

TOWN OF FRYE ISLAND
FINANCIAL REPORT



DECEMBER 31, 2002

TOWN OF FRYE ISLAND
DECEMBER 31, 2002

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

GENERAL PURPOSE FINANCIAL STATEMENTS

Combined Balance Sheet - All Fund Types	Statement A-1
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund	Statement A-2
Statement of Revenues and Expenditures - Budget and Actual - General Fund - Budgetary Basis	Statement A-3
Notes to General Purpose Financial Statements	

SUPPLEMENTAL DATA

General Fund:	
Balance Sheet	Exhibit 1-1
Statement of Revenues and Expenditures - Budget & Actual - Budgetary Basis	Exhibit 1-2
Statement of Changes in Fund Balance	Exhibit 1-3
Fiduciary Funds:	
Balance Sheet	Exhibit 2-1
Combining Statement of General Fund Reserves	Schedule 1
Valuation, Assessment and Collection of Taxes	Schedule 2



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INDEPENDENT AUDITORS' REPORT

Board of Selectmen and Town Manager
Town of Frye Island
Frye Island, Maine

We have audited the accompanying general purpose financial statements of Town of Frye Island, Maine as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in the notes, the Town has not maintained a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in the financial report. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Frye Island as of December 31, 2002 and the results of operations of those funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The exhibits and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Berry, Fowles & Co.

Certified Public Accountants
April 17, 2003

TOWN OF FRYE ISLAND
COMBINED BALANCE SHEET - ALL FUND TYPES
 DECEMBER 31, 2002

(With Comparative Totals for the Year ended December 31, 2001)

	<u>Governmental Fund</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	<u>Totals</u>
	<u>General</u>	<u>Agency Funds</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
				<u>2002</u>
				<u>2001</u>
ASSETS:				
Cash and Investments	\$ 940,555	\$ 0	\$ 0	\$ 940,555
Receivable:				
Taxes	3,488	0	0	3,488
Tax Liens	25,908	0	0	25,908
Accounts	112	0	0	112
Tax Acquired Property	8,172	0	0	8,172
Prepaid Expense	25,743	0	0	25,743
Due from Other Funds	0	3,337	0	3,337
Amount to be Provided for Retirement of Capital Leases	0	0	21,707	21,707
	\$ 1,003,978	\$ 3,337	\$ 21,707	\$ 1,029,022
TOTAL ASSETS				\$ 917,233
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 52,336	\$ 0	\$ 0	\$ 52,336
Deferred Revenues	469,639	0	0	469,639
Due to Other Funds	3,337	0	0	3,337
Due to Other Groups	0	3,337	0	3,337
Capital Leases	0	0	21,707	21,707
	\$ 525,312	\$ 3,337	\$ 21,707	\$ 550,356
Fund Balances:				
Reserved:				
For Specific Purposes	167,150	0	0	167,150
Unreserved:				
Undesignated	311,516	0	0	311,516
	478,666	0	0	478,666
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,003,978	\$ 3,337	\$ 21,707	\$ 1,029,022
				\$ 917,233

The Accompanying Notes are an Integral Part of these Statements.

TOWN OF FRYE ISLAND
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2002
(With Comparative Totals for the Year ended December 31, 2001)

	<u>Governmental Fund</u>	
	<u>General</u>	
	<u>2002</u>	<u>2001</u>
REVENUES		
Taxes	\$ 1,171,620	\$ 1,031,428
Licenses and Permits	24,511	22,637
Intergovernmental	13,238	15,363
Charges for Services	300,385	282,968
Other	101,609	26,062
TOTAL REVENUES	<u>1,611,363</u>	<u>1,378,458</u>
EXPENDITURES:		
General Government	291,275	284,309
Public Works and Sanitation	198,647	184,355
Ferry Service	408,067	179,829
Public Safety	32,330	30,570
Recreation	64,333	25,390
Education	610,034	547,367
Fixed Expenses	49,985	36,682
TOTAL EXPENDITURES	<u>1,654,671</u>	<u>1,288,502</u>
EXCESS OF REVENUES OVER (UNDER)		
 EXPENDITURES	(43,308)	89,956
FUND BALANCE - BEGINNING OF YEAR	<u>521,974</u>	<u>432,018</u>
FUND BALANCE - END OF YEAR	<u>\$ 478,666</u>	<u>\$ 521,974</u>

The Accompanying Notes are an Integral Part of these Statements.

TOWN OF FRYE ISLAND
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - GENERAL FUND
 BUDGET BASIS
 YEAR ENDED DECEMBER 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Taxes	\$ 1,170,732	\$ 1,171,620	\$ 888
Licenses and Permits	13,950	24,511	10,561
Intergovernmental	11,396	13,238	1,842
Charges for Services	248,890	300,385	51,495
Other	<u>62,510</u>	<u>42,066</u>	<u>(20,444)</u>
TOTAL REVENUES	<u>1,507,478</u>	<u>1,551,820</u>	<u>44,342</u>
EXPENDITURES:			
General Government	258,133	307,775	(49,642)
Public Works and Sanitation	240,353	199,647	40,706
Ferry Service	502,664	436,951	65,713
Public Safety	32,370	32,830	(460)
Recreation	71,098	64,833	6,265
Education	617,872	610,034	7,838
Fixed Expenses	<u>40,980</u>	<u>49,985</u>	<u>(9,005)</u>
TOTAL EXPENDITURES	<u>1,763,470</u>	<u>1,702,055</u>	<u>61,415</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(255,992)	(150,235)	105,757
OTHER FINANCING SOURCES (USES)	<u>255,992</u>	<u>0</u>	<u>(255,992)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>\$ (150,235)</u>	<u>\$ (150,235)</u>

The Accompanying Notes are an Integral Part of these Statements.

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Town of Frye Island was incorporated in July 1, 1998 and operates under a Town Meeting-Board of Selectmen form of Government. The Board consists of seven members elected by the registered voters for staggered three-year terms.

In evaluating the Town of Frye Island as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's general purpose financial statements. In accordance with GASB Statement #14, the Town (the primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these general purpose financial statements.

With the exception of the departure noted in the Independent Auditor's Report, the financial statements of the Town of Frye Island 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 policies.

Basis of Presentation

The accounts of the Town are organized on the basis of a funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equities, revenues and expenditures. The various funds, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations, are grouped by type in the general purpose financial statements. Amounts in the "Totals - Memorandum Only" columns represent a summation of the combined general purpose financial statement line items of the fund type and account group and is presented only to facilitate analysis.

The following fund types and account groups are used:

Governmental Fund

General Fund - The general fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Funds

Trust Funds - Trust funds are used to account for assets received by the Town and held in the capacity of trustee, custodian or agent. Non-expendable trust funds are those whose principal must be preserved intact. Expendable are those whose principal and income may be expended in the course of their designated operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements or results of operations.

Account Groups

General Long-Term Debt Group of Accounts - This account group is established to account for the long-term debt that is backed by the Town of Frye Island's full faith and credit. At December 31, 2002, there was \$21,707 of outstanding debt, represented by capital lease obligations (see Note 5).

General Fixed Assets Account Group - The Town does not maintain this group of accounts which would otherwise account for the fixed assets of the town.

Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "Available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For property taxes, available means collected in the current period or within sixty (60) days after the end of the current fiscal year. Revenues susceptible to accrual are property taxes, interest revenue, and charges for services. Fines, licenses, and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

All proprietary and nonexpendable trust funds are accounted for using the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgetary Accounting

Budgets are adopted for the general fund only on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is employed as a management control device during the year for the general fund. A comparison of budget to actual is presented in the financial statements.

Cash and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the FDIC. The Town's investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines as provided by the Town's Investment Policy.

Inventories of Supplies

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

Prepaid Expenses

Payments made to vendors that will benefit periods beyond December 31, 2002, are recorded as prepaid expenses.

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

General fixed assets that have been acquired for general Town purposes have been recorded as expenditures in the fund making the expenditure. These expenditures are required to be capitalized at historical cost in the general fixed asset account group for accountability purposes. The Town does not maintain a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by accounting principles generally accepted in the United States of America, is not included in this financial report.

Comparative Data

Comparative data for the prior year has been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, complete comparative data has not been presented in those instances where their inclusion would not provide meaningful comparisons or would make certain statements unduly complex and difficult to understand.

New Accounting Pronouncement

The Government Accounting Standards Board (GASB) issued statement No. 34 in June, 1999. This statement will require the Town to change the format and contents of its general purpose financial statements. Among other changes, the statement requires the Town to capitalize assets and to include management's discussion and analysis as a component of required supplementary information. The statement is applicable to the Town calendar year 2004.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenue and expenses.

Note 2 - DEPOSITS AND INVESTMENTS

Deposits

The Town of Frye Island'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 savings, money market accounts, and repurchase agreements coinciding with its cash needs during the year.

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The deposits are categorized as follows to give an indication of the level of risk assumed at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Town or by the Town's agent in the Town's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financing institution's trust department or agent in the Town's name; and Category 3 includes uninsured and uncollateralized deposits.

At December 31, 2002, cash and cash equivalents consisted of the following:

	Carrying Amount	Bank Balance	#1	#2	#3
Checking and Money Market	\$ 444,677	\$ 469,091	\$ 49,034	\$ 0	\$ 420,057
Cash Management	<u>495,878</u>	<u>560,386</u>	<u>560,386</u>	<u>0</u>	<u>0</u>
	<u>\$ 940,555</u>	<u>\$ 1,029,477</u>	<u>\$ 609,420</u>	<u>\$ 0</u>	<u>\$ 420,057</u>

Note 3 - PROPERTY TAX

Town of Frye Island's property tax for the current year was levied on the assessed value listed as of April 1, 2001. Assessed values are periodically established by the assessor at 100% of assumed market value. Each property must be reviewed no less than once every four years. The assessed value, upon which the levy for the year ended December 31, 2002 was based, was \$31,673,914. Interest was charged at 10.75% on all unpaid taxes from January 1, 2002, and July 1, 2002. The following summarizes the levy:

Valuation and Assessment		\$ 31,331,114
Real Property		<u>342,800</u>
Personal Property		31,673,914
Total Valuation		<u>36.58</u>
Tax Rate per Thousand		<u>\$ 1,158,632</u>
Tax Commitment		
Collection of 2002 Taxes		\$ 1,158,632
Original Commitment		<u>0</u>
Supplemental Commitment		1,158,632
Less: Collection in Current Year	\$ 1,127,102	
Abatements	7,593	
Transferred to Liens	<u>22,418</u>	<u>1,157,113</u>
Taxes Receivable		<u>\$ 1,519</u>

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 3 - PROPERTY TAX (Continued)

The Town of Frye Island is permitted by the laws of the State of Maine to levy taxes 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 \$2,777 for the year ended December 31, 2002. Property taxes levied for the fiscal year are recorded as receivables at the time the levy is made. The receivables collected during the year and during the first sixty (60) days after December 31, 2002 are recognized as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues.

The 2002 property taxes were committed October 6, 2001, and have been recorded as revenues. The 2003 property taxes were levied November 1, 2002, and are due and payable January 1, and July 1, 2003. The payments collected in 2002 have been recorded as deferred revenues. 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. In addition, the Town may bring a civil action for collection of unpaid personal property taxes.

Property acquired by foreclosure for non-payment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until expiration of statutory time limits.

Note 4 - OPERATING LEASE

The Town of Frye Island has entered into a one year lease agreement with Frye Island, Inc. (FII) which, unless otherwise canceled by either party in writing or replaced with a new agreement, will automatically renew on January 1 of each subsequent year. For a net annual fee of \$13,650, FII leases the following: Ferry Boats and Docks, Various Island Buildings, Roads and Road Maintenance Equipment, Water System and Recreational Facilities.

In addition, and with the same terms, the Town of Frye Island has also entered into a lease agreement with FII for one-half the usage of the maintenance building for an annual fee of \$7,200.

Note 5 - CAPITAL LEASE OBLIGATIONS

The following is a summary of capital-lease obligation transactions of the Town for the year ended December 31, 2002:

	<u>Capital Lease Obligations</u>
Capital Lease Obligations Payable at December 31, 2001	\$ 29,485
Debt Retired	<u>7,778</u>
Capital Lease Obligations Payable at December 31, 2002	<u>\$ 21,707</u>

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 5 - CAPITAL LEASE OBLIGATIONS (Continued)

Obligation under long-term capital leases consists of the following:

2002 Ford F-250 Snowplow, maturing 1/31/2005, 6.85% interest rate, payable in annual payments of \$6,683.	\$ 17,588
<i>IOS Capital, Inc.</i>	
2001 Ricoh Photocopier, maturing 11/5/2006, 3.21% interest rate, payable in installments of \$312. quarterly.	<u>4,119</u>
	<u>\$ 21,707</u>

The annual requirement to capital lease obligations outstanding as of December 31, 2002 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 6,609	\$ 1,322	\$ 7,931
2004	7,021	910	7,931
2005	7,460	471	7,931
2006	<u>617</u>	<u>8</u>	<u>625</u>
	<u>\$ 21,707</u>	<u>\$ 2,711</u>	<u>\$ 24,418</u>

Note 6 - CONTINGENT LIABILITIES AND OTHER DISCLOSURES

Litigation

The Town is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Town has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the Town.

Risk Mangement

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, as well as coverage provided by purchased commercial insurance. The Town is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2002. Settled claims (if any) have not exceeded insurance coverage for any of the past three fiscal years.

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 6 - CONTINGENT LIABILITIES AND OTHER DISCLOSURES (Continued)

State and Federal Grants

The Town participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined general purpose financial statements for such contingencies.

Note 7 - OVERLAPPING DEBT

The Town's proportionate share of Cumberland County's and Maine School Administrative District No.6's bonded debt are not reported in the Town's financial statements. Debt service is included in the annual County and School assessments to the Town. The Town's share is .25% (\$49,508) of Cumberland County's outstanding debt of \$20,040,000, and 4.14% (\$652,253) of Maine School Administrative District No. 6's outstanding bonded debt of \$15,754,909. In addition, the Town is contracted to pay subsidy to MSAD No. 6 until June 30, 2003, totaling \$317,204.

Note 8 - BUDGET vs GAAP BASIS OF ACCOUNTING

In order to conform to accounting principles generally accepted in the United States of America(GAAP), the accompanying financial statements have been adjusted to add the effects of the activities in the general fund reserve. Statement A-3, Statement of Revenues and Expenditures - Budget and Actual, reflects the current revenues and expenditures on a budgetary basis.

The following is an explanation of the various differences and their effect on current year revenues and expenditures on a GAAP basis as presented in Statement A-2:

Excess of revenues over(under) expenditures (Statement A-3)	\$ (150,235)
Interest from Reserve Funds	2,976
Budgeted transfers to reserves	<u>103,951</u>
Excess of revenues over(under) expenditures (Statement A-2)	<u>\$ (43,308)</u>

TOWN OF FRYE ISLAND
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 9 - FUND BALANCE - RESERVED FOR SPECIFIC PURPOSES

General fund reserves consists of funds set aside by vote of the Town. The purpose and balances at December 31, 2002, are as follows:

Capital Funds	\$ 25,866
Ferry Dock & Ferry Reserve	5,232
Water System Improvements	33,146
Recreation	7,953
Equipment	16,335
Fire and Safety	4,113
Island Improvement	58,366
Revaluation	<u>16,139</u>
	<u>\$ 167,150</u>

Schedule 1 summarizes the activity in 2002.

Note 10 - RETIREMENT

The employees participate in the Social Security Retirement Program. The town's contribution to social security was approximately \$23,329 for the year ended December 31, 2002.

Note 11 - VACATION PAY

The Office Manager/Financial Coordinator earn vacation leave at 1.54 hours per week as they provide services. The Managers are allowed to accumulate and carry over vacation time earned to the next year and will be paid for such amounts upon termination.

At December 31, 2002, the vested portion of vacation pay is approximately \$162.

COMBINING AND INDIVIDUAL FUND STATEMENTS

These exhibits provide a more detailed view of the "general purpose financial statements" presented in the preceding subsection.

GENERAL FUND

The General Fund accounts for all revenues and expenditures which are not accounted for in other funds. Most governmental services are provided by the General Fund including public works, public safety, recreation, health and welfare, and general administrative services.

TOWN OF FRYE ISLAND
BALANCE SHEET - GENERAL FUND
DECEMBER 31, 2002

	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash/Investments	\$ 940,555	\$ 788,568
Receivable:		
Taxes	3,488	23,758
Tax Liens	25,908	11,786
Accounts	112	45,305
Tax Acquired Property	8,172	7,077
Prepaid Expense	25,743	6,683
Due from Other Funds	0	1,018
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,003,978</u>	<u>\$ 884,195</u>
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 52,336	\$ 37,694
Due to Other Funds	3,337	0
Deferred Revenue	469,639	324,527
	<hr/>	<hr/>
	525,312	362,221
 Fund Balances:		
Reserved:		
For Specific Purposes	167,150	224,063
Unreserved:		
Undesignated	311,516	297,911
	<hr/>	<hr/>
	478,666	521,974
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,003,978</u>	<u>\$ 884,195</u>

TOWN OF FRYE ISLAND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES:			
Taxes:			
Property	\$ 1,158,632	\$ 1,158,632	\$ 0
Change in Deferred Property Revenues	0	(1,333)	(1,333)
Excise	7,000	8,803	1,803
Interest and Lien costs on Taxes	5,100	5,518	418
	<u>1,170,732</u>	<u>1,171,620</u>	<u>888</u>
Licenses and Permits:			
Boat Registrations	4,500	5,733	1,233
Building Permits	8,000	15,111	7,111
Plumbing and Electrical Permits	650	3,022	2,372
Other Permits	500	0	(500)
Licenses	300	645	345
	<u>13,950</u>	<u>24,511</u>	<u>10,561</u>
Intergovernmental:			
Local Road Assistance	10,500	8,926	(1,574)
Comprehensive Plan Grant	0	3,335	3,335
Homestead Exemptions	896	977	81
	<u>11,396</u>	<u>13,238</u>	<u>1,842</u>
Charges for Services:			
Ferry Fees	225,000	261,320	36,320
Water Hookup and Soil Test Fees	7,000	21,175	14,175
Environmental Disposal Fees	500	5,500	5,000
Management Fee	12,390	12,390	0
Recreation Fees	4,000	0	(4,000)
	<u>248,890</u>	<u>300,385</u>	<u>51,495</u>
Other:			
Interest Earnings	14,000	6,723	(7,277)
Donations	12,000	13,450	1,450
Miscellaneous	36,510	21,893	(14,617)
	<u>62,510</u>	<u>42,066</u>	<u>(20,444)</u>
TOTAL REVENUES	<u>\$ 1,507,478</u>	<u>\$ 1,551,820</u>	<u>\$ 44,342</u>

TOWN OF FRYE ISLAND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES:			
General Government:			
Administration	\$ 241,633	\$ 291,275	\$ (49,642)
Capital Improvements	16,500	16,500	0
	<u>258,133</u>	<u>307,775</u>	<u>(49,642)</u>
Public Works and Sanitation:			
Public Works	146,753	136,549	10,204
Roads	21,700	16,020	5,680
Water	40,650	17,149	23,501
Solid Waste	31,250	29,929	1,321
	<u>240,353</u>	<u>199,647</u>	<u>40,706</u>
Ferry Service:	<u>502,664</u>	<u>436,951</u>	<u>65,713</u>
Public Safety:			
Fire and Safety	14,570	14,570	0
Dispatch	1,400	4,700	(3,300)
Emergency Medical	3,000	3,600	(600)
Security	13,000	9,960	3,040
Animal Control	400	0	400
	<u>32,370</u>	<u>32,830</u>	<u>(460)</u>
Recreation:	<u>71,098</u>	<u>64,833</u>	<u>6,265</u>
Education:			
School Administrative District 6	<u>617,872</u>	<u>610,034</u>	<u>7,838</u>
Fixed Expenses:			
County Tax	38,203	42,392	(4,189)
Overlay	2,777	7,593	(4,816)
	<u>40,980</u>	<u>49,985</u>	<u>(9,005)</u>
TOTAL EXPENDITURES	<u>1,763,470</u>	<u>1,702,055</u>	<u>61,415</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(255,992)</u>	<u>(150,235)</u>	<u>105,757</u>
OTHER FINANCING SOURCES (USES):			
Budgeted Use of Surplus	<u>255,992</u>	<u>0</u>	<u>(255,992)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>(150,235)</u>	<u>\$ (150,235)</u>

TOWN OF FRYE ISLAND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>\$ (150,235)</u>	<u>\$ (150,235)</u>
RECONCILIATION TO GAAP BASIS			
Appropriations		\$ 47,384	
Interest and Other Income to Reserves		<u>59,543</u>	
		<u>106,927</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		<u>\$ (43,308)</u>	

TOWN OF FRYE ISLAND
STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2002

	<u>Reserved</u>	<u>Unreserved</u>	
	Specific Purpose (Schedule 1)	<u>Undesignated</u>	<u>Total</u>
FUND BALANCE - JANUARY 1, 2002	\$ 224,063	\$ 297,911	\$ 521,974
TRANSFER	45,189	(45,189)	0
EXCESS OF ACTUAL REVENUES AND OTHER SOURCES OVER (UNDER) ACTUAL EXPENDITURES AND OTHER USES	<u>(102,102)</u>	<u>58,794</u>	<u>(43,308)</u>
FUND BALANCE - DECEMBER 31, 2002	<u>\$ 167,150</u>	<u>\$ 311,516</u>	<u>\$ 478,666</u>

FIDUCIARY FUNDS

Fiduciary Funds account for assets held by the Town in a trustee or agent capacity. These include Expendable Trust, NonExpendable Trust and Agency Funds. NonExpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds, since capital maintenance is necessary. Expendable Trust Funds are accounted for in the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not measure the results of operations.

TOWN OF FRYE ISLAND
 COMBINING BALANCE SHEET - AGENCY FUNDS
 DECEMBER 31, 2002

	Agency				
	Ballfields	Soccer Goal	Cookbooks	Fireworks	Totals
ASSETS:					
Due from General Fund	<u>\$ 1,481</u>	<u>\$ 701</u>	<u>\$ 240</u>	<u>\$ 915</u>	<u>\$ 3,337</u>
LIABILITIES:					
Due to Other Groups	<u>\$ 1,481</u>	<u>\$ 701</u>	<u>\$ 240</u>	<u>\$ 915</u>	<u>\$ 3,337</u>

The following schedules are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Frye Island. Such information in these schedules have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

TOWN OF FRYE ISLAND
COMBINING STATEMENT OF GENERAL FUND RESERVES
YEAR ENDED DECEMBER 31, 2002

	Capital Funds Reserve	Ferry Dock and Ferry Reserve	Water System Reserve	Recreation Reserve	Equipment Reserve	Fire and Safety Reserve	Island Improvement Reserve	Revaluation Reserve	Total
APPROPRIATIONS:	\$ 500	\$ 28,884	\$ 500	\$ 500	\$ 500	\$ 500	\$ 0	\$ 16,000	\$ 47,384
REVENUES:									
Interest	305	1,259	409	335	191	46	292	139	2,976
Other	<u>305</u>	<u>1,259</u>	<u>409</u>	<u>335</u>	<u>191</u>	<u>46</u>	<u>56,567</u>	<u>139</u>	<u>56,567</u>
							<u>56,859</u>		<u>59,543</u>
EXPENDITURES FOR DESIGNATED PURPOSES	<u>0</u>	<u>138,796</u>	<u>1,559</u>	<u>24,992</u>	<u>0</u>	<u>0</u>	<u>43,682</u>	<u>0</u>	<u>209,029</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	805	(108,653)	(650)	(24,157)	691	546	13,177	16,139	(102,102)
BALANCE - JANUARY 1, 2002	25,061	113,885	33,796	32,110	15,644	3,567	0	0	224,063
TRANSFER	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45,189</u>	<u>0</u>	<u>45,189</u>
BALANCE - DECEMBER 31, 2002	<u>\$ 25,866</u>	<u>\$ 5,232</u>	<u>\$ 33,146</u>	<u>\$ 7,953</u>	<u>\$ 16,335</u>	<u>\$ 4,113</u>	<u>\$ 58,366</u>	<u>\$ 16,139</u>	<u>\$ 167,150</u>

TOWN OF FRYE ISLAND
VALUATION, ASSESSMENT AND COLLECTION OF TAXES
YEAR ENDED DECEMBER 31, 2002

VALUATION AND ASSESSMENT

Real Property	\$	31,331,114
Personal Property		342,800
		31,673,914
 Tax Rate per Thousand		 36.58
 TAX COMMITMENT	 \$	 1,158,632

APPROPRIATIONS

Municipal Functions	\$	836,626
MSAD 6		617,872
County Tax		38,203
Overlay		2,777
		1,495,478
 Less: Estimated Revenues		 336,846
 TAX COMMITMENT	 \$	 1,158,632

COLLECTION OF 2002 TAXES

Original Commitment	\$	1,158,632
Supplementals		0
		1,158,632
 Less: Collections		 1,134,695
Abatements		0
Transferred to Liens		22,418
		1,157,113
 BALANCE OUTSTANDING AT DECEMBER 31, 2002	 \$	 1,519