

**TOWN OF FRYE ISLAND
FINANCIAL REPORT**



DECEMBER 31, 2004

TOWN OF FRYE ISLAND, MAINE
DECEMBER 31, 2004

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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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Frye Island, Maine, which collectively comprise the Town's basic financial statements, as of and for the year ended December 31, 2004, as listed in the table of contents. These 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.

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Frye Island, Maine as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

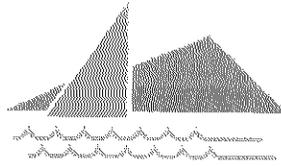
As discussed in the notes to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and *Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of and for the year ended December 31, 2004. This resulted in changes in the Town's method of accounting for certain transactions and a change in the format and content of the basic financial statements

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Berry, Fowler & Co.

Certified Public Accountants
June 17, 2005



Wayne M. Fournier
Town Manager

Town of Frye Island
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Management's Discussion and Analysis

As management of the Town of Frye Island, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2004. This is the Town's first year of implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB) *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments*. This information in conjunction with the notes to the financial statements can be considered when reading the Town's financial statements.

2004 Financial Highlights

Total assets of the Town of Frye Island exceed its liabilities by \$4,958,823. The governmental activities statement shows an increase in net assets of \$3,249,305 for the fiscal year.

The ending fund balance for the general fund is \$635,910, an increase of \$37,867 over the previous year. Of this balance, \$136,777 is designated for specific capital expenditures, including ferry projects, water system renovations, Island improvement projects, equipment purchases/replacements, Town property maintenance, and revaluation reserve. This leaves an undesignated balance of \$499,133 which provides an adequate surplus for the future.

Overview of Financial Statements

The Town of Frye Island's basic financial statements are composed of three components:

1. Government-wide financial statements
2. Fund financial statements, and
3. Notes to the financial statements

Other supplemental information to the basic financial statements is also provided.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the Town of Frye Island's finances. Financial information is presented in two statements- *Statement of Net Assets* and *Statement of Activities*.

The **Statement of Net Assets** presents information about the Town's assets and liabilities with the difference between the two reported as net assets. Over time, changes in net assets (increases or decreases) may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Frye Island's fiscal 2004 Statement of Net Assets does not reflect a value assigned to infrastructure which will be included in subsequent years.

The **Statement of Activities** presents information about how the Town's net assets have changed during the fiscal year. All changes in net assets are reported as soon as the underlying change or event occurs, regardless of the timing of the related cash flows. This means that revenues and expenses are reported in this statement even if the related cash movement does not occur until future fiscal periods (e.g. uncollected taxes and accounts payable).

In the government-wide financial statements, the Town's basic services are reported as **Governmental Activities** as they are principally supported by taxes and intergovernmental revenues, rather than recovering all, or a significant portion of their costs through user fees and charges. Governmental activities include general administration, public safety (law enforcement, fire protection), public works (roads, water, and waste management), recreation, education, debt service, and capital planning expenses.

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 Frye Island, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements. The Town's two kinds of funds - governmental, and enterprise (proprietary) - use different accounting methods:

Governmental funds are used to report most of the Town's basic operational services. Operating expenses and revenues are recorded and the cumulative leftover balance of these activities, which is available for spending in future years, is reported here. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information can help to determine what financial resources are available in the near future to finance the Town's activities.

Business-type Activities- Enterprise Funds are used to account for the Town's activities that are intended to recover all or a significant portion of their costs through user fees and charges. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. Activities in the Enterprise Fund include the Ferry Service, the Golf Course and the Marina.

The Town as Trustee

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary Funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Frye Island's own programs, or finance its operations. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Statement of Net Assets Information:

The following information is a condensed version of the Statement of Net Assets.

No comparative information is available as this is the first year of the GASB-34 implementation. In future years, comparative information will be presented and differences between the current and prior year-end assets and liabilities will be explained.

**Table 1 - Statement of Net Assets
Year Ended December 31, 2004**

	Governmental Activities	Business-type Activities	Total
Current & Other Assets	\$ 1,376,750	\$ 159,616	\$ 1,536,366
Capital Assets, net	<u>1,961,225</u>	<u>2,703,014</u>	<u>4,664,239</u>
Total Assets	<u>3,337,975</u>	<u>2,862,630</u>	<u>6,200,605</u>
Noncurrent Liabilities	478,216	10,940	489,156
Current Liabilities	<u>731,652</u>	<u>20,974</u>	<u>752,626</u>
Total Liabilities	<u>1,209,868</u>	<u>31,914</u>	<u>1,241,782</u>
Net Assets:			
Invested in Capital Assets, net of related debt	1,453,349	2,686,604	4,139,953
Unrestricted	<u>674,758</u>	<u>144,112</u>	<u>818,870</u>
Total Net Assets	<u>\$ 2,128,107</u>	<u>\$ 2,830,716</u>	<u>\$ 4,958,823</u>

The assets of the Town of Frye Island exceeded its liabilities at the close of the most recent fiscal year by \$4,958,823. Of this amount, \$818,870 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net assets increased by \$3,249,305 over last year.

A large portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town investment in capital assets is 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. Also note that the Town has not recorded any infrastructure assets at this time. Such assets will be added to the Town's presentation in future years. An additional portion of the Town's net assets represents resources that are subject to restrictions on how they may be expended. The remaining unrestricted balance of net assets may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 2 - Changes in Net Assets
Year Ended December 31, 2004**

	Governmental Activities	Business-type Activities	Total
<i>Revenues</i>			
Program revenues:			
Charges for services	\$ 118,737	\$ 680,982	\$ 799,719
Operating grants & contributions	7,298	0	7,298
General revenues:			
Property and excise taxes	1,383,469	0	1,383,469
Intergovernmental	572	0	572
Contributions	1,473,051	1,773,976	3,247,027
Miscellaneous	15,816	1,855	17,671
Transfers	<u>17,794</u>	<u>(17,794)</u>	<u>0</u>
Total Revenues	<u>3,016,737</u>	<u>2,439,019</u>	<u>5,455,756</u>
<i>Expenses</i>			
Administration	365,493	0	365,493
Public Works and Sanitation	247,058	0	247,058
Public Safety	66,315	0	66,315
Recreation	64,109	0	64,109
Education	686,677	0	686,677
Fixed Expenses	48,725	0	48,725
Program Expenditures	<u>0</u>	<u>728,074</u>	<u>728,074</u>
Total Expenses	<u>1,478,377</u>	<u>728,074</u>	<u>2,206,451</u>
Change in Net Assets	<u>\$ 1,538,360</u>	<u>\$ 1,710,945</u>	<u>\$ 3,249,305</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and changes in Fund Balance. Expenses for each activity are listed in the left-most column with revenues generated by that activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. The format provides information about the relative financial burden on the Town's taxpayers for each activity. It should be noted, however, that while these revenues may be generated by specific activities, the Town does not have a dedicated revenue sources. Accordingly, revenues from specific activities are deposited to the Town's general fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities that produce some level of revenue are:

- General Government Fees for maps, tax and voter lists, and photocopies
Fees for building and plumbing permits
- Public Works Local Road Assistance
- Health and Sanitation Transfer Station Fees and Recycling Revenues
- Cultural and Recreational Fees for recreation programs
- For Designated Purposes Grants for restricted projects.

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Table 3 shows the total cost of each of the Town's major functional activities.

**Table3-Net Cost of Governmental Activities
Fiscal Year ended December 31, 2004**

Function/Program	Total Cost of Services	Net Cost of Services
General Government	\$ 365,493	\$ 298,848
Public Works and Sanitation	247,058	193,565
Public Safety	66,315	66,315
Recreation	64,109	58,212
Education	686,677	686,677
Fixed Expenses	<u>48,725</u>	<u>48,725</u>
Total governmental activities	<u>\$ 1,478,377</u>	<u>\$ 1,352,342</u>

Financial Analysis of the Town's Funds

It was noted earlier that the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the Town as a whole is reflected in its governmental funds.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets and liabilities as fund balances. Reserved amounts reflect that which is not available to be spent while undesignated amounts reflect amounts that are.

Analysis of Overall Financial Position and Results of Operations

Total revenues exceeded total expenses by \$3,249,305. The change in net assets was mostly due to the \$3,247,027 of donated assets. In addition, total expenses were carefully controlled and revenues exceeded expectations. This resulted in a stronger overall financial position for the Town of Frye Island.

Analysis of Significant Individual Fund Balances, Transactions and Changes in Fund Balance

The Unreserved/Undesignated fund balance increased from \$435,395 to \$499,133 or \$63,738. The Reserved/Designated fund balance decreased from \$162,648 to \$136,777 or \$25,871, due to planned expenditures.

As of the close of the current fiscal year, the Town of Frye Island funds reported combined ending fund balances of \$635,910 an increase of \$37,867. Approximately 79% of this total amount, \$499,133, is available for spending at the Town's discretion (unreserved fund balance).

Analysis of Significant General Fund Budget Variances

Revenues came in \$41,809 more than expected, due to increased fees and additional interest earnings. The actual expenditures were \$49,755 less than the projected budget, or a 2.3% variance due to the water upgrade project that is still in progress.

Significant Capital Asset and Long-Term Debt Activity

Capital assets totaling 4,664,239 are being reported for the first time as part of this report. Per Note 6, current year additions to the capital assets were mainly the golf course, marina and town administrative buildings that were donated to the town from Frye Island, Inc.

By State law, the Town may have a debt service not to exceed 7.5% of the total state assessed valuation of the Town or a maximum of \$6,403,717. The actual long-term debt as of December 31, 2004 was \$524,286, which includes the drinking water bond. The Town has applied for and has been accepted for a bond to be issued through the Maine Municipal Bond Bank in the amount of \$499,800 to finance upgrades to the public drinking water system. This bond will be issued in March of 2005. In the meantime, the Town has received a Bond Anticipation Note (BAN) from Key Bank for interim financing from the water system project. Since the town was committed to the bonds at the end of the year, the bonds payable are reported as long term liabilities.

Economic Factors and Next Year's Budgets and Rates

The Town of Frye Island is a seasonal community and has no commercial or industrial sector to support the cost of municipal government. A large number of seasonal homes, most owned by nonresidents, provide a significant source of property tax revenue for the Town. This benefit is counterbalanced by high county taxes and assessments by MSAD #6, resulting from high property valuation of the Town. Market prices for waterfront real estate drives the escalating Town valuation and the Town will likely see continued growth in its total taxable value. Not all residents of the Town, however, have incomes that keep pace with the rate of property valuations.

In addition, in 2003 Frye Island instituted a Growth Ordinance which limits the number of new dwelling starts on the Island to 15 per year. The Growth Permit can be converted to an active Building Permit in the year the growth permit becomes approved based on a first come / first served basis. The current list of applicants that have applied for growth permits, when annualized, extends to the year 2013. This would indicate a continued increase in total assessed value for the Town.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Selectmen's Office at One Sunset Road, Frye Island, ME 04071, or by phone at (207) 655-4551.

TOWN OF FRYE ISLAND, MAINE
DECEMBER 31, 2004

BASIC FINANCIAL STATEMENTS

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS:			
Cash/Investments	\$ 1,256,378	\$ 50,153	\$ 1,306,531
Receivables (Net of Allowance for Uncollectibles):			
Taxes	18,318	0	18,318
Liens	17,405	0	17,405
Accounts	81,578	800	82,378
Inventory	0	13,832	13,832
Due from Other Funds	0	94,831	94,831
Tax Acquired Property	3,071	0	3,071
Capital Assets:			
Land and Improvements	328,000	1,296,500	1,624,500
Other Capital Assets, Net of Depreciation	1,633,225	1,406,514	3,039,739
TOTAL ASSETS	<u>3,337,975</u>	<u>2,862,630</u>	<u>6,200,605</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts Payable	18,728	0	18,728
Accrued Expenses	0	1,664	1,664
Due to Other Funds	88,120	9,440	97,560
Deferred Revenues	595,144	4,400	599,544
Long-Term Liabilities			
Due within One Year	29,660	5,470	35,130
Due in More Than One Year	478,216	10,940	489,156
Total Liabilities	<u>1,209,868</u>	<u>31,914</u>	<u>1,241,782</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,453,349	2,686,604	4,139,953
Unrestricted	674,758	144,112	818,870
TOTAL NET ASSETS	<u>\$ 2,128,107</u>	<u>\$ 2,830,716</u>	<u>\$ 4,958,823</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS						
Primary Government						
Governmental Activities						
General Government	\$ 365,493	\$ 66,645	\$ 0	\$ (298,848)	\$ 0	\$ (298,848)
Public Works and Sanitation	247,058	46,195	7,298	(193,565)	0	(193,565)
Public Safety	66,315	0	0	(66,315)	0	(66,315)
Recreation	64,109	5,897	0	(58,212)	0	(58,212)
Education	686,677	0	0	(686,677)	0	(686,677)
Fixed Expenses	48,725	0	0	(48,725)	0	(48,725)
Total governmental activities	<u>1,478,377</u>	<u>118,737</u>	<u>7,298</u>	<u>(1,352,342)</u>	<u>0</u>	<u>(1,352,342)</u>
Business-type activities						
Ferry	471,373	420,432	0	0	(50,941)	(50,941)
Golf Club	187,731	178,846	0	0	(8,885)	(8,885)
Yacht Club	68,970	81,704	0	0	12,734	12,734
Total business-type activities	<u>728,074</u>	<u>680,982</u>	<u>0</u>	<u>0</u>	<u>(47,092)</u>	<u>(47,092)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,206,451</u>	<u>\$ 799,719</u>	<u>\$ 7,298</u>	<u>\$ (1,352,342)</u>	<u>\$ (47,092)</u>	<u>\$ (1,399,434)</u>
General revenues:						
Taxes - Property				\$ 1,371,464	\$ 0	\$ 1,371,464
Taxes - Excise				12,005	0	12,005
Intergovernmental				572	0	572
Contributions				1,473,051	1,773,976	3,247,027
Investment Earnings				15,816	1,855	17,671
Total General Revenues, Special Items				<u>2,872,908</u>	<u>1,775,831</u>	<u>4,648,739</u>
Change in Net Assets				<u>1,520,566</u>	<u>1,728,739</u>	<u>3,249,305</u>
Net Assets - January 1, 2004				<u>638,769</u>	<u>1,070,749</u>	<u>1,709,518</u>
Transfers				<u>(31,228)</u>	<u>31,228</u>	<u>0</u>
Net Assets - December 31, 2004				<u>\$ 2,128,107</u>	<u>\$ 2,830,716</u>	<u>\$ 4,958,823</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

		<u>Total Governmental Funds</u>
		<u>General Fund</u>
ASSETS:		
Cash/Investments	\$ 1,256,378	
Receivables (Net of Allowance for Uncollectibles):		
Taxes		18,318
Liens		17,405
Accounts		81,578
Tax Acquired Property		<u>3,071</u>
TOTAL ASSETS		<u>1,376,750</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable		18,728
Due to Other Funds		88,120
Deferred Revenues		<u>633,992</u>
Total Liabilities		<u>740,840</u>
Fund Balances:		
Reserved:		
For Specific Purposes		136,777
Unreserved:		
Designated for Subsequent Year		61,376
Undesignated		<u>437,757</u>
Total Fund Balances		<u>635,910</u>
TOTAL LIABILITIES AND FUND BALANCES		

Amounts reported for governmental activities in the Statement of Net Assets (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,961,225
Long-term liabilities, including leases payable, are not due and payable in the current period and therefore are not reported in the funds.		
Leases Payable	(8,076)	
Bonds Payable	<u>(499,800)</u>	(507,876)
Funds are not available to pay for current period expenditures and therefore are deferred in the funds.		<u>38,848</u>
Net Assets of Governmental Activities		<u>\$ 2,128,107</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Total Governmental Funds
	<u>General Fund</u>
REVENUES:	
Taxes	\$ 1,383,688
Licenses and Permits	40,546
Intergovernmental	7,870
Charges for Services	34,806
Miscellaneous	54,160
Total Revenues	<u>1,521,070</u>
EXPENDITURES:	
General Government	362,721
Public Works and Sanitation	723,228
Public Safety	66,315
Recreation	64,109
Education	686,677
Fixed Expenses	48,725
Total Expenditures	<u>1,951,775</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(430,705)
OTHER FINANCING SOURCES	<u>499,800</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	69,095
FUND BALANCES - JANUARY 1, 2004	598,043
TRANSFER TO ENTERPRISE FUND	<u>(31,311)</u>
FUND BALANCES - DECEMBER 31, 2004	<u><u>\$ 635,827</u></u>

The reconciliation of the net change in fund balances of governmental funds to the change in net assets in the statement of activities is presented on a separate schedule on the next page.

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, 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 DECEMBER 31, 2004

Net change in fund balances - total governmental funds (from Statement 4)	\$	69,095
<p>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 and reported as depreciation expense. The amount by which depreciation exceeded capital outlay in the current period is as follows:</p>		
Capital Outlay	490,531	
Depreciation	<u>(22,987)</u>	467,544
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond or capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount by which bond proceeds exceeded bond repayments is as follows:</p>		
Capital Lease Repayments	5,854	
Bond Proceeds	<u>(499,800)</u>	(493,946)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statement.		<u>1,477,873</u>
Change in net assets of governmental activities (see Statement 2)	\$	<u>1,520,566</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2004

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Taxes	\$ 1,386,698	\$ 1,386,698	\$ 1,383,688	\$ (3,010)
Licenses and Permits	35,711	35,711	40,546	4,835
Intergovernmental	8,502	8,502	7,870	(632)
Charges for Services	8,461	8,461	34,806	26,345
Other	3,000	3,000	17,271	14,271
TOTAL REVENUES	<u>1,442,372</u>	<u>1,442,372</u>	<u>1,484,181</u>	<u>41,809</u>
EXPENDITURES:				
General Government	361,169	361,169	362,721	(1,552)
Public Works and Sanitation	752,781	793,688	722,353	71,335
Public Safety	75,004	75,004	76,315	(1,311)
Recreation	53,961	53,961	64,109	(10,148)
Education	676,486	678,086	686,677	(8,591)
Fixed Expenses	46,047	48,747	48,725	22
TOTAL EXPENDITURES	<u>1,965,448</u>	<u>2,010,655</u>	<u>1,960,900</u>	<u>49,755</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(523,076)	(568,283)	(476,719)	91,564
OTHER FINANCING SOURCES (USES)	<u>523,076</u>	<u>568,283</u>	<u>499,800</u>	<u>(68,483)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,081</u>	<u>\$ 23,081</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Ferry</u>	<u>Golf Club</u>	<u>Yacht Club</u>	<u>2004</u>
ASSETS:				
Current Assets				
Cash	\$ 0	\$ 17,447	\$ 32,706	\$ 50,153
Accounts Receivable	0	800	0	800
Inventory	0	13,832	0	13,832
Capital Assets, Net of Depreciation	951,892	918,472	832,650	2,703,014
Due from Other Funds	79,242	15,589	0	94,831
TOTAL ASSETS	<u>1,031,134</u>	<u>966,140</u>	<u>865,356</u>	<u>2,862,630</u>
LIABILITIES				
Current Liabilities:				
Accrued Expenses	0	1,664	0	1,664
Leases Payable	0	16,410	0	16,410
Due to Other Funds	0	0	9,440	9,440
Deferred Revenues	0	0	4,400	4,400
Total Current Liabilities	<u>0</u>	<u>18,074</u>	<u>13,840</u>	<u>31,914</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	951,892	902,062	832,650	2,686,604
Unrestricted Net Assets	79,242	46,004	18,866	144,112
TOTAL NET ASSETS	<u>\$ 1,031,134</u>	<u>\$ 948,066</u>	<u>\$ 851,516</u>	<u>\$ 2,830,716</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Enterprise Fund</u>			<u>Totals</u>
	<u>Ferry</u>	<u>Golf Club</u>	<u>Yacht Club</u>	<u>2004</u>
OPERATING REVENUES:				
Memberships and Fees	\$ 0	\$ 93,722	\$ 0	\$ 93,722
Lounge and Pro Shop Sales	0	44,143	0	44,143
Equity Fees	0	0	27,145	27,145
Rental Fees	0	0	48,710	48,710
Charges for Services	420,432	0	0	420,432
Miscellaneous	0	40,981	5,849	46,830
	<u>420,432</u>	<u>178,846</u>	<u>81,704</u>	<u>680,982</u>
OPERATING EXPENDITURES	<u>471,373</u>	<u>187,731</u>	<u>68,970</u>	<u>728,074</u>
OPERATING INCOME (LOSS)	(50,941)	(8,885)	12,734	(47,092)
NON-OPERATING REVENUES				
Donations	0	925,976	848,000	1,773,976
Interest Income	759	668	428	1,855
	<u>759</u>	<u>926,644</u>	<u>848,428</u>	<u>1,775,831</u>
INCOME BEFORE TRANSFERS	(50,182)	917,759	861,162	1,728,739
TRANSFERS TO GENERAL FUND RESERVE	<u>0</u>	<u>0</u>	<u>(17,794)</u>	<u>(17,794)</u>
CHANGE IN NET ASSETS	(50,182)	917,759	843,368	1,710,945
NET ASSETS - JANUARY 1,	1,032,294	30,307	8,148	1,070,749
TRANSFER FROM GENERAL FUND RESERVE	<u>49,022</u>	<u>0</u>	<u>0</u>	<u>49,022</u>
NET ASSETS - DECEMBER 31,	<u>\$ 1,031,134</u>	<u>\$ 948,066</u>	<u>\$ 851,516</u>	<u>\$ 2,830,716</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Enterprise Fund</u>			<u>Totals</u>
	<u>Ferry</u>	<u>Golf Club</u>	<u>Yacht Club</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 420,432	\$ 178,846	\$ 75,855	\$ 675,133
Payments to Suppliers	(251,995)	(81,906)	(49,426)	(383,327)
Payments to Employees	(169,196)	(74,691)	0	(243,887)
Other Receipts (Payments)	0	0	5,849	5,849
Net Cash Provided (Used) by Operating Activities	<u>(759)</u>	<u>22,249</u>	<u>32,278</u>	<u>53,768</u>
CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Notes	0	(5,470)	0	(5,470)
Net Cash (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(5,470)</u>	<u>0</u>	<u>(5,470)</u>
CASH PROVIDED (USED) BY INVESTING ACTIVITIES:				
Interest Earnings	759	668	428	1,855
NET INCREASE IN CASH	0	17,447	32,706	50,153
CASH - AT BEGINNING OF YEAR	0	0	0	0
CASH - AT END OF YEAR	<u>\$ 0</u>	<u>\$ 17,447</u>	<u>\$ 32,706</u>	<u>\$ 50,153</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (50,941)	\$ (8,885)	\$ 12,734	\$ (47,092)
Depreciation Expense	80,400	29,386	15,350	125,136
Change in Assets and Liabilities				
Accounts and Notes Receivable	0	5,912	0	5,912
Inventory	0	(3,889)	0	(3,889)
Accounts Payable	0	170	0	170
Deferred Revenues	0	0	1,700	1,700
Due from Other Funds	(30,218)	(445)	2,494	(28,169)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(759)</u>	<u>22,249</u>	<u>32,278</u>	<u>53,768</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Agency Funds</u>
ASSETS:	
Due from General Fund	<u>\$ 2,729</u>
NET ASSETS	
Due to Other Groups	<u>\$ 2,729</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

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 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 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 financial statements.

The accounting policies of the Town of Frye Island conform to generally accepted accounting principles as applicable to governmental units, except where indicated. The following is a summary of the more significant policies.

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Change in Accounting Principles and Basis of Financial Statement Presentation

For the fiscal year ended December 31, 2004, the Town has implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Statement No. 34, among other changes, adds two new "Government-wide" financial statements as basic financial statements required for all governmental units. The Statement of Net Assets and the Statement of Activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the Town used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental fund financial statements.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Change in Accounting Principles and Basis of Financial Statement Presentation (Continued)

Also for the first time, the financial statements include a Management's Discussion and Analysis section, providing an analysis of the Town's overall financial position and results of operations.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial conditions and results of operations for governmental units, the new standard concentrates on major versus non-major funds. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements, comprised of the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities points out the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function, service, program, or department. 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 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds (if any) are reported as separate columns in the fund financial statements.

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Governmental Activities

Governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds - Proprietary funds are used to account for the Town's ongoing activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following is the Town's proprietary fund type:

Enterprise Fund - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 funds 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. These funds are not incorporated into the Government-wide statements.

Basis of Accounting

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.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Modified Accrual

Governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or 60 days thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as certain compensated absences, claims and judgments, are recorded only when the payment is due.

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.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditures, or are legally separated for a specific future use.

Inventories of Supplies

In the general fund, inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The inventories at the golf pro shop are valued at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method.

Prepaid Expenses

Payments made to vendors that will benefit periods beyond December 31, 2004, are recorded as prepaid expenses.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

General fixed assets purchased or acquired are reported at cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets, other than land, is provided on the straight-line basis over the estimated useful lives.

Land Improvements - 40 years
Buildings and Building Improvements - 20 to 60 years
Vehicles and Equipment - 5 to 77 years

The town conducted an inventory of all capital assets based on their fixed asset policy. 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 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.

Infrastructure such as streets, bridges, and traffic lights has yet to be capitalized. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal year beginning July 1, 2006. The Town has elected to report infrastructure assets during fiscal year 2007.

Interfund Transactions

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

Comparative Data

As this is the first year of implementation, certain comparative information between current year and the prior year is not included in the MD&A. It should be noted, however, that future reports will include said comparative information.

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.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

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.

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 financial institution's trust department or agent in the Town's name; and Category 3 includes uninsured and uncollateralized deposits.

At December 31, 2004, cash and cash equivalents consisted of the following:

	<u>Carrying</u> <u>Amount</u>	<u>Bank</u> <u>Balance</u>	<u>#1</u>	<u>CATEGORY</u>	
				<u>#2</u>	<u>#3</u>
Checking and Money Market	<u>\$ 1,300,250</u>	<u>\$ 1,294,644</u>	<u>\$ 1,294,644</u>	<u>\$ 0</u>	<u>\$ 0</u>

Investments

The Town is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury and U.S. Agencies and repurchase agreements.

The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines. Generally, the funds are invested in government securities planned to coincide with its cash needs during the year.

Government Accounting Standards Board Statement 3 requires the investments to be classified into three categories. Category 1 includes investments which are insured or registered or for which the securities are held by the Town or its agent in the Town's name; Category 2 includes uninsured and unregistered investments held by the financial institution's trust department or agent in the Town's name; and Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent, but not in the Town's name.

At December 31, 2004, investments consisted of the following:

	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>	<u>Category</u>		
			<u>#1</u>	<u>#2</u>	<u>#3</u>
Investments	<u>\$ 6,281</u>	<u>\$ 6,281</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,281</u>

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

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, 2003. 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, 2004 was based, was \$85,382,900. Interest was charged at 7.00% on all unpaid taxes from January 1, 2004, and July 1, 2004. The following summarizes the levy:

Valuation and Assessment

Real Property	\$ 85,208,200
Personal Property	<u>174,700</u>
Total Valuation	85,382,900
Tax Rate per Thousand	<u>16.07</u>
Tax Commitment	<u>\$ 1,372,103</u>

Collection of 2004 Taxes

Original Commitment	\$ 1,372,103
Supplemental Taxes	<u>105</u>
	1,372,208
Less: Collection in Current Year	\$ 1,352,019
Abatements	269
Transferred to Liens	<u>16,314</u>
	<u>1,368,602</u>
Taxes Receivable	<u>\$ 3,606</u>

Taxes receivables at December 31, 2004 are as follows:

	<u>General</u>
Taxes - Current Year	\$ 3,606
Taxes - Prior Year	<u>14,712</u>
	<u>\$ 18,318</u>

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 \$22 for the year ended December 31, 2004. 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, 2004 are recognized as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 3 - PROPERTY TAX (Continued)

The 2004 property taxes were committed November 1, 2003, were due and payable on January 1 and July 1, 2004, and have been recorded as revenues. The 2005 property taxes were levied November 1, 2004, and are due and payable January 1, and July 1, 2005. The payments collected in 2004 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 - INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2004, the balances due to and due from accounts were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 0	\$ 88,120
Enterprise	94,831	9,440
Agency	<u>2,729</u>	<u>0</u>
	<u>\$ 97,560</u>	<u>\$ 97,560</u>

Note 5 - OPERATING LEASE

The Town of Frye Island has entered into a one year lease agreement with Frye Island, Inc. (FII) which has been extended until July 31, 2004 by mutual agreement. For a net annual fee of \$46,880, FII leases the following: Ferry Boats and Docks, Various Island Buildings, Roads and Road Maintenance Equipment, Water System, Recreational Facilities, Golf Course, and Marinas. As of January 1, 2004, the ferry boats and buildings were transferred to the Town. As of July 3, 2004, the roads and road maintenance equipment, various island buildings, water system, golf course, and marinas were transferred to the Town.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 6 - FIXED ASSETS

Contributed assets are reported at fair market value and recorded as revenues as of the date received.

Capital Asset activity for the town's general fund operations for the year ended December 31, 2004, was as follows:

	Balance December 31, <u>2003</u>	Additions	Balance December 31, <u>2004</u>
Governmental Activities:			
Cost of Assets:			
Land and Land Improvements	\$ 0	\$ 328,000	\$ 328,000
Buildings and Building Improvements	0	389,384	389,384
Equipment and Vehicles	24,271	807,574	831,845
Construction in Progress	<u>0</u>	<u>438,624</u>	<u>438,624</u>
Total	<u>24,271</u>	<u>1,963,582</u>	<u>1,987,853</u>
Accumulated Depreciation:			
Land and Land Improvements	0	0	0
Buildings and Building Improvements	0	7,745	7,745
Equipment and Vehicles	<u>3,641</u>	<u>15,242</u>	<u>18,883</u>
Total	<u>3,641</u>	<u>22,987</u>	<u>26,628</u>
Governmental Activities Capital			
Assets, Net	<u>\$ 20,630</u>	<u>\$ 1,940,595</u>	<u>\$ 1,961,225</u>
Depreciation was charged to functions as follows:			
General Government	\$ 2,772		
Public Works and Sanitation	<u>20,215</u>		
	<u>\$ 22,987</u>		

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 6 - FIXED ASSETS (Continued)

Property, plant and equipment maintained in the proprietary funds are valued at cost. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Proprietary Funds:	Balance December 31, <u>2003</u>	Additions	Balance December 31, <u>2004</u>
Cost of Assets:			
Land and Land Improvements	\$ 9,500	\$ 1,287,000	\$ 1,296,500
Buildings and Building Improvements	3,104	259,076	262,180
Equipment and Vehicles	<u>1,065,448</u>	<u>249,780</u>	<u>1,315,228</u>
Total	<u>1,078,052</u>	<u>1,795,856</u>	<u>2,873,908</u>
Accumulated Depreciation:			
Land and Land Improvements	0	19,050	19,050
Buildings and Building Improvements	78	6,632	6,710
Equipment and Vehicles	<u>45,680</u>	<u>99,454</u>	<u>145,134</u>
Total	<u>45,758</u>	<u>125,136</u>	<u>170,894</u>
Business-Type Activities Capital			
Assets, Net	<u>\$ 1,032,294</u>	<u>\$ 1,670,720</u>	<u>\$ 2,703,014</u>
Depreciation was charged to functions as follows:			
Ferry	\$ 80,400		
Golf Course	29,386		
Marina	<u>15,350</u>		
	<u>\$ 125,136</u>		

Note 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

In September, 2004, the Town entered into a one year agreement with Keybank National Association to borrow, on an as needed basis, an amount not to exceed \$500,000 with an interest rate of 2.87% per annum on the unpaid balance for the purpose of upgrading the water system. In March, 2005, the Town issued bonds in the amount of \$499,800 with an interest rate of 4.452% on \$156,396 and 0% on \$343,404. This is equivalent to a blended effective rate of 2.05%. The proceeds were used to pay the existing short-term loan and unpaid interest.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2004:

	General Long-Term Debt
Long-Term Debt Payable at December 31, 2003	\$ 0
Additions	<u>499,800</u>
Long-Term Debt Payable at December 31, 2004	<u>\$ 499,800</u>

Long-term debt outstanding at year end are as follows:

Maine Municipal Bond Bank:

2005 General Obligation Bond dated March 2005. Blended interest rate of 2.05%; Variable annual principal plus semi-annual interest payments to October 1, 2024. \$ 499,800

The annual requirements to amortize debts outstanding as of December 31, 2004, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ 22,170	\$ 7,567	\$ 29,747
2007	22,403	6,623	29,026
2008	22,637	6,685	29,022
2009	22,880	6,136	29,016
2010	23,134	5,876	29,010
2011 – 2015	119,898	25,060	144,958
2016 – 2020	128,183	16,592	144,775
2021 – 2025	<u>138,485</u>	<u>6,062</u>	<u>144,547</u>
	<u>\$ 499,800</u>	<u>\$ 80,301</u>	<u>\$ 580,101</u>

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Capital Lease Obligations

The following is a summary of capital-lease obligation transactions of the Town for the year ended December 31, 2004:

	<u>Capital Lease Obligations</u>
Capital Lease Obligations Payable at December 31, 2003	\$ 13,930
Less Debt Retired	<u>(5,854)</u>
Capital Lease Obligations Payable at December 31, 2004	<u>\$ 8,076</u>

Obligations under long-term capital leases consist of the following:

2002 Ford F-250 Snowplow, maturing 1/31/2005, 6.85% interest rate, payable in annual payments of \$6,683.	\$ 6,255
<i>IOS Capital, Inc.</i>	
2001 Ricoh Photocopier, maturing 11/5/2006, 3.21% interest rate, payable in installments of \$312. Quarterly.	<u>1,821</u>
	<u>\$ 8,076</u>

The annual requirement for capital lease obligations outstanding as of December 31, 2004 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,459	\$ 472	\$ 7,931
2006	<u>617</u>	<u>7</u>	<u>624</u>
	<u>\$ 8,076</u>	<u>\$ 479</u>	<u>\$ 8,555</u>

The following is a summary of capital-lease obligation transactions as it relates to the Golf Course Department of the Town for the year ended December 31, 2004:

	<u>Capital Lease Obligations</u>
Capital Lease Obligations Payable at December 31, 2003	\$ 0
Additions	<u>21,880</u>
	21,880
Less Debt Retired	<u>(5,470)</u>
Capital Lease Obligations Payable at December 31, 2004	<u>\$ 16,410</u>

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 7 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)

Obligations under long-term capital leases consist of the following:

2004 Kubota Tractor, maturing 8/28/2007, 0.00% interest rate, payable in annual payments of \$5,470.	<u>\$ 16,410</u>
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The annual requirement for capital lease obligations outstanding as of December 31, 2004 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 5,470	\$ 0	\$ 5,470
2006	5,470	0	5,470
2007	<u>5,470</u>	<u>0</u>	<u>5,470</u>
	<u>\$ 16,410</u>	<u>\$ 0</u>	<u>\$ 16,410</u>

Note 8 - CONTINGENT LIABILITIES AND OTHER DISCLOSURES

Litigation

The Town is subject to certain legal proceedings and claims that 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 Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool, as well as coverage provided by purchased commercial insurance. The Town is not aware of any material actual or potential claim liabilities that should be recorded at December 31, 2004. Settled claims (if any) have not exceeded insurance coverage for any of the past three fiscal years.

State and Federal Grants

The Town participates in state and federal grant programs that 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 financial statements for such contingencies.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 9 - 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 .3% (\$42,607) of Cumberland County's outstanding debt of \$14,250,000, and 4.22% (\$419,026) of Maine School Administrative District No. 6's outstanding bonded debt of \$9,929,535. In addition, the Town is contracted to pay subsidy to MSAD No. 6 until June 30, 2005, totaling \$364,541.

Note 10 - 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 6, 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 4:

Excess of revenues over(under) expenditures (Statement 6)	\$ 23,081
Interest and Other Income from Reserve Funds	36,889
Budgeted transfers to reserves	<u>9,125</u>
Excess of revenues over(under) expenditures (Statement 4)	<u>\$ 69,095</u>

Note 11 - FUND BALANCE - RESERVED FOR SPECIFIC PURPOSES

General fund reserves consist of funds set aside by vote of the Town. The purpose and balances at December 31, 2004, are as follows:

Capital Funds	\$ 24,721
Water System Improvements	25,380
Recreation	1,743
Equipment	1,198
Fire and Safety	19,524
Island Improvement	62,226
Revaluation	<u>1,985</u>
	<u>\$ 136,777</u>

Schedule 1 summarizes the activity in 2004.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004

Note 12 - RETIREMENT

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The Town's computed contribution to this plan for the year ended December 31, 2004 was approximately \$10,082. 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.

The employees participate in the Social Security Retirement Program. The Town's contribution to social security was approximately \$39,157 for the year ended December 31, 2004.

Note 13 - SUBSEQUENT EVENT

During a special town meeting of May 28, 2005, the town voted to purchase 25 acres of land on Raymond Cape Road and to borrow up to \$275,000 for the cost of the land and legal fees by issuing general obligation bonds. The land was purchased with interim financing through Key Bank.

TOWN OF FRYE ISLAND, MAINE
DECEMBER 31, 2004

SUPPLEMENTARY INFORMATION

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, MAINE
BALANCE SHEET - GENERAL FUND
 DECEMBER 31, 2004
 (With Comparative Totals for the Year ended December 31, 2003)

	<u>2004</u>	<u>2003</u>
ASSETS:		
Cash/Investments	\$ 1,256,378	\$ 1,189,184
Receivable:		
Taxes	18,318	24,213
Tax Liens	17,405	15,296
Accounts	81,578	6,811
Tax Acquired Property	3,071	3,583
Prepaid Expense	<u>0</u>	<u>7,176</u>
TOTAL ASSETS	<u><u>\$ 1,376,750</u></u>	<u><u>\$ 1,246,263</u></u>
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 18,728	\$ 20,211
Due to Other Funds	88,120	28,888
Deferred Revenue	<u>633,992</u>	<u>599,121</u>
	<u>740,840</u>	<u>648,220</u>
 Fund Balances:		
Reserved:		
For Specific Purposes	136,777	162,648
Unreserved:		
Designated for Subsequent Years Expenditures	61,376	0
Undesignated	<u>437,757</u>	<u>435,395</u>
	<u>635,910</u>	<u>598,043</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,376,750</u></u>	<u><u>\$ 1,246,263</u></u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes:			
Property	\$ 1,372,104	\$ 1,371,464	\$ (640)
Change in Deferred Property Revenues	0	(4,822)	(4,822)
Excise	8,774	12,005	3,231
Interest and Lien costs on Taxes	5,820	5,041	(779)
	<u>1,386,698</u>	<u>1,383,688</u>	<u>(3,010)</u>
Licenses and Permits:			
Boat and Vehicle Registrations	6,386	1,393	(4,993)
Building Permits	14,675	30,957	16,282
Plumbing and Electrical Permits	3,965	2,656	(1,309)
Other Permits	10,500	5,176	(5,324)
Hunting/Fishing	185	364	179
	<u>35,711</u>	<u>40,546</u>	<u>4,835</u>
Intergovernmental:			
DOT Grant	7,100	7,298	198
Homestead Exemptions	1,402	556	(846)
Miscellaneous	0	16	16
	<u>8,502</u>	<u>7,870</u>	<u>(632)</u>
Charges for Services:			
Ferry Fees	0	0	0
Start-up Fees	0	10,921	10,921
Septic Waste Fee	800	274	(526)
Management Fee	5,000	5,000	0
EMS Fees	2,000	0	(2,000)
Slip Fees	0	17,900	17,900
Other Fees	661	711	50
	<u>8,461</u>	<u>34,806</u>	<u>26,345</u>
Other:			
Interest Earnings	2,300	7,764	5,464
Contributions - Fire Works	0	5,374	5,374
Miscellaneous	700	4,133	3,433
	<u>3,000</u>	<u>17,271</u>	<u>14,271</u>
TOTAL REVENUES	<u>1,442,372</u>	<u>1,484,181</u>	<u>41,809</u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:			
General Government:			
Administration	\$ 361,169	\$ 362,721	\$ (1,552)
Public Works and Sanitation:			
Public Works	199,663	207,385	(7,722)
Roads	25,425	22,586	2,839
Water	532,400	452,863	79,537
Solid Waste	36,200	39,519	(3,319)
	<u>793,688</u>	<u>722,353</u>	<u>71,335</u>
Public Safety:			
Fire and Safety	32,253	32,253	0
Dispatch	5,000	5,000	0
Emergency Medical	2,000	2,800	(800)
Security	35,451	36,262	(811)
Animal Control	300	0	300
	<u>75,004</u>	<u>76,315</u>	<u>(1,311)</u>
Recreation:	<u>53,961</u>	<u>64,109</u>	<u>(10,148)</u>
Education:			
School Administrative District 6	<u>678,086</u>	<u>686,677</u>	<u>(8,591)</u>
Fixed Expenses:			
County Tax	48,725	48,725	0
Overlay	22	0	22
	<u>48,747</u>	<u>48,725</u>	<u>22</u>
TOTAL EXPENDITURES	<u>2,010,655</u>	<u>1,960,900</u>	<u>49,755</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(568,283)</u>	<u>(476,719)</u>	<u>91,564</u>
OTHER FINANCING SOURCES (USES):			
Budgeted Use of Surplus	68,283	0	(68,283)
Loan Proceeds from State Revolving Loan	500,000	499,800	(200)
	<u>568,283</u>	<u>499,800</u>	<u>(68,483)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>\$ 23,081</u>	<u>\$ 23,081</u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>\$ 23,081</u>	<u>\$ 23,081</u>
RECONCILIATION TO GAAP BASIS			
Transfers to Reserves	0	10,000	10,000
Interest and Other Income to Reserves	<u>0</u>	<u>36,014</u>	<u>36,014</u>
	<u>0</u>	<u>46,014</u>	<u>46,014</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>\$ 69,095</u>	<u>\$ 69,095</u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2004

	<u>Reserved</u>	<u>Unreserved</u>		
	Specific Purpose (Schedule 1)	Designated for Subsequent Years' Expenditures	Undesignated	<u>Total</u>
FUND BALANCE - JANUARY 1, 2004	\$ 162,648	\$ 0	\$ 435,395	\$ 598,043
TRANSFER OF 2003 FUNDS TO ENTERPRISE FUND	(24,022)	0	(25,000)	(49,022)
TRANSFER FROM CURRENT OPERATIONS OF ENTERPRISE FUND	17,794	0	0	17,794
EXCESS OF ACTUAL REVENUES AND OTHER SOURCES OVER (UNDER) ACTUAL EXPENDITURES AND OTHER USES	<u>(19,643)</u>	<u>61,376</u>	<u>27,362</u>	<u>69,095</u>
FUND BALANCE - DECEMBER 31, 2004	<u>\$ 136,777</u>	<u>\$ 61,376</u>	<u>\$ 437,757</u>	<u>\$ 635,910</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, MAINE
COMBINING BALANCE SHEET - AGENCY FUNDS
DECEMBER 31, 2004

	Agency		
	<u>Ballfields</u>	<u>Cookbooks</u>	<u>Totals</u>
ASSETS:			
Due from General Fund	\$ 1,174	\$ 1,555	\$ 2,729
 LIABILITIES:			
Due to Other Groups	\$ 1,174	\$ 1,555	\$ 2,729

The following schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

TOWN OF FRYE ISLAND, MAINE
COMBINING STATEMENT OF GENERAL FUND RESERVES
YEAR ENDED DECEMBER 31, 2004

	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:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000	\$ 0	\$ 0	\$ 10,000
REVENUES:									
Interest	429	0	130	131	528	172	468	31	1,889
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,000</u>
	429	0	130	131	35,528	172	468	31	36,889
EXPENDITURES FOR DESIGNATED PURPOSES	<u>1,907</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,875</u>	<u>5,750</u>	<u>8,000</u>	<u>0</u>	<u>66,532</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,478)	0	130	131	(15,347)	4,422	(7,532)	31	(19,643)
BALANCE - BEGINNING OF YEAR	26,199	24,022	25,250	1,612	16,545	15,102	51,964	1,954	162,648
TRANSFER FROM (TO) ENTERPRISE FUND	<u>0</u>	<u>(24,022)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,794</u>	<u>0</u>	<u>(6,228)</u>
BALANCE - END OF YEAR	<u>\$ 24,721</u>	<u>\$ 0</u>	<u>\$ 25,380</u>	<u>\$ 1,743</u>	<u>\$ 1,198</u>	<u>\$ 19,524</u>	<u>\$ 62,226</u>	<u>\$ 1,985</u>	<u>\$ 136,777</u>

TOWN OF FRYE ISLAND, MAINE
VALUATION, ASSESSMENT AND COLLECTION OF TAXES
YEAR ENDED DECEMBER 31, 2004

VALUATION AND ASSESSMENT

Real Property		\$ 85,208,200
Personal Property		174,700
		85,382,900
Tax Rate per Thousand		16.07
TAX COMMITMENT		\$ 1,372,103

APPROPRIATIONS

Municipal Functions		\$ 1,633,788
MSAD 6		676,486
County Tax		46,025
Overlay		22
		2,356,321
Less: Estimated Revenues		984,218
TAX COMMITMENT		\$ 1,372,103

COLLECTION OF 2004 TAXES

Original Commitment		\$ 1,372,103
Supplemental Tax		105
		1,372,208
Less: Collections	\$ 1,352,019	
Abatements	269	
Transferred to Liens	16,314	1,368,602
BALANCE OUTSTANDING AT DECEMBER 31, 2004		\$ 3,606