	102,944
Recreation	100,645
Unclassified	29,310
<b>Total depreciation expense - governmental activities</b>	<b>1,137,379</b>
<b>Business-type Activities</b>	
Nonemergency Transportation Program	10,620
<b>Total depreciation expense - business activities</b>	<b>\$ 10,620</b>

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

**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, 2013 arising from these transactions were as follows:

	Receivable	Payable	Net Transfers In (Out)
<b>General Fund</b>	\$ 666,376	4,939,242	(491,268)
<b>Special Revenue Funds:</b>			
Winslow Park	-	97,143	-
TIF Funds	246,934	-	-
Bartol building lease fund	497,444	-	-
Tower lease fund	332,078	-	(350,000)
Other Town grants and programs	894,905	-	(175,000)
Leon Gorman Park	151,790	-	38,958
<b>Capital Project Funds:</b>			
Fire department projects	29,852	-	35,000
Rescue department projects	211,523	-	214,000
Public works projects	233,208	-	276,500
Police department projects	45,389	-	25,000
Recycling projects	198,749	-	30,000
Comprehensive Town projects	1,172,901	-	603,870
Municipal buildings and other	518,651	-	(4,427)
Boards and committees	185,370	-	52,232
Capital reserves	-	309,860	(254,865)
<b>Enterprise NET program</b>	-	29,900	-
<b>Permanent funds</b>	-	9,025	-
<b>Totals</b>	<b>\$ 5,385,170</b>	<b>\$ 5,385,170</b>	<b>\$ -</b>

**FUND BALANCE**

At June 30, 2013, the General Fund's fund balance was comprised of the following:

<b>Nonspendable:</b>	
Inventory	\$ 19,511
<b>Total</b>	<b>\$ 19,511</b>
<b>Committed fund balances:</b>	
Future retirement pay	\$ 359,666
Tax rate stabilization account	1,000,000
<b>Total</b>	<b>\$ 1,359,666</b>

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**FUND BALANCE, CONTINUED**

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Committed reserves:

Unemployment compensation fund	\$ 375,192
Other	88,033

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<b>Total</b>	<b>\$ 463,225</b>
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Assigned fund balances:

Funds appropriated by Council for athletic fields	\$ 28,877
Funds appropriated by Council for FY 2013 budget offset	640,000

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<b>Total</b>	<b>\$ 668,877</b>
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**PENSION PLANS**

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**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 Public Employees 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 Public Employees 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, 2013 were as follows:

	<u>Special #2C</u>
Employer payroll rate(s):	
Normal cost	10.0%
Pooled UAL	-2.5%
Total payroll rate	7.5%
Monthly IUUAL available (7/1/11-6/30/12):	
Payment/(Credit)	(\$ 2,471)
Member contribution rate	6.5%

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 eight years starting with the fiscal year 2011. Employer contributions for the year ended June 30, 2013 were \$155,897 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, 2013, employee contributions to the plan totaled \$161,279.

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**PENSION PLANS, CONTINUED**

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**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, 2013, the Town's contribution to the plan totaled \$94,665.

**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 \$271,184 for the year ended June 30, 2013.

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$ 6,308,656	-	963,656	5,345,000	715,000
Accrued interest payable	41,969	-	3,912	38,057	-
Compensated absences	405,506	9,709	55,550	359,665	-
Landfill post-closure costs	420,000	-	12,000	408,000	-
Other post employment benefits	336,738	79,667	-	416,405	-
<b>Governmental Activity</b>					
Long-term liabilities	\$ 7,512,869	89,376	1,035,118	6,567,127	715,000

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**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**OTHER POST-EMPLOYMENT BENEFITS**

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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, 2009. Under this pronouncement, it is required 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, which is an agent multiple-employer plan. 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.

**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 years ending June 30, 2013, 2012 and 2011 and the annual required contribution:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal cost	\$ 39,209	39,209	39,209
Amortization of Unfunded	56,979	56,979	56,979
Adjustment to ARC	(19,473)	-	-
<u>Interest</u>	<u>15,375</u>	<u>5,351</u>	<u>5,218</u>
Annual Required Contribution	\$ 92,089	101,539	101,406

**Net OPEB Obligation** – The Town's net OPEB obligation was calculated as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPEB liability, July 1, 2012	\$ 336,738	252,125	169,293
Annual required contribution	92,089	101,539	101,406
<u>Less: Actual contributions</u>	<u>(12,422)</u>	<u>(16,926)</u>	<u>(18,574)</u>
OPEB liability, June 30, 2013	\$ 416,405	336,738	252,125

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**OTHER POST EMPLOYMENT BENEFITS, CONTINUED**

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**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 years ending June 30, 2013, 2012 and 2011 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 92,089	101,539	101,406
Actual contribution	12,422	16,926	18,574
Percent contributed	13.49%	16.67%	18.32%
Actuarial accrued liability	1,024,703	1,024,703	1,024,703
Plan assets	-	-	-
Unfunded actuarial accrued liability	1,024,703	1,024,703	1,024,703
Covered payroll	3,204,254	3,046,864	3,034,313
Unfunded actuarial accrued liability as a percentage of covered payroll	31.9%	33.6%	33.8%

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 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	1/1/11
Actuarial cost method	Projected unit cost
Amortization method	Level dollar
Remaining amortization period	30 years open
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare cost trends	4.0% - 8.7%

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**CONTINGENCIES**

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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.

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**LANDFILL CLOSURE AND POST CLOSURE COSTS**

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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, 2013:

	<u>Years Remaining</u>	<u>Cost Per-Year</u>	<u>Total Cost</u>
Post Closure Monitoring			
1995 Landfill-Total 30 Year Requirement	12	\$ 5,000	60,000
Post Closure Monitoring			
1992 Landfill-Total 30 Year Requirement	9	7,000	63,000
Postclosure Monitoring in Currently Open Landfill Cells			
First 10 Years After Closure	10	4,000	40,000
Subsequent 20 Years After Closure	20	3,000	60,000
Demo Debris Closure Cost			185,000
<b>Total Landfill Liability</b>			<b>\$ 408,000</b>

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 \$223,000 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 \$223,000 for a total of \$408,000 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, Continued**

**LONG-TERM DEBT**

Bonds and notes payable at June 30, 2013 are comprised of the following:

**Governmental activities:**

1997 Capital improvements	1/23/1997	\$ 4,275,000	2016	2.91%	600,000
2008 School improvements	2/1/2008	655,000	2008	2.92%	275,000
2009 MMBB	3/11/2009	300,000	2019	variable	180,000
2011 Refunding	4/19/2011	5,635,000	2023	2.94%	4,290,000
<b>Total bonds and notes payable</b>					<b>\$ 5,345,000 (1)</b>

As of July 1, 2009, the Freeport School Department joined Regional School Unit (RSU) #5. RSU #5 will reimburse the Town of Freeport for all of Freeport School Department bonds payable when the debt service payments are due. The Town has recorded a receivable for \$3,571,022, which is the outstanding amount of bonds payable related to the School Department.

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 \$5,345,000 at June 30, 2013 was within the statutory limit.

The annual requirements to amortize all debt outstanding at June 30, 2013 are as follows. Such amounts exclude overlapping debt requirements, but include school debt requirements to be reimbursed by the State of Maine.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 715,000	209,967	924,967
2015	715,000	184,233	899,233
2016	715,000	158,259	873,259
2017	710,000	132,385	842,385
2018	560,000	106,486	666,486
2019-2023	1,930,000	191,637	2,121,637
<b>Totals</b>	<b>\$ 5,345,000</b>	<b>982,967</b>	<b>6,327,967</b>

**TOWN OF FREEPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**OVERLAPPING DEBT AND OTHER CONTINGENCIES**

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**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, 2013, the Town's share of the expenditure was \$1,300,268 (3.52%) of Cumberland County's outstanding debt of \$36,925,000.

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**JOINTLY GOVERNED ORGANIZATIONS**

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The Town of Freeport participates in a jointly governed organization, which is not part of the Town's reporting entity.

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2013 includes total assets of \$60,282,199, total liabilities of \$17,775,424 and unrestricted net position of \$11,323,226. The liabilities include an accrual for landfill closure and postclosure care amounting to \$15,951,872. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

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**RISK MANAGEMENT**

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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, 2013.

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**COMMITMENTS**

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Construction in progress of \$349,297 as of June 30, 2013 consists primarily of the Town and State Department of Transportation South Street Reconstruction project; that amount was \$297,382. The remaining construction in progress was the cable television remote site broadcasting equipment installation and the West Street reconstruction project.

**TOWN OF FREEPORT, MAINE**  
**Required Supplementary Information**  
**Other Post-Employment Benefits Schedule of Funding Progress**  
**Year Ended June 30, 2013**

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Fiscal Year End	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]
2013	1/1/2011	-	\$ 1,024,703	1,024,703	0.00%	3,204,254	32.0%
2012	1/1/2011	-	1,024,703	1,024,703	0.00%	3,046,864	33.6%
2011	1/1/2011	-	1,024,703	1,024,703	0.00%	3,034,313	33.8%
2010	1/1/2009	-	979,479	979,479	0.00%	3,045,472	32.2%

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## ***GENERAL FUND***



**TOWN OF FREEPORT, MAINE**  
**Comparative Balance Sheets - General Fund - Budgetary Basis**  
**June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
Cash	\$ 9,544,435	9,049,077
Investments	16,442	16,440
Accounts receivable	290,255	121,880
Taxes receivable	612,759	768,420
Tax liens	299,950	379,402
Inventory	19,511	13,386
Interfund loans receivable	666,376	1,280,982
Receivable - RSU #5 debt service payments	3,571,022	4,067,283
<b>Total assets</b>	<b>\$ 15,020,750</b>	<b>15,696,870</b>
<b>LIABILITIES</b>		
Accounts payable	205,322	159,006
Accrued wages and benefits	126,849	159,457
Interfund loans payable	4,918,798	5,174,310
Development escrows	162,435	350,329
Other deferred revenues	-	8,257
<b>Total liabilities</b>	<b>5,413,404</b>	<b>5,851,359</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	615,164	869,943
Unavailable revenue - RSU #5 debt service payments	3,571,022	4,067,283
<b>Total deferred inflows of resources</b>	<b>4,186,186</b>	<b>4,937,226</b>
<b>FUND BALANCE</b>		
Nonspendable	19,511	13,386
Committed - Stabilization Fund	1,000,000	1,000,000
Committed - other	359,666	429,033
Assigned	668,877	607,212
Unassigned	3,373,106	2,858,654
<b>Total fund balance</b>	<b>5,421,160</b>	<b>4,908,285</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 15,020,750</b>	<b>15,696,870</b>

**TOWN OF FREEPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Year ended June 30, 2013**

(with comparative actual amounts for the year ended June 30, 2012)

	2013		Variance positive (negative)	2012 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 19,251,075	19,836,808	585,733	19,041,632
Excise taxes and registration fees	1,241,500	1,420,825	179,325	1,353,054
Interest and lien costs	65,000	73,633	8,633	76,562
Total taxes	20,557,575	21,331,266	773,691	20,471,248
Licenses, permits and fees:				
Building, plumbing and electrical permits	90,000	123,927	33,927	140,511
Town clerk licenses and fees	23,000	29,599	6,599	70,274
Moorings and other harbor fees	80,000	69,644	(10,356)	76,515
Solid waste permits	2,790	4,646	1,856	3,972
Shellfish licenses	12,500	13,113	613	13,335
Alarm permits	45,000	30,760	(14,240)	-
Total licenses, permits and fees	253,290	271,689	18,399	304,607
Intergovernmental:				
State tree growth reimbursement	35,000	72,743	37,743	71,416
State general assistance	29,850	2,507	(27,343)	15,314
State revenue sharing	540,000	529,360	(10,640)	526,900
State homestead exemption reimbursement	142,000	141,056	(944)	141,174
State road assistance	125,000	138,228	13,228	141,656
Public safety contributions	42,092	42,176	84	52,779
Other intergovernmental	293,800	389,817	96,017	324,216
Total intergovernmental	1,207,742	1,315,887	108,145	1,273,455
Charges for services:				
Planning	13,500	8,442	(5,058)	24,778
Transfer station and recycling	120,000	156,351	36,351	143,233
Parking lot	37,500	37,500	-	37,500
Vehicle maintenance	5,000	6,288	1,288	7,474
Engineering	4,000	5,808	1,808	12,239
Hunter Road Fields	-	1,500	1,500	-
Total charges for services	180,000	215,889	35,889	225,224
Fees and fines:				
Police parking and other fines	79,400	84,352	4,952	75,120
Library fines and fees	10,000	16,569	6,569	14,565
Alarm and other fire fees	2,500	5,865	3,365	7,250
Total fees and fines	91,900	106,786	14,886	96,935

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

	2013		Variance positive (negative)	2012 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	\$ 58,600	288,087	229,487	7,959
Investment earnings	50,000	13,569	(36,431)	26,215
Total revenues	22,399,107	23,543,173	1,144,066	22,405,643
Expenditures:				
Current:				
General government:				
Town council	114,385	117,042	(2,657)	146,787
Town manager	132,772	125,901	6,871	132,966
Finance and treasury	331,443	345,425	(13,982)	348,938
Assessing	145,490	139,440	6,050	133,179
Code enforcement	78,080	76,815	1,265	75,571
Town clerk and elections	98,830	95,697	3,133	94,990
General administration	163,531	113,379	50,152	98,451
Municipal buildings	312,427	319,274	(6,847)	250,247
Planning	135,568	129,390	6,178	127,187
Total general government	1,512,526	1,462,363	50,163	1,408,316
Public Safety:				
Police department	1,002,683	1,058,175	(55,492)	945,960
Special enforcement	52,289	52,765	(476)	51,963
Fire department	466,401	467,939	(1,538)	365,160
Rescue	330,241	339,054	(8,813)	333,386
Reception	175,844	170,046	5,798	159,279
Hydrant rental	175,000	156,681	18,319	149,858
Street lights	47,000	40,264	6,736	39,669
Total public safety	2,249,458	2,284,924	(35,466)	2,045,275
Public Works:				
General road operations	735,845	736,501	(656)	678,518
Summer roads	617,500	447,780	169,720	609,709
Winter roads	153,000	134,867	18,133	131,472
Tree program	15,500	5,927	9,573	2,993
Solid waste	428,515	387,508	41,007	397,202
Engineering	114,641	115,417	(776)	93,956
Total public works	2,065,001	1,828,000	237,001	1,913,850

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

	2013		Variance positive (negative)	2012 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	\$ 43,200	41,000	2,200	37,500
Public library	376,311	346,547	29,764	335,348
Cable TV	72,780	72,997	(217)	71,298
Promotions	7,800	7,581	219	4,133
General assistance	129,355	83,180	46,175	78,099
Coastal waters	64,140	58,303	5,837	57,057
Shellfish commission	4,100	4,690	(590)	3,802
Other	3,875	2,016	1,859	6,853
Total community services	701,561	616,314	85,247	594,090
Education	13,631,935	13,631,935	-	13,275,403
Insurance and fringe benefits:				
Employee benefits	1,401,300	1,302,604	98,696	1,305,254
Insurances	105,000	90,789	14,211	84,365
Total insurance and fringe benefits	1,506,300	1,393,393	112,907	1,389,619
County tax	831,619	831,619	-	846,018
Unclassified:				
Bustin's Island Corporation	172,000	167,749	4,251	170,599
Miscellaneous and contingency	33,500	21,761	11,739	18,050
Abatements	25,000	33,136	(8,136)	13,909
Total unclassified	230,500	222,646	7,854	202,558
Debt service	493,207	493,208	(1)	593,159
Total expenditures	23,222,107	22,764,402	457,705	22,268,288
Excess (deficiency) of revenues over (under) expenditures	(823,000)	778,771	1,601,771	137,356

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

	2013		Variance positive (negative)	2012 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	\$ 500,000	-	(500,000)	-
Transfers in	323,000	323,000	-	323,000
Transfers out	-	(681,086)	(681,086)	(1,476,434)
Total other financing sources (uses)	823,000	(358,086)	(1,181,086)	(1,153,434)
Net change in fund balance - budgetary basis	-	420,685	420,685	(1,016,078)
Fund balance, beginning of year - budgetary basis (restated)		5,000,475		5,669,080
Fund balance, end of year - budgetary basis		5,421,160		4,653,002
Reconciliation of fund balance to GAAP basis:				
Committed reserve funds fund balance		463,225		570,139
<b>Fund Balance, end of year - GAAP Basis</b>	<b>\$</b>	<b>5,884,385</b>		<b>5,223,141</b>



## ***OTHER GOVERNMENTAL FUNDS***



**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2013**

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash	\$ 524,165	-	524,165
Investments	-	1,200,027	1,200,027
Accounts receivable	1,855	-	1,855
Interfund loans receivable	2,123,151	-	2,123,151
<b>Total assets</b>	<b>\$ 2,649,171</b>	<b>1,200,027</b>	<b>3,849,198</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	29,591	400	29,991
Interfund loans payable	97,143	9,025	106,168
<b>Total liabilities</b>	<b>126,734</b>	<b>9,425</b>	<b>136,159</b>
Fund balances:			
Nonspendable	-	1,173,980	1,173,980
Restricted	1,524,203	36,603	1,560,806
Committed	998,234	-	998,234
Unassigned	-	(19,981)	(19,981)
<b>Total fund balance</b>	<b>2,522,437</b>	<b>1,190,602</b>	<b>3,713,039</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,649,171</b>	<b>1,200,027</b>	<b>3,849,198</b>

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2013**

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
Revenues:			
Property taxes	\$ 1,526,976	-	1,526,976
Charges for services	566,101	-	566,101
Gifts and donations	78,415	928	79,343
Intergovernmental	157,634	-	157,634
Unclassified	475,675	-	475,675
Investment income	9,624	118,874	128,498
Total revenues	2,814,425	119,802	2,934,227
Expenditures:			
Current:			
Unclassified	1,846,428	11,560	1,857,988
Capital outlay	129,113	-	129,113
Debt service	147,550	-	147,550
Total expenditures	2,123,091	11,560	2,134,651
Excess of revenues over expenditures	691,334	108,242	799,576
Other financing sources (uses):			
Transfers (to) from other funds	(486,042)	-	(486,042)
Total other financing sources (uses)	(486,042)	-	(486,042)
Net change in fund balance	205,292	108,242	313,534
Fund balances, beginning of year (restated)	2,317,145	1,082,360	3,399,505
Fund balances, end of year	\$ 2,522,437	1,190,602	3,713,039

## ***SPECIAL REVENUE FUNDS***



**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2013**

		Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Leon Gorman Park	Totals 2013
<b>ASSETS</b>								
Cash	\$	524,165	-	-	-	-	-	524,165
Accounts receivable		-	-	-	-	1,855	-	1,855
Interfund loans receivable		-	246,934	497,444	332,078	894,905	151,790	2,123,151
<b>Total assets</b>	<b>\$</b>	<b>524,165</b>	<b>246,934</b>	<b>497,444</b>	<b>332,078</b>	<b>896,760</b>	<b>151,790</b>	<b>2,649,171</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable		9,742	19,654	-	-	-	195	29,591
Interfund loans payable		97,143	-	-	-	-	-	97,143
<b>Total liabilities</b>		<b>106,885</b>	<b>19,654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195</b>	<b>126,734</b>
Fund balances:								
Restricted		417,280	227,280	-	-	728,048	151,595	1,524,203
Committed		-	-	497,444	332,078	168,712	-	998,234
<b>Total fund balances</b>		<b>417,280</b>	<b>227,280</b>	<b>497,444</b>	<b>332,078</b>	<b>896,760</b>	<b>151,595</b>	<b>2,522,437</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>524,165</b>	<b>246,934</b>	<b>497,444</b>	<b>332,078</b>	<b>896,760</b>	<b>151,790</b>	<b>2,649,171</b>

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2013**

	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Leon Gorman Park	Totals 2013
Revenues:							
Property taxes	\$ -	1,526,976	-	-	-	-	1,526,976
Charges for services	-	-	352,225	213,876	-	-	566,101
Gifts and donations	-	-	-	-	78,415	-	78,415
Intergovernmental	-	-	-	-	157,634	-	157,634
Investment income	886	-	-	-	-	8,738	9,624
Unclassified	272,753	-	-	-	202,922	-	475,675
Total revenues	273,639	1,526,976	352,225	213,876	438,971	8,738	2,814,425
Expenditures:							
Current:							
Unclassified	199,371	1,353,474	-	-	288,717	4,866	1,846,428
Debt service	-	147,550	-	-	-	-	147,550
Capital	26,690	99,039	-	-	3,384	-	129,113
Total expenditures	226,061	1,600,063	-	-	292,101	4,866	2,123,091
Excess (deficiency) of revenues over (under) expenditures	47,578	(73,087)	352,225	213,876	146,870	3,872	691,334
Other financing sources (uses):							
Transfer (to) from other funds	-	-	(350,000)	(175,000)	38,958	-	(486,042)
Total other financing sources (uses)	-	-	(350,000)	(175,000)	38,958	-	(486,042)
Net change in fund balances	47,578	(73,087)	2,225	38,876	185,828	3,872	205,292
Fund balances, beginning of year (restated)	369,702	300,367	495,219	293,202	710,932	147,723	2,317,145
Fund balances, end of year	\$ 417,280	227,280	497,444	332,078	896,760	151,595	2,522,437

TOWN OF FREEPORT, MAINE  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds  
Year ended June 30, 2013

	Fund Balance June 30, 2012	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance June 30, 2013
		Inter- governmental	Other				
Winslow Park Fund	\$ 369,702	-	273,639	226,061	47,578	-	417,280
Tax Incremental Financing Funds:							
TIF II - Desert Road phase II	56,389	-	1,192,102	1,192,102	-	-	56,389
TIF IV - Destination TIF	243,978	-	262,650	335,737	(73,087)	-	170,891
TIF V - Hotel TIF	-	-	65,255	65,255	-	-	-
TIF VI - Housing TIF	-	-	6,969	6,969	-	-	-
Total TIF funds	300,367	-	1,526,976	1,600,063	(73,087)	-	227,280
Bartol Building Lease Fund	495,219	-	352,225	-	352,225	(350,000)	497,444
Tower Lease Fund	293,202	-	213,876	-	213,876	(175,000)	332,078

TOWN OF FREEPORT, MAINE  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds  
Year ended June 30, 2013

	Fund Balance (deficit) June 30, 2012	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2013
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 306	-	-	-	-	-	306
FEMA	65,431	-	-	-	-	-	65,431
Regional Efficiency grant	1,249	-	-	-	-	-	1,249
CDBG-Historic Society	150	-	-	-	-	-	150
CDBG-Habitat for Humanity	-	143,000	104,000	168,304	78,696	-	78,696
ARRA-Town Hall Weatherization	(11,332)	-	-	2,636	(2,636)	13,968	-
Maine Arts Commission	1,907	-	-	-	-	-	1,907
Shellfish Water Testing	16,624	-	2,365	2,207	158	-	16,782
Shellfish Grant-State of Maine	521	-	-	-	-	-	521
Green Crab Eradication Grant-State of Maine	-	5,000	-	15,000	(10,000)	20,000	10,000
Winslow Park-State of Maine	535	-	-	-	-	-	535
Fuel Assistance Fund-Freeport	12,912	-	18,600	14,763	3,837	-	16,749
Fuel Assistance Fund-Yarmouth	24,475	-	16,100	26,078	(9,978)	-	14,497
Library Donations	28,418	-	8,504	770	7,734	-	36,152
Road Impact Fees	259,311	-	70,100	-	70,100	-	329,411
Stormwater Connection Fees	57,608	-	1,678	7,000	(5,322)	-	52,286
Village Open Spaces	12,457	-	-	-	-	-	12,457
Fire and Rescue Donations	17,042	-	7,885	770	7,115	-	24,157
Sandy Beach Stairs	-	-	-	3,384	(3,384)	4,990	1,606
Project Canopy Grant	-	7,000	-	5,515	1,485	-	1,485
Fire Department Annual Appeal Donations	4,296	-	7,263	6,025	1,238	-	5,534
Police Donations	689	-	1,000	1,031	(31)	-	658
Rescue Donations	1,169	-	-	-	-	-	1,169
Library Book Donations	22,818	-	7,144	21,761	(14,617)	-	8,201
Public Works Donations	2,388	-	1,714	1,311	403	-	2,791
Police K-9 Program Donations	-	-	10,200	7,159	3,041	-	3,041
Dollars for Scholars	4,174	-	5	2,400	(2,395)	-	1,779
Other	187,784	2,634	24,779	5,987	21,426	-	209,210
Total Town Grants and Projects	710,932	157,634	281,337	292,101	146,870	38,958	896,760
Leon Gorman Park	147,723	-	8,738	4,866	3,872	-	151,595
Total special revenue funds	2,317,145	157,634	2,656,791	2,123,091	691,334	(486,042)	2,522,437

## ***CAPITAL PROJECT FUNDS***



**TOWN OF FREEPORT, MAINE**  
**Capital Projects Funds**  
**Combining Balance Sheet**  
**June 30, 2013**

	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 2013
<b>ASSETS</b>										
Cash	\$ -	-	-	-	-	-	-	-	4,769,384	4,769,384
Investments	-	-	-	-	-	-	-	-	1,770,972	1,770,972
Accounts receivable	-	-	-	-	-	-	-	-	33,402	33,402
Interfund loans receivable	29,852	211,523	233,208	45,389	198,749	1,172,901	518,651	185,370	-	2,595,643
<b>Total assets</b>	<b>\$ 29,852</b>	<b>211,523</b>	<b>233,208</b>	<b>45,389</b>	<b>198,749</b>	<b>1,172,901</b>	<b>518,651</b>	<b>185,370</b>	<b>6,573,758</b>	<b>9,169,401</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	-	309	1,283	-	-	21,338	3,149	866	-	26,945
Interfund loans payable	-	-	-	-	-	-	-	-	309,860	309,860
<b>Total liabilities</b>	<b>-</b>	<b>309</b>	<b>1,283</b>	<b>-</b>	<b>-</b>	<b>21,338</b>	<b>3,149</b>	<b>866</b>	<b>309,860</b>	<b>336,805</b>
Fund balances:										
Committed	29,852	211,214	231,925	45,389	198,749	1,151,563	515,502	184,504	6,263,898	8,832,596
<b>Total fund balances</b>	<b>29,852</b>	<b>211,214</b>	<b>231,925</b>	<b>45,389</b>	<b>198,749</b>	<b>1,151,563</b>	<b>515,502</b>	<b>184,504</b>	<b>6,263,898</b>	<b>8,832,596</b>
<b>Total liabilities and fund balances</b>	<b>\$ 29,852</b>	<b>211,523</b>	<b>233,208</b>	<b>45,389</b>	<b>198,749</b>	<b>1,172,901</b>	<b>518,651</b>	<b>185,370</b>	<b>6,573,758</b>	<b>9,169,401</b>

**TOWN OF FREEPORT, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2013**

	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 2013
Revenues:										
Interest earnings	\$ -	-	-	-	-	-	-	-	353,734	353,734
Other revenue	-	-	-	7,687	-	319,035	50,000	-	399,455	776,177
Total revenues	-	-	-	7,687	-	319,035	50,000	-	753,189	1,129,911
Expenditures:										
Capital outlay	23,311	48,077	370,255	19,803	70,674	1,231,473	162,030	86,476	168,060	2,180,159
Total expenditures	23,311	48,077	370,255	19,803	70,674	1,231,473	162,030	86,476	168,060	2,180,159
Excess (deficiency) of revenues over (under) expenditures	(23,311)	(48,077)	(370,255)	(12,116)	(70,674)	(912,438)	(112,030)	(86,476)	585,129	(1,050,248)
Other financing sources (uses):										
Transfer in (out)	35,000	214,000	276,500	25,000	30,000	603,870	(4,427)	52,232	(254,865)	977,310
Total other financing sources (uses)	35,000	214,000	276,500	25,000	30,000	603,870	(4,427)	52,232	(254,865)	977,310
Net change in fund balances	11,689	165,923	(93,755)	12,884	(40,674)	(308,568)	(116,457)	(34,244)	330,264	(72,938)
Fund balances, beginning of year	18,163	45,291	325,680	32,505	239,423	1,460,131	631,959	218,748	5,933,634	8,905,534
Fund balances, end of year	\$ 29,852	211,214	231,925	45,389	198,749	1,151,563	515,502	184,504	6,263,898	8,832,596

**TOWN OF FREEPORT, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2013**

	Fund Balance (deficit) June 30, 2012	Revenues and Other Sources					Fund Balance (deficit) June 30, 2013
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers	Expenditures	
<b>Fire Department Capital Project Funds:</b>							
Protective clothing	\$ 4,596	-	-	-	15,000	314	19,282
Engine Five	(9,077)	-	-	-	28,187	-	19,110
Engine Three repair	(4,827)	-	-	-	-	-	(4,827)
Air packs & compressor	(474)	-	-	-	-	-	(474)
Communication upgrade	19,551	-	-	-	-	20,944	(1,393)
Vehicle exhaust and ventilation system	1,509	-	-	-	(1,509)	-	-
Chief's vehicle	1,071	-	-	-	(1,071)	-	-
Service vehicle	207	-	-	-	-	2,053	(1,846)
Other	5,607	-	-	-	(5,607)	-	-
Total fire department	18,163	-	-	-	35,000	23,311	29,852
<b>Rescue Department Capital Project Funds:</b>							
Protective clothing	22,070	-	-	-	14,000	20,346	15,724
Ambulance replacement	11,922	-	-	-	25,000	22,713	14,209
Communication upgrade	6,937	-	-	-	15,000	5,018	16,919
Rescue equipment	4,362	-	-	-	160,000	-	164,362
Other	-	-	-	-	-	-	-
Total rescue department	45,291	-	-	-	214,000	48,077	211,214
<b>Public Works Capital Project Funds:</b>							
Grader repair	21,601	-	-	-	-	10,315	11,286
Dump truck replacement, sander & plow	152,441	-	-	-	209,000	190,100	171,341
Sidewalk plow-Shared with TIF	-	-	-	-	27,500	-	27,500
Fuel depot	1,792	-	-	-	-	-	1,792
Pick-up truck replacement	146,577	-	-	-	40,000	169,840	16,737
Dump truck body sand blast and paint	3,269	-	-	-	-	-	3,269
Total public works	325,680	-	-	-	276,500	370,255	231,925
<b>Police Department Capital Project Funds:</b>							
Communication upgrade	20,278	-	-	-	-	-	20,278
Bullet proof vests	(2,701)	700	-	-	-	-	(2,001)
In-Car cameras	4,823	-	-	-	-	4,366	457
Mobile data terminals	-	-	-	-	25,000	-	25,000
Radar units/speed enforcement equipment	(6,987)	-	6,987	-	-	-	-
Boat and motor replacement	14,208	-	-	-	-	14,963	(755)
Special enforcement truck	2,884	-	-	-	-	474	2,410
Total police department	32,505	700	6,987	-	25,000	19,803	45,389

**TOWN OF FREEPORT, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2013**

	Fund Balance June 30, 2012	Revenues and Other Sources				Expenditures	Fund Balance June 30, 2013
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers		
Recycling Capital Project Funds:							
Landfill closing	\$ 116,436	-	-	-	-	-	116,436
Paving	3,745	-	-	-	-	1,987	1,758
Other	119,242	-	-	-	30,000	68,687	80,555
Total recycling capital projects	239,423	-	-	-	30,000	70,674	198,749
Comprehensive Town Improvement Funds:							
Mallet Drive paving match	(1)	-	-	-	-	-	(1)
Public Works paving	82,000	-	-	-	-	70,669	11,331
Main St. paving and drainage match	29,874	-	-	-	-	-	29,874
Flying Point Road-2011 reconstruction	25,506	-	-	-	-	2,462	23,044
Flying Point Road-Pleasant Hill to Wolfe's Neck	48,350	-	-	-	-	28,819	19,531
North Main Street sidewalks	(9,680)	-	-	-	-	1,010	(10,690)
Upper Mast Landing partial reconstruction	164,884	-	-	-	-	171,116	(6,232)
Hedgehog Mountain Sight Improvements	23,300	-	-	-	-	21,526	1,774
South Street project	270,013	169,035	-	-	-	273,413	165,635
Desert Road match	23,000	-	-	-	-	-	23,000
Burnett Road Bridge	11,048	-	-	-	-	-	11,048
US Route 1 North (PACTS)	191,565	-	-	-	-	39,958	151,607
Prout road culvert	34,230	-	-	-	-	-	34,230
West Street-Depot Street to South Street reconstruction	172,658	-	-	-	-	18,449	154,209
Desert Road Business Park	235,000	-	-	-	-	-	235,000
Torrey Hill Range Road reconstruction	-	-	-	-	150,000	-	150,000
Freeport Fields and Trails Project	-	-	120,000	-	337,335	398,335	59,000
Freeport Fields and Trails Project maintenance	146,383	-	30,000	-	90,000	205,716	60,667
Active Living	-	-	-	-	24,000	-	24,000
Other	12,001	-	-	-	2,535	-	14,536
Total comprehensive Town improvement	1,460,131	169,035	150,000	-	603,870	1,231,473	1,151,563
Municipal Buildings and Other Improvement Funds:							
Computer system upgrade/Connectivity Town-wide	136,835	-	50,000	-	21,000	69,122	138,713
Dunning boat yard	26,445	-	-	-	-	-	26,445
Cable TV	54,742	-	-	-	19,000	12,484	61,258
Valuation update	29,003	-	-	-	10,000	-	39,003
Building winterization	64,166	-	-	-	-	8,285	55,881
Public Safety renovation (Sallyport, Flooring, etc.)	33,708	-	-	-	(5,609)	8,874	19,225
Town Hall exterior	103,393	-	-	-	(62,000)	-	41,393
West Street Barn exterior	36,751	-	-	-	399	37,150	-
Public Works building improvements	-	-	-	-	28,000	-	28,000
Cemetery vault roofing projects	-	-	-	-	18,000	-	18,000
Copier replacement	16,439	-	-	-	-	-	16,439
Library building exterior	34,483	-	-	-	(20,121)	4,362	10,000
Other	95,994	-	-	-	(13,096)	21,753	61,145
Total municipal buildings and other	631,959	-	50,000	-	(4,427)	162,030	515,502
Boards and Committees Improvement Funds:							
Recreation fund	5,131	-	-	-	-	-	5,131
Harbor fund	24,531	-	-	-	-	-	24,531
Citizens Survey & performance measures	1,298	-	-	-	-	-	1,298
Community Center Building	(1,232)	-	-	-	1,232	-	-
Village Parking Study	4,559	-	-	-	-	4,290	269
Quiet Zone Study	8,000	-	-	-	-	2,892	5,108
Hedgehog Mountain Bridge Replacement	25,000	-	-	-	-	-	25,000
Shellfish Commission Habitat Improvement	94,802	-	-	-	51,000	22,901	122,901
Train Station Renovation	55,000	-	-	-	1,287	56,393	(106)
Other	1,659	-	-	-	(1,287)	-	372
Total boards and committees	218,748	-	-	-	52,232	86,476	184,504
Capital Reserves - See Exhibit F for Details	5,933,634	-	753,189	-	(254,865)	168,060	6,263,898
Total capital project funds	8,905,534	169,735	960,176	-	977,310	2,180,159	8,832,596

## ***NONMAJOR PERMANENT FUNDS***



**TOWN OF FREEPORT, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2013**

		Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
<b>ASSETS</b>						
Investments	\$	284,852	250,529	239,347	425,299	1,200,027
Interfund loans receivable		-	-	-	-	-
<b>Total assets</b>		<b>284,852</b>	<b>250,529</b>	<b>239,347</b>	<b>425,299</b>	<b>1,200,027</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable		-	-	400	-	400
Interfund loans payable		4,572	701	2,200	1,552	9,025
<b>Total liabilities</b>		<b>4,572</b>	<b>701</b>	<b>2,600</b>	<b>1,552</b>	<b>9,425</b>
Fund balances:						
Nonspendable-Principal		300,261	226,484	229,897	417,338	1,173,980
Restricted-Unexpended income		-	23,344	6,850	6,409	36,603
Unassigned		(19,981)	-	-	-	(19,981)
<b>Total fund balances</b>		<b>280,280</b>	<b>249,828</b>	<b>236,747</b>	<b>423,747</b>	<b>1,190,602</b>
<b>Total liabilities and fund balances</b>	\$	<b>284,852</b>	<b>250,529</b>	<b>239,347</b>	<b>425,299</b>	<b>1,200,027</b>

**TOWN OF FREEPORT, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the year ended June 30, 2013**

		Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:						
Investment income	\$	10,314	4,023	3,913	6,987	25,237
Realized and unrealized gains (losses) on investments		19,361	19,557	19,540	35,179	93,637
Donations		404	524	-	-	928
Total revenues		30,079	24,104	23,453	42,166	119,802
Expenditures:						
Current:						
Other miscellaneous		5,388	1,443	2,808	1,921	11,560
Total expenditures		5,388	1,443	2,808	1,921	11,560
Net change in fund balances		24,691	22,661	20,645	40,245	108,242
Fund balances, beginning of year		255,589	227,167	216,102	383,502	1,082,360
Fund balances, end of year	\$	280,280	249,828	236,747	423,747	1,190,602

**TOWN OF FREEPORT, MAINE**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds**  
**Year ended June 30, 2013**

	Principal				Unexpended Income				
	Fund	Revenues		Fund	Fund	Interest	Expenditures	Fund	Total
	Balance	Unrealized/		Balance	Balance			Balance	
	(deficit)	Realized		(deficit)	(deficit)	Income		(deficit)	
	June 30, 2012	Gains (Losses)	Other	June 30, 2013	June 30, 2012			June 30, 2013	June 30, 2013
Cemetery Care:									
Perpetual Care:									
Burr	\$ 129,643	8,976	-	138,619	(13,204)	4,734	2,702	(11,172)	127,447
Grove	49,601	3,307	300	53,208	(5,420)	1,760	933	(4,593)	48,615
Webster	13,791	966	-	14,757	(750)	524	273	(499)	14,258
Woodlawn	20,255	1,392	-	21,647	(2,492)	723	385	(2,154)	19,493
South Freeport	46,334	3,213	-	49,547	(4,239)	1,702	899	(3,436)	46,111
Flying Point	7,383	508	-	7,891	(902)	264	141	(779)	7,112
Town maintained	2,279	164	-	2,443	123	95	4	214	2,657
Davis Mausoleum	752	66	-	818	634	51	23	662	1,480
Carrie Thomas	393	31	104	528	140	21	10	151	679
A.O. Woodard	10,065	738	-	10,803	1,203	440	18	1,625	12,428
Total Cemetery Funds	280,496	19,361	404	300,261	(24,907)	10,314	5,388	(19,981)	280,280
Library Funds:									
Bartol Association	35,191	3,333	-	38,524	3,706	683	38	4,351	42,875
Paul and Emma Bennett	15,758	1,351	-	17,109	(2,778)	265	12	(2,525)	14,584
Eleanor Brewer	6,288	676	-	6,964	970	132	7	1,095	8,059
Albert Conley	28,295	2,923	-	31,218	11,014	658	38	11,634	42,852
Grace Ritchie	2,576	216	-	2,792	(583)	39	2	(546)	2,246
Jane Hall	118,295	11,058	524	129,877	8,435	2,246	1,346	9,335	139,212
Total Library Funds	206,403	19,557	524	226,484	20,764	4,023	1,443	23,344	249,828
School Scholarship Funds:									
Fitts Award	2,455	222	-	2,677	(89)	43	2	(48)	2,629
Salomon Plummer	8,447	736	-	9,183	(1,161)	137	7	(1,031)	8,152
Wallace True	4,906	454	-	5,360	70	90	5	155	5,515
Millard and Enid Crooker	24,497	2,229	-	26,726	(656)	434	23	(245)	26,481
Alice Pollock	10,413	968	-	11,381	296	194	210	280	11,661
Auldís Foster	1,840	172	-	2,012	72	34	2	104	2,116
Kenneth Thompson	7,364	697	-	8,061	583	141	8	716	8,777
Christine Small Cushing	150,435	14,062	-	164,497	6,630	2,840	2,551	6,919	171,416
Total School Scholarship Funds	210,357	19,540	-	229,897	5,745	3,913	2,808	6,850	236,747
Benevolent Funds:									
George Davis	10,652	998	-	11,650	528	200	86	642	12,292
Arthur L. Gould	371,507	34,181	-	405,688	815	6,787	1,835	5,767	411,455
Total Benevolent Funds	382,159	35,179	-	417,338	1,343	6,987	1,921	6,409	423,747
Total	\$ 1,079,415	93,637	928	1,173,980	2,945	25,237	11,560	16,622	1,190,602



## ***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, 2013**

	Fund Balance June 30, 2012	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance June 30, 2013
		Inter- governmental	Other				
<b>Town Reserve Funds:</b>							
<b>Capital Projects Reserve Funds</b>							
General administration reserve	\$ 11,560	-	5,553	35	5,518	161,312	178,390
Police equipment reserve	155,537	-	9,974	336	9,638	125,000	290,175
Cable TV equipment reserve	355,058	-	133,238	760	132,478	(62,000)	425,536
Public infrastructure reserve	2,305,665	-	162,421	137,743	24,678	(344,492)	1,985,851
Land Trust reserve	19,650	-	1,111	42	1,069	-	20,719
Public works equipment reserve	562,644	-	42,950	1,229	41,721	98,500	702,865
Ambulance equipment reserve	564,097	-	254,875	1,214	253,661	(319,000)	498,758
Building maintenance reserve	487,953	-	28,977	1,049	27,928	37,115	552,996
Fire equipment reserve	803,091	-	47,215	1,725	45,490	15,000	863,581
Municipal parking lot reserve	318,991	-	43,956	14,395	29,561	-	348,552
Hedgehog mountain reserve	16,749	-	1,126	36	1,090	-	17,839
Recycling equipment reserve	163,895	-	11,394	356	11,038	(30,000)	144,933
Boards and Commissions	-	-	7,836	286	7,550	62,182	69,732
Community center reserve	9,043	-	1,004	8,816	(7,812)	(1,231)	-
Land Purchase reserve	142,136	-	32	-	32	-	142,168
Energy Savings reserve	17,565	-	1,527	38	1,489	2,749	21,803
<b>General Fund Reserve Funds</b>							
Unemployment compensation fund	353,151	-	25,679	3,638	22,041	-	375,192
Other	216,987	-	4,407	179	4,228	(133,182)	88,033
<b>Total Town Reserve Funds</b>	<b>6,503,772</b>	<b>-</b>	<b>783,275</b>	<b>171,877</b>	<b>611,398</b>	<b>(388,047)</b>	<b>6,727,123</b>
<b>Totals by Fund</b>							
Capital Projects reserve funds	5,933,634	-	753,189	168,060	585,129	(254,865)	6,263,898
General Fund reserve funds	570,138	-	30,086	3,817	26,269	(133,182)	463,225
<b>Total Reserve Funds</b>	<b>\$ 6,503,772</b>	<b>-</b>	<b>783,275</b>	<b>171,877</b>	<b>611,398</b>	<b>(388,047)</b>	<b>6,727,123</b>



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



**TOWN OF FREEPORT, MAINE**  
**Capital Assets Used in the Operation of Governmental Funds by Type**  
**June 30, 2013**

General capital assets:		
Land	\$	2,204,884
Land improvements		3,502,741
Buildings and improvements		8,423,965
Machinery, equipment and other		5,039,847
Vehicles		3,915,444
Infrastructure		10,642,724
Construction in process		349,297
<b>Total governmental fund capital assets</b>		<b>\$ 34,078,902</b>

**TOWN OF FREEPORT, MAINE**  
**Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity**  
**For the year ended June 30, 2013**

Function and Activity	Balance 2012	Additions	Disposals	Balance 2013
General government	\$ 3,303,356	487,890	5,198	3,786,048
Community services:				
Library	3,806,251	-	-	3,806,251
Cable TV	374,194	-	-	374,194
Coastal waters	313,593	-	-	313,593
Community center	55,569	-	-	55,569
Public safety:				
Police	1,158,985	53,989	90,304	1,122,670
Fire and Rescue	4,301,024	-	-	4,301,024
Public works:				
General	14,321,481	797,008	147,800	14,970,689
Solid waste	1,279,229	51,059	32,895	1,297,393
Recreation	3,063,490	398,426	-	3,461,916
Unclassified:				
Parking lots	203,154	-	-	203,154
Winslow Park	386,401	-	-	386,401
	<b>\$ 32,566,727</b>	<b>1,788,372</b>	<b>276,197</b>	<b>34,078,902</b>

**TOWN OF FREEPORT, MAINE**  
**Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity**  
**June 30, 2013**

Function and Activity	Land	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Construction Work in Process	Total
General government	\$ 1,086,684	-	1,887,556	793,609	18,199	-	-	3,786,048
Community Services								
Library	110,000	78,405	2,364,305	1,253,541	-	-	-	3,806,251
Cable TV	-	-	-	318,728	22,000	-	33,466	374,194
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	306,121	214,699	-	-	1,122,670
Fire and Rescue	40,000	-	1,289,370	935,507	2,036,147	-	-	4,301,024
Public works								
General	193,768	248,998	1,274,000	850,890	1,444,478	10,642,724	315,831	14,970,689
Solid waste	190,000	399,000	398,000	245,664	64,729	-	-	1,297,393
Recreation	577,582	2,527,904	320,000	36,430	-	-	-	3,461,916
Unclassified:								
Parking lots	3,000	200,154	-	-	-	-	-	203,154
Winslow Park	-	-	287,734	27,000	71,667	-	-	386,401
<b>Total capital assets</b>	<b>\$ 2,204,884</b>	<b>3,502,741</b>	<b>8,423,965</b>	<b>5,039,847</b>	<b>3,915,444</b>	<b>10,642,724</b>	<b>349,297</b>	<b>34,078,902</b>

**TOWN OF FREEPORT, MAINE**  
**Schedule of Depreciation - By Function and Activity**  
**Year Ended June 30, 2013**

<b>Function and Activity</b>	<b>Land Improvements</b>	<b>Building and Improvements</b>	<b>Machinery Equipment and Other</b>	<b>Vehicles</b>	<b>Infrastructure</b>	<b>Total</b>
General government	-	43,064	41,546	-	-	84,610
Community services						
Library	3,270	59,108	18,185	-	-	80,563
Cable TV	-	-	8,418	-	-	8,418
Coastal waters	978	-	8,649	2,902	-	12,529
Community center	1,436	-	-	-	-	1,436
Public safety:						
Police	-	14,950	30,047	29,686	-	74,683
Fire and Rescue	-	33,305	50,378	131,381	-	215,064
Public works						
General	4,980	31,850	46,447	99,843	311,749	494,869
Solid waste	15,960	9,950	4,752	4,590	-	35,252
Recreation	96,083	2,133	2,429	-	-	100,645
Unclassified:						
Parking lots	4,101	-	-	-	-	4,101
Winslow Park	-	17,849	-	7,360	-	25,209
<b>Total capital assets</b>	<b>126,808</b>	<b>212,209</b>	<b>210,851</b>	<b>275,762</b>	<b>311,749</b>	<b>1,137,379</b>

