

TOWN OF FRYE ISLAND
FINANCIAL REPORT



DECEMBER 31, 2010

TOWN OF FRYE ISLAND, MAINE
DECEMBER 31, 2010

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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, as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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, 2010 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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 accounting principles generally accepted in the United States of America. 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Frye Island, Maine's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Berry Talbot Royer

Certified Public Accountants
July 22, 2011



FRYE ISLAND

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, 2010. This is the Town's seventh year after implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB) *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This information in conjunction with the notes in the financial statements should be considered when reading the Town's financial statements.

2010 Financial Highlights

The assets of the Town of Frye Island are divided into two (2) basic groups. The "Governmental Funds" groups the activities that deal with the operation of the municipality. These include Administration, Public Works, Public Safety, Recreation, School, County and other activities approved by the Town. These activities are supported, primarily, from revenues received from property taxes and fees. The "Enterprise Fund" groups the business-type activities which includes the ferry service, the golf operation and the marinas. These activities are supported from the revenues they receive for the service they provide. Total Net Assets for the governmental activities for the year ending on December 31, 2010 were \$3,443,723, an increase of \$285,149 over 2009. Total Net assets for the business type activities for the year ending on December 31, 2010 were \$3,153,819, an increase of \$149,588.

The total fund balance for the general fund for the year ending December 31, 2010 was \$1,155,626; an increase of \$219,465 over the previous year. Of this balance, \$740,901 is reserved for specific purposes; including ferry projects, water system renovations, island improvement projects, etc.; and \$414,725 in the unreserved – undesignated fund balance.

The Board of Selectmen / Executive Committee adopted a "Fund Balance Policy" at its September 22, 2007 meeting. This policy establishes 3/12ths of the annual General Fund expenditures as the minimum amount to maintain in the Undesignated – Unreserved Fund Balance. We currently fall a bit short of this minimum balance because of the 2005 withdrawal of \$275,000 to purchase the Willis property. The policy establishes time table out to 2016 in which the current shortfall must be closed. Based on the 2010 tax requirement, the minimum balance should be approximately \$590,000.

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 statement 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.

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, and Emergency Medical Services), Public Works (Roads, Water, and Waste Management), Recreation, Education, Debt Service, and Capital Planning expenses.

Fund Financial Statements

A fund can be described as 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 Operations.

Statement of Net Assets Information

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

Table 1
Statement of Net Assets
Year Ended December 31, 2010
 (Statement 1)

	Governmental Activities	Business-type Activities	Total
Current & Other Assets	\$ 2,166,723	\$ 702,186	\$ 2,868,909
Capital Assets, net	<u>2,575,361</u>	<u>2,469,224</u>	<u>5,044,585</u>
Total Assets	<u>4,742,084</u>	<u>3,171,410</u>	<u>7,913,494</u>
Current Liabilities	958,873	17,591	976,464
Non-current Liabilities	<u>339,488</u>	<u>-</u>	<u>339,488</u>
Total Liabilities	<u>1,298,361</u>	<u>17,591</u>	<u>1,315,952</u>
Net Assets:			
Invested in Capital Assets, net of related debt	2,210,761	2,469,224	4,679,985
Unrestricted	<u>1,232,962</u>	<u>684,595</u>	<u>1,917,557</u>
Total Net Assets	<u>\$ 3,443,723</u>	<u>\$ 3,153,819</u>	<u>\$ 6,597,542</u>

The assets of the Town of Frye Island exceeded its liabilities at the close of the most recent fiscal year by \$6,597,542 per Statement 1 (Statement of Net Assets). Of this amount, \$1,917,557 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors. The total net assets of the Town of Frye Island increased \$434,737 over the previous year.

As of December 31st 2010, the Town of Frye Island reported a combined ending fund balance of \$1,155,626 an increase of \$219,465. Approximately 35% of this total amount, \$414,725 is available for spending at the Town's discretion (unreserved fund balance).

A large portion of the Town's net assets reflect its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that are 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, 2010**
(Statement 2)

	Governmental Activities	Business-type Activities	Total
<i>Revenues</i>			
Program Revenues			
Charges for Services	\$ 66,051	\$ 725,575	\$ 791,626
Operating Grants and Contributions	122,390	-	122,390
General Revenues			
Property and Excise Taxes	2,397,349	-	2,397,349
Intergovernmental	308	-	308
Miscellaneous / Transfers	(63,232)	63,232	-
Investment Earnings	<u>51,659</u>	<u>18,997</u>	<u>70,656</u>
Total Revenues	2,574,525	807,804	3,382,329
<i>Expenses</i>			
Administration	391,480	-	391,480
Public Works and Sanitation	289,703	-	289,703
Public Safety	118,800	-	118,800
Recreation	20,498	-	20,498
Education	1,275,208	-	1,275,208
Fixed Expenses	84,584	-	84,584
Capital Outlay	109,103	-	109,103
Program Expenditures	<u>-</u>	<u>658,216</u>	<u>658,216</u>
Total Expenses	<u>2,289,376</u>	<u>658,216</u>	<u>2,947,592</u>
Change in Net Assets	<u>\$ 285,149</u>	<u>\$ 149,588</u>	<u>\$ 434,737</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 source. 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 Excise Taxes, Management fees, Interest Fees for building, plumbing and electrical permits
- Public Works and Sanitation Local Road Assistance, Recycling Revenues
- Recreation Fees for recreation programs

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.

Table 3 - Net Cost of Governmental Activities
Fiscal Year ended December 31, 2010
 (Statement 2)

Function/Program	Total Cost of Services	Net Cost of Services
General Government	\$ 391,480	\$ 331,484
Public Works and Sanitation	289,703	275,228
Public Safety	118,800	118,800
Recreation	20,498	19,602
Education	1,275,208	1,275,208
Fixed Expenses	84,584	84,584
Capital Reserve Activity	<u>109,103</u>	<u>(3 971)</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 2,289,376</u>	 <u>\$ 2,100,935</u>

Analysis of Overall Financial Position and Results of Operations

Excess revenues and other sources of income exceeded total expenses by \$219,465 (Statement 6) as total expenses were carefully controlled and operating revenues came in a little ahead of expectations. The net result is 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 \$370,582 to \$414,725, an increase of \$44,143. The Reserved / Designated fund balance increased from \$565,579 to \$ 740,901 an increase of \$175,322. This is a total increase of \$219,465 (Exhibit 1-1).

Analysis of Significant General Fund Budget Variances

For the 2010 year, operating revenues came in ahead of budget expectations by \$8,160, a 0.33 % positive variance. Actual expenditures were \$89,872 less than the budget, a 3.77 % positive variance (Statement 6).

Significant Capital Asset and Long-Term Debt Activity

- Capital assets totaling \$5,044,585 (Statement 1) are being reported as of December 31, 2010. This represents an increase of \$70,453 over the previous year.

By State law, the Town may have a debt service not to exceed 7.5% of the total State assessed valuation of the Town which was \$164,550,000 in 2010. This creates a maximum allowed debt service of \$12,341,250. The actual long-term debt as of December 31, 2010 was \$363,165 which is the loan from the Maine Bond Bank for the improvements to the water treatment system. The final payment on this loan is due on October 1, 2024.

Economic Factors and Next Year's Budgets and Rates

The Town of Frye Island is a seasonal community and, as such, has no commercial or industrial sector to support the cost of municipal government. In addition, unlike most communities, Frye Island derives very little revenue from excise taxes because most property owners register their vehicles in the community of their winter address. Therefore, the vast majority of the revenues needed for general operation of the Municipal government must come from residential property taxes. A major expense for the Town continues to be the required financial obligations which include payments to Regional School Unit #6; (formerly Maine School Administration District #6); Cumberland County and the Maine Municipal Bond Bank for the loan for improvements made to the water system. In 2010, these expenses totaled \$1,342,560. The largest contributor to these required expenses is our payment to RSU 6 which totaled \$1,224,561. In 2006, the Town filed suit in Superior Court against the State of Maine challenging the constitutionality of the legislation prohibiting Frye Island from withdrawing from SAD 6 and exempting Frye Island from the school tax formulas identified in LD-1. Not surprisingly, the Court ruled in favor of the State in this law suit. In 2008, the Town established a "School Operations Reserve Fund". This reserve is to be funded by excess monies in the school budget and is to be used in the event the school budget falls short of the actual required expenditure. Following the 2010 year we had accumulated \$97,713 in this reserve. This fund is to be used in the event the actual school expense is more than budgeted and can be used with approval from the Board of Selectmen.

In 2007, the Board of Selectmen / Executive Committee approved the installation of new piping for the public water distribution system. It was decided to accomplish this installation using in-house labor rather than contract it to others in an effort to reduce the costs. Thus far, the new piping has been installed and has been placed in service on Independence Way, High Point Drive Sunset Road and a portion of Ridge Road. We plan to continue this phased approach until all of the main lines are replaced which we anticipate will go on through the 2013 season. We are funding this project through property taxes at approximately \$75,000 per year.

It is well known that the existing ferries are 40 years old and the operation of the entire ferry service must be addressed. The Town applied for a grant through the Federal Highway Administration's Discretionary Ferry Fund (DFF) for monies to upgrade the ferries and the infrastructure supporting the ferry service. This DFF program requires a 20% match of granted funds. Unfortunately, but not unexpectedly, we were not awarded a grant. The stark reality is that we will no doubt have to fund replacement of the ferries and the facilities using local funds. In 2009, the Town approved the establishment of a "Long Term Transportation Reserve" for the purpose of saving money for the inevitable expense to upgrade the ferry system when the time comes.

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, 2010

BASIC FINANCIAL STATEMENTS

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash/Investments	\$ 2,083,396	\$ 669,429	\$ 2,752,825
Receivables (Net of Allowance for Uncollectibles)			
Taxes	14,675	-	14,675
Liens	64,584	-	64,584
Accounts	414	21,332	21,746
Inventory	-	4,263	4,263
Internal Balances	(7,162)	7,162	-
Prepaid Expenses	1,131	-	1,131
Tax Acquired Property	9,685	-	9,685
Capital Assets:			
Land and Improvements	662,596	1,258,400	1,920,996
Other Capital Assets, Net of Depreciation	1,912,765	1,210,824	3,123,589
TOTAL ASSETS	<u>4,742,084</u>	<u>3,171,410</u>	<u>7,913,494</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts Payable	23,651	-	23,651
Accrued Expenses	13,645	1,211	14,856
Accrued Interest Payable	1,435	-	1,435
Deferred Revenues	896,465	16,380	912,845
Long-Term Liabilities:			
Due within One Year	23,677	-	23,677
Due in More Than One Year	339,488	-	339,488
Total Liabilities	<u>1,298,361</u>	<u>17,591</u>	<u>1,315,952</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Deb	2,210,761	2,469,224	4,679,985
Unrestricted	1,232,962	684,595	1,917,557
TOTAL NET ASSETS	<u>\$ 3,443,723</u>	<u>\$ 3,153,819</u>	<u>\$ 6,597,542</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, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS						
Primary Government						
Governmental Activities						
General Government	\$ 391,480	\$ 59,996	\$ -	\$ (331,484)	\$ -	\$ (331,484)
Public Works and Sanitation	289,703	5,159	9,316	(275,228)	-	(275,228)
Public Safety	118,800	-	-	(118,800)	-	(118,800)
Recreation	20,498	896	-	(19,602)	-	(19,602)
Education	1,275,208	-	-	(1,275,208)	-	(1,275,208)
Fixed Expenses	84,584	-	-	(84,584)	-	(84,584)
Capital Reserve Activity	109,103	-	113,074	3,971	-	3,971
Total governmental activities	<u>2,289,376</u>	<u>66,051</u>	<u>122,390</u>	<u>(2,100,935)</u>	<u>-</u>	<u>(2,100,935)</u>
Business-type activities						
Ferry	373,184	423,056	-	-	49,872	49,872
Golf Club	238,069	224,114	-	-	(13,955)	(13,955)
Yacht Club	46,963	78,405	-	-	31,442	31,442
Total business-type activities	<u>658,216</u>	<u>725,575</u>	<u>-</u>	<u>-</u>	<u>67,359</u>	<u>67,359</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,947,592</u>	<u>\$ 791,626</u>	<u>\$ 122,390</u>	<u>\$ (2,100,935)</u>	<u>\$ 67,359</u>	<u>\$ (2,033,576)</u>
General revenues:						
Taxes - Property				\$ 2,376,952	\$ -	\$ 2,376,952
Taxes - Excise				20,397	-	20,397
Intergovernmental				308	-	308
Investment Earnings				51,659	18,997	70,656
Total General Revenues, Special Items				<u>2,449,316</u>	<u>18,997</u>	<u>2,468,313</u>
Change in Net Assets				348,381	86,356	434,737
Net Assets - January 1, 2010				<u>3,158,574</u>	<u>3,004,231</u>	<u>6,162,805</u>
Transfers				<u>(63,232)</u>	<u>63,232</u>	<u>-</u>
Net Assets - December 31, 2010				<u>\$ 3,443,723</u>	<u>\$ 3,153,819</u>	<u>\$ 6,597,542</u>

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

TOWN OF FRYE ISLAND, MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>Total Governmental Funds</u>
	<u>General Fund</u>
ASSETS:	
Cash/Investments	\$ 2,083,396
Receivables (Net of Allowance for Uncollectibles):	
Taxes	14,675
Liens	64,584
Accounts	414
Prepaid Expenses	1,131
Tax Acquired Property	9,685
TOTAL ASSETS	<u>2,173,885</u>
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts Payable	23,651
Accrued Liabilities	13,645
Due to Other Funds	7,162
Deferred Revenues	973,801
Total Liabilities	<u>1,018,259</u>
Fund Balances:	
Reserved:	
For Specific Purposes	740,901
Unreserved:	
Undesignated	414,725
Total Fund Balances	<u>1,155,626</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.	2,575,361
Long-term liabilities, including leases payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds Payable	(363,165)
Accrued Interest	<u>(1,435)</u>
Funds are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>77,336</u>
Net Assets of Governmental Activities	<u>\$ 3,443,723</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, 2010

	<u>Total Governmental Funds</u>
	<u>General Fund</u>
REVENUES:	
Taxes	\$ 2,401,195
Licenses and Permits	7,538
Intergovernmental	9,624
Charges for Services	50,134
Miscellaneous	46,898
Total Revenues	<u>2,515,389</u>
EXPENDITURES:	
General Government	387,497
Public Works and Sanitation	320,129
Public Safety	116,320
Recreation	19,510
Education	1,224,561
Fixed Expenses	117,999
Capital Reserve Activity	46,676
Total Expenditures	<u>2,232,692</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	282,697
OTHER FINANCING SOURCES (USES)	<u>(63,232)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	219,465
FUND BALANCES - JANUARY 1, 2010	<u>936,161</u>
FUND BALANCES - DECEMBER 31, 2010	<u><u>\$ 1,155,626</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, 2010

Net change in fund balances - total governmental funds (from Statement 4) \$ 219,465

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because (see Note 1, also):

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 capital outlay exceeded depreciation in the current period is as follows:

Capital Outlay	90,715	
Depreciation	(67,740)	22,975

Bond or capital lease 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 capital lease proceeds exceeded bond and capital lease repayments is as follows:

Bond Repayments	23,400	
Capital Lease Repayments	10,015	33,415

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

9,294

Change in net assets of governmental activities (see Statement 2) **\$ 285,149**

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2010

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES:			
Taxes	\$ 2,391,409	\$ 2,401,195	\$ 9,786
Licenses and Permits	8,846	7,538	(1,308)
Intergovernmental	7,986	9,624	1,638
Charges for Services	54,569	50,134	(4,435)
Other	<u>25,326</u>	<u>27,805</u>	<u>2,479</u>
TOTAL REVENUES	<u>2,488,136</u>	<u>2,496,296</u>	<u>8,160</u>
EXPENDITURES:			
General Government	356,346	387,497	(31,151)
Public Works and Sanitation	343,773	320,129	23,644
Public Safety	125,963	116,320	9,643
Recreation	38,525	19,510	19,015
Education	1,275,208	1,224,561	50,647
Fixed Expenses	136,073	117,999	18,074
Capital Reserve Accounts	<u>106,524</u>	<u>106,524</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,382,412</u>	<u>2,292,540</u>	<u>89,872</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	105,724	203,756	98,032
OTHER FINANCING SOURCES (USES):	<u>(105,724)</u>	<u>(63,232)</u>	<u>47,631</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	140,524	<u>\$ 145,663</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS			
Transfers to Reserves		663	
Interest and Other Income from Reserves		<u>78,278</u>	
		<u>78,941</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES		<u>\$ 219,465</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, 2010

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Ferry Service</u>	<u>Golf Course</u>	<u>Marina</u>	<u>2010</u>
ASSETS:				
Current Assets				
Cash	\$ 573,660	\$ 47,462	\$ 48,307	\$ 669,429
Accounts Receivable	21,332	-	-	21,332
Inventory	-	4,263	-	4,263
Capital Assets, Net of Depreciation	869,545	837,947	761,732	2,469,224
Due from Other Funds	-	29,067	-	29,067
TOTAL ASSETS	<u>1,464,537</u>	<u>918,739</u>	<u>810,039</u>	<u>3,193,315</u>
LIABILITIES:				
Current Liabilities:				
Accrued Liabilities	-	1,211	-	1,211
Deferred Revenues	-	15,180	1,200	16,380
Due to Other Funds	793	-	21,112	21,905
Total Current Liabilities	<u>793</u>	<u>16,391</u>	<u>22,312</u>	<u>39,496</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	869,545	837,947	761,732	2,469,224
Unrestricted Net Assets	<u>594,199</u>	<u>64,401</u>	<u>25,995</u>	<u>684,595</u>
TOTAL NET ASSETS	<u>\$ 1,463,744</u>	<u>\$ 902,348</u>	<u>\$ 787,727</u>	<u>\$ 3,153,819</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, 2010

	<u>Enterprise Fund</u>			<u>Totals</u>
	<u>Ferry Service</u>	<u>Golf Course</u>	<u>Marina</u>	<u>2010</u>
OPERATING REVENUES:				
Memberships and Fees	\$ -	\$ 155,806	\$ -	\$ 155,806
Lounge and Pro Shop Sales	-	66,112	-	66,112
Equity Fees	-	-	16,440	16,440
Rental Fees	-	-	61,965	61,965
Charges for Services	423,056	-	-	423,056
Miscellaneous	-	2,196	-	2,196
	<u>423,056</u>	<u>224,114</u>	<u>78,405</u>	<u>725,575</u>
OPERATING EXPENDITURES	<u>362,049</u>	<u>238,069</u>	<u>46,963</u>	<u>647,081</u>
OPERATING INCOME (LOSS)	61,007	(13,955)	31,442	78,494
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	15,764	2,564	669	18,997
Loss on Disposal of Assets	(11,135)	-	-	(11,135)
	<u>4,629</u>	<u>2,564</u>	<u>669</u>	<u>7,862</u>
INCOME (LOSS) BEFORE TRANSFERS	65,636	(11,391)	32,111	86,356
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	105,724	-	-	105,724
Transfers to General Fund Reserve	-	-	(42,492)	(42,492)
	<u>105,724</u>	<u>-</u>	<u>(42,492)</u>	<u>63,232</u>
CHANGE IN NET ASSETS	171,360	(11,391)	(10,381)	149,588
NET ASSETS - JANUARY 1,	<u>1,292,384</u>	<u>913,739</u>	<u>798,108</u>	<u>3,004,231</u>
NET ASSETS - DECEMBER 31,	<u>\$ 1,463,744</u>	<u>\$ 902,348</u>	<u>\$ 787,727</u>	<u>\$ 3,153,819</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, 2010

	<u>Enterprise Fund</u>			<u>Totals</u>
	<u>Ferry Service</u>	<u>Golf Course</u>	<u>Marina</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 421,772	\$ 224,163	\$ 78,805	\$ 724,740
Payments to Suppliers	(127,711)	(88,239)	(27,844)	(243,794)
Payments to Employees	(189,686)	(116,377)	-	(306,063)
Decrease (Increase) in Due from Other Funds	24,289	5,183	-	29,472
Increase in Due to Other Funds	793	-	2,576	3,369
Net Cash Provided by Operating Activities	<u>129,457</u>	<u>24,730</u>	<u>53,537</u>	<u>207,724</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisitions and Construction of Operating Property	(87,024)	(68,288)	-	(155,312)
Transfer from General Fund	105,724	-	-	105,724
Transfers to General Fund Reserve	-	-	(42,492)	(42,492)
Net Cash Used by Capital and Related Financing Activities	<u>18,700</u>	<u>(68,288)</u>	<u>(42,492)</u>	<u>(92,080)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earnings	<u>15,764</u>	<u>2,564</u>	<u>669</u>	<u>18,997</u>
NET INCREASE IN CASH	163,921	(40,994)	11,714	134,641
CASH - AT BEGINNING OF YEAR	<u>409,739</u>	<u>88,456</u>	<u>36,593</u>	<u>534,788</u>
CASH - AT END OF YEAR	<u>\$ 573,660</u>	<u>\$ 47,462</u>	<u>\$ 48,307</u>	<u>\$ 669,429</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 61,007	\$ (13,955)	\$ 31,442	\$ 78,494
Adjustments not affecting cash:				
Depreciation Expense	44,652	32,927	19,119	96,698
Change in Assets and Liabilities				
(Increase) Decrease in:				
Accounts and Notes Receivable	(1,284)	49	-	(1,235)
Inventory	-	296	-	296
Due from Other Funds	24,289	5,183	-	29,472
(Decrease) Increase in:				
Accrued Liabilities	-	230	-	230
Deferred Revenues	-	-	400	400
Due to Other Funds	793	-	2,576	3,369
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 129,457</u>	<u>\$ 24,730</u>	<u>\$ 53,537</u>	<u>\$ 207,724</u>

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

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 Codification, 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.

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.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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. GASB Codification 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 the "Other Governmental Funds" column 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.

Governmental Activities

Governmental funds are identified as 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.

Business-type activities

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.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2010, are recorded as prepaid expenses.

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of assets. Bond premiums and discounts, as well as issuance costs, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity Classification

Fund Statements

Governmental fund equity is classified as fund balance. Reserves represent those portions of fund balance not appropriate for expenditures, or are legally separated for a specific future use. Unreserved: Designated for Subsequent Years Expenditures, represents encumbrances under which purchase orders, contracts, and other commitments for the expenditure of funds are utilized in the governmental funds in order to reserve that portion of the applicable appropriations.

Outstanding encumbrances do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

Government-Wide Statements

Net assets represent the differences between assets and liabilities. Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets (if any) – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

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, 2010

Note 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover the value of its deposits and investments that are in the possession of an outside party.

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 Town has a deposit policy for custodial credit risk. As of December 31, 2010, the Town reported deposits of \$2,746,544 with a bank balance of \$2,775,329. Of the Town's bank balances, \$2,529,330 was covered by FDIC insurance and \$245,999 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, \$244,787 was collateralized by government securities held by the pledging financial institution, but not in the Town's name and \$1,212 was uninsured and uncollateralized.

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 had a small insurance policy that was converted to stocks by the investment company.

At December 31, 2010, investments consisted of the following:

	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Stocks	<u>\$ 6,281</u>	<u>\$ 4,551</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, 2009. 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, 2010 was based, was \$109,714,976. Interest was charged at 9.00% on all unpaid taxes from January 1, 2010, and July 1, 2010.

Taxes receivable at December 31, 2010 are as follows:

	<u>General</u>
Taxes - Current Year	\$ 3,328
Taxes - Prior Year	<u>11,347</u>
	<u>\$ 14,675</u>

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 \$3,009 for the year ended December 31, 2010. 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, 2010 are recognized as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues.

The 2010 property taxes were committed October 22, 2009, were due and payable on January 1 and July 1, 2010, and have been recorded as revenues. The 2011 property taxes were levied on October 20, 2010, and are due and payable January 1, and July 1, 2011. The payments collected in 2010 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, 2010, the balances due to and due from accounts were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ -	\$ 7,162
Enterprise		
Ferry	-	793
Golf Club	29,067	-
Marina	<u>-</u>	<u>21,112</u>
	<u>\$ 29,067</u>	<u>\$ 29,067</u>

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 5 - 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, 2010, was as follows:

	Balance December 31, <u>2009</u>	<u>Additions</u>	Balance December 31, <u>2010</u>
Governmental Activities:			
Cost of Assets:			
Land and Land Improvements	\$ 593,697	\$ -	\$ 593,697
Buildings and Building Improvements	834,757	-	834,757
Leasehold Improvements	19,766	-	19,766
Equipment and Vehicles	<u>1,394,827</u>	<u>90,714</u>	<u>1,485,541</u>
Total	<u>2,843,047</u>	<u>90,714</u>	<u>2,933,761</u>
Accumulated Depreciation:			
Land and Land Improvements	422	169	591
Buildings and Building Improvements	76,693	15,168	91,861
Leasehold Improvements	494	988	1,482
Equipment and Vehicles	<u>213,051</u>	<u>51,415</u>	<u>264,466</u>
Total	<u>290,660</u>	<u>67,740</u>	<u>358,400</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,552,387</u>	<u>\$ 22,974</u>	<u>\$ 2,575,361</u>
Depreciation was charged to functions as follows:			
General Government	\$ 3,983		
Public Works and Sanitation	60,289		
Public Safety	2,480		
Recreation	<u>988</u>		
	<u>\$ 67,740</u>		

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 5 - 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:

	Balance December 31, <u>2009</u>	<u>Additions</u>	Retirements	Balance December 31, <u>2010</u>
Proprietary Funds:				
Cost of Assets:				
Land and Land Improvements	\$ 1,329,196	\$ -	\$ -	\$ 1,329,196
Buildings and Building Improvements	292,110	34,388	-	326,498
Equipment and Vehicles	<u>1,588,001</u>	<u>120,924</u>	<u>11,135</u>	<u>1,697,790</u>
Total	<u>3,209,307</u>	<u>155,312</u>	<u>11,135</u>	<u>3,353,484</u>
Accumulated Depreciation:				
Land and Land Improvements	118,197	22,319	-	140,516
Buildings and Building Improvements	40,144	7,813	-	47,957
Equipment and Vehicles	<u>629,221</u>	<u>66,566</u>	-	<u>695,787</u>
Total	<u>787,562</u>	<u>96,698</u>	-	<u>884,260</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,421,745</u>	<u>\$ 58,614</u>	<u>\$ 11,135</u>	<u>\$ 2,469,224</u>
Depreciation was charged to functions as follows:				
Ferry	\$ 44,652			
Golf Course	32,927			
Marina	<u>19,119</u>			
	<u>\$ 96,698</u>			

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 6 - LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2010:

	General Long-Term Debt
Long-Term Debt Payable at December 31, 2009	\$ 386,565
Debt Retired	<u>(23,400)</u>
Long-Term Debt Payable at December 31, 2010	<u>\$ 363,165</u>

Long-term debt outstanding at year end is 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.

\$ 363,165

The annual requirements to amortize debts outstanding as of December 31, 2010, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 23,677	\$ 5,466	\$ 29,143
2012	23,967	5,176	29,143
2013	24,269	4,874	29,143
2014	24,585	4,558	29,143
2015	24,916	4,227	29,143
2016 – 2020	130,068	15,649	145,717
2021 – 2024	<u>111,683</u>	<u>4,892</u>	<u>116,575</u>
	<u>\$ 363,165</u>	<u>\$ 44,842</u>	<u>\$ 408,007</u>

Note 7 - 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.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 7 - CONTINGENT LIABILITIES AND OTHER DISCLOSURES (Continued)

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, 2010. 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.

Note 8 - OVERLAPPING DEBT

The Town's proportionate share of Cumberland County's and Maine School Administrative District No.6's bonded debt is 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 .39% (\$14,861) of Cumberland County's outstanding debt of \$3,772,625, and 5.76% (\$1,712,397) of Maine School Administrative District No. 6's outstanding bonded debt of \$29,742,420. In addition, the Town is contracted to pay subsidy to MSAD No. 6 until June 30, 2010, totaling \$603,045.

Note 9 - 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, 2010, are as follows:

Capital Funds	\$ 41,909
Water System Improvements	7,336
Recreation	5,064
Equipment	30,666
Fire and Safety	134,873
Fire Department Operations	6,839
Island Improvement	416,501
School Operations	<u>97,713</u>
	<u>\$ 740,901</u>

Schedule 1 summarizes the activity in 2010.

TOWN OF FRYE ISLAND, MAINE
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 10 - OPERATING LEASE

The Town of Frye Island has entered into a one year lease agreement with Frye Island, Inc. (FII). For a net annual fee of \$17,000, the Town leases from FII the following: various island buildings, recreational facilities, and island roads.

Note 11 - 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, 2010 was \$9,942. 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 \$37,896 for the year ended December 31, 2010.

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through July 22, 2011, the date the financial statements were available to be issued.

TOWN OF FRYE ISLAND, MAINE
DECEMBER 31, 2010

SUPPLEMENTAL DATA

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, 2010
(With Comparative Totals for the Year ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash/Investments	\$ 2,083,396	\$ 2,007,476
Receivable:		
Taxes	14,675	14,409
Tax Liens	64,584	53,794
Accounts	414	414
Prepaid Expenses	1,131	1,131
Tax Acquired Property	<u>9,685</u>	<u>10,611</u>
TOTAL ASSETS	<u><u>\$ 2,173,885</u></u>	<u><u>\$ 2,087,835</u></u>
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 23,651	\$ 87,578
Accrued Liabilities	13,645	6,256
Due to Other Funds	7,162	5,470
Deferred Revenue	<u>973,801</u>	<u>1,052,370</u>
	<u>1,018,259</u>	<u>1,151,674</u>
 Fund Balances:		
Reserved:		
For Specific Purposes	740,901	565,579
Unreserved:		
Undesignated	<u>414,725</u>	<u>370,582</u>
	<u>1,155,626</u>	<u>936,161</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,173,885</u></u>	<u><u>\$ 2,087,835</u></u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	<u>Final</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>
			<u>(Negative)</u>
REVENUES:			
Taxes:			
Property	\$ 2,374,890	\$ 2,376,952	\$ 2,062
Change in Deferred Property Revenues	-	(9,294)	(9,294)
Excise	9,931	18,738	8,807
Interest and Lien costs on Taxes	6,588	14,799	8,211
	<u>2,391,409</u>	<u>2,401,195</u>	<u>9,786</u>
Licenses and Permits:			
Boat and Vehicle Registrations	1,200	1,659	459
Building Permits	6,000	3,906	(2,094)
Plumbing and Electrical Permits	1,400	1,195	(205)
Other Permits and Fines	146	626	480
Hunting/Fishing	100	152	52
	<u>8,846</u>	<u>7,538</u>	<u>(1,308)</u>
Intergovernmental:			
Homestead Exemptions	347	225	(122)
Local Road Assistance	7,512	9,316	1,804
Miscellaneous	127	83	(44)
	<u>7,986</u>	<u>9,624</u>	<u>1,638</u>
Charges for Services:			
Water Hook-up Fees	1,000	500	(500)
Solid Waste Fee	7,000	4,459	(2,541)
Management Fee	44,569	44,569	-
Road Fees	2,000	200	(1,800)
Other Fees	-	406	406
	<u>54,569</u>	<u>50,134</u>	<u>(4,435)</u>
Other:			
Interest Earnings	20,000	17,767	(2,233)
Lease	4,243	4,114	(129)
Recreation Fees/Special Events	250	490	240
Miscellaneous	833	5,434	4,601
	<u>25,326</u>	<u>27,805</u>	<u>2,479</u>
TOTAL REVENUES	<u>2,488,136</u>	<u>2,496,296</u>	<u>8,160</u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	<u>Final</u>	<u>Actual</u>	Variance
			Positive
			(Negative)
EXPENDITURES:			
General Government:			
Administration	\$ 356,346	\$ 387,497	\$ (31,151)
Public Works and Sanitation:			
Public Works	236,881	204,371	32,510
Roads	33,864	32,495	1,369
Water	31,278	43,642	(12,364)
Solid Waste	41,750	39,621	2,129
	<u>343,773</u>	<u>320,129</u>	<u>23,644</u>
Public Safety:			
Fire and Safety	29,478	26,236	3,242
Police	72,588	70,587	2,001
Emergency Medical	23,897	19,497	4,400
	<u>125,963</u>	<u>116,320</u>	<u>9,643</u>
Recreation:	<u>38,525</u>	<u>19,510</u>	<u>19,015</u>
Education:			
School Administrative District 6	<u>1,275,208</u>	<u>1,224,561</u>	<u>50,647</u>
Fixed Expenses:			
County Tax	102,463	87,398	15,065
Overlay	3,009	-	3,009
Debt Service	30,601	30,601	-
	<u>136,073</u>	<u>117,999</u>	<u>18,074</u>
Capital Reserve Accounts:	<u>106,524</u>	<u>106,524</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,382,412</u>	<u>2,292,540</u>	<u>89,872</u>
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES	<u>105,724</u>	<u>203,756</u>	<u>98,032</u>
OTHER FINANCING SOURCES (USES):			
Transfer to Enterprise Fund	(105,724)	(105,724)	-
Transfer from Enterprise Fund	-	42,492	42,492
	<u>(105,724)</u>	<u>(63,232)</u>	<u>42,492</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER			
(UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 140,524</u>	<u>\$ 140,524</u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	\$ 140,524	<u>\$ 140,524</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS			
Transfers to Reserves		663	
Interest and Other Income from Reserves		<u>78,278</u>	
		<u>78,941</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		<u>\$ 219,465</u>	

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	<u>Reserved</u>	<u>Unreserved</u>	
	Specific <u>Purpose</u> (Schedule 1)	<u>Undesignated</u>	<u>Total</u>
FUND BALANCE - JANUARY 1, 2010	\$ 565,579	\$ 370,582	\$ 936,161
EXCESS OF ACTUAL REVENUES AND OTHER SOURCES OVER (UNDER) ACTUAL EXPENDITURES AND OTHER USES	<u>175,322</u>	<u>44,143</u>	<u>219,465</u>
FUND BALANCE - DECEMBER 31, 2010	<u>\$ 740,901</u>	<u>\$ 414,725</u>	<u>\$ 1,155,626</u>

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, 2010

	<u>Capital Funds Reserve</u>	<u>Water System Reserve</u>	<u>Recreation Reserve</u>	<u>Equipment Reserve</u>	<u>Fire and Safety Reserve</u>
APPROPRIATIONS:	\$ -	\$ 74,024	\$ -	\$ 20,000	\$ 12,500
REVENUES:					
Interest	1,121	2,625	138	836	2,904
Other	-	3,500	-	-	55,685
	<u>1,121</u>	<u>6,125</u>	<u>138</u>	<u>836</u>	<u>58,589</u>
EXPENDITURES FOR DESIGNATED PURPOSES	<u>-</u>	<u>90,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,121	(10,565)	138	20,836	71,089
OTHER FINANCING SOURCES:					
Transfers from Enterprise Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,121	(10,565)	138	20,836	71,089
BALANCE - BEGINNING OF YEAR	<u>40,788</u>	<u>17,901</u>	<u>4,926</u>	<u>9,830</u>	<u>63,784</u>
BALANCE - END OF YEAR	<u>\$ 41,909</u>	<u>\$ 7,336</u>	<u>\$ 5,064</u>	<u>\$ 30,666</u>	<u>\$ 134,873</u>

TOWN OF FRYE ISLAND, MAINE
COMBINING STATEMENT OF GENERAL FUND RESERVES
YEAR ENDED DECEMBER 31, 2010

	Fire Department Operations Reserve	Island Improvement Reserve	Revaluation Reserve	School Operations Reserve	Total
APPROPRIATIONS:	\$ -	\$ -	\$ -	\$ -	\$ 106,524
REVENUES:					
Interest	98	9,658	37	1,676	19,093
Other	3,242	-	-	50,647	113,074
	<u>3,340</u>	<u>9,658</u>	<u>37</u>	<u>52,323</u>	<u>132,167</u>
EXPENDITURES FOR DESIGNATED PURPOSES	<u>-</u>	<u>12,796</u>	<u>2,351</u>	<u>-</u>	<u>105,861</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,340	(3,138)	(2,314)	52,323	132,830
OTHER FINANCING SOURCES:					
Transfers from Enterprise Fund	<u>-</u>	<u>42,492</u>	<u>-</u>	<u>-</u>	<u>42,492</u>
EXCESS OF REVENUES AND OTHER SOURCES SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,340	39,354	(2,314)	52,323	175,322
BALANCE - BEGINNING OF YEAR	<u>3,499</u>	<u>377,147</u>	<u>2,314</u>	<u>45,390</u>	<u>565,579</u>
BALANCE - END OF YEAR	<u>\$ 6,839</u>	<u>\$ 416,501</u>	<u>\$ -</u>	<u>\$ 97,713</u>	<u>\$ 740,901</u>

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
PROPRIETARY FUNDS - CASH BASIS
YEAR ENDED DECEMBER 31, 2010

	<u>Ferry Reserve</u>	<u>Ferry Service Operations</u>	<u>Long-Term Transportation</u>	<u>Golf Club Operations Reserve</u>	<u>Golf Club Equipment Reserve</u>	<u>Yacht Club Equity Reserve</u>	<u>Yacht Club Rental Reserve</u>	<u>Total</u>
REVENUES:								
Interest	\$ 9,255	\$ 3,544	\$ 2,965	\$ 1,823	\$ 741	\$ 669	\$ -	\$ 18,997
Other	93,392	329,664	105,724	222,214	1,901	16,440	61,965	831,300
	<u>102,647</u>	<u>333,208</u>	<u>108,689</u>	<u>224,037</u>	<u>2,642</u>	<u>17,109</u>	<u>61,965</u>	<u>850,297</u>
EXPENDITURES FOR DESIGNATED PURPOSES	<u>100,450</u>	<u>298,083</u>	<u>-</u>	<u>253,041</u>	<u>28,280</u>	<u>8,371</u>	<u>19,473</u>	<u>707,698</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,197	35,125	108,689	(29,004)	(25,638)	8,738	42,492	142,599
OTHER FINANCING SOURCES:								
Intrafund Transfer	-	-	-	(11,000)	11,000	-	-	-
Transfers to General Fund Reserves	-	-	-	-	-	-	(42,492)	(42,492)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,000)</u>	<u>11,000</u>	<u>-</u>	<u>(42,492)</u>	<u>(42,492)</u>
EXCESS OF REVENUES AND OTHER SOURCES SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,197	35,125	108,689	(40,004)	(14,638)	8,738	-	100,107
FUND BALANCE - BEGINNING OF YEAR	<u>286,400</u>	<u>141,249</u>	<u>-</u>	<u>87,319</u>	<u>14,786</u>	<u>39,569</u>	<u>-</u>	<u>569,323</u>
FUND BALANCE- END OF YEAR	<u>\$ 288,597</u>	<u>\$ 176,374</u>	<u>\$ 108,689</u>	<u>\$ 47,315</u>	<u>\$ 148</u>	<u>\$ 48,307</u>	<u>\$ -</u>	<u>\$ 669,430</u>

TOWN OF FRYE ISLAND, MAINE
VALUATION, ASSESSMENT AND COLLECTION OF TAXES
YEAR ENDED DECEMBER 31, 2010

VALUATION AND ASSESSMENT

Real Property		\$ 109,689,976
Personal Property		25,000
		109,714,976
Tax Rate per Thousand		21.65
TAX COMMITMENT		\$ 2,374,890

APPROPRIATIONS

Municipal Functions		\$ 1,107,456
MSAD 6		1,275,208
County Tax		102,463
Overlay		3,009
		2,488,136
Less: Estimated Revenues		113,246
TAX COMMITMENT		\$ 2,374,890

COLLECTION OF 2010 TAXES

Original Commitment		\$ 2,374,890
Less: Collections	\$ 2,290,292	
Transferred to Liens	80,251	
Abatements	1,019	
		2,371,562
BALANCE OUTSTANDING AT DECEMBER 31, 2010		\$ 3,328

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF DEPARTMENTAL OPERATIONS
YEAR ENDED DECEMBER 31, 2010

	<u>Appropriation Balances Forward</u>	<u>Appropriations</u>	<u>Transfers and Other Credits</u>	<u>Total Available</u>	<u>Expenditures</u>	<u>Balances</u>		<u>Carried Forward</u>
						<u>Lapsed Overdrawn</u>	<u>Unexpended</u>	
GENERAL GOVERNMENT	\$ -	\$ 356,346	\$ -	\$ 356,346	\$ 387,497	\$ 31,151	\$ -	\$ -
PUBLIC WORKS AND SANITATION								
Public Works	-	236,881	-	236,881	204,371	-	32,510	-
Roads	-	33,864	-	33,864	32,495	-	1,369	-
Water	-	31,278	-	31,278	43,642	12,364	-	-
Solid Waste	-	41,750	-	41,750	39,621	-	2,129	-
	<u>-</u>	<u>343,773</u>	<u>-</u>	<u>343,773</u>	<u>320,129</u>	<u>12,364</u>	<u>36,008</u>	<u>-</u>
PUBLIC SAFETY								
Fire and Safety	-	29,478	-	29,478	26,236	-	3,242	-
Police	-	72,588	-	72,588	70,587	-	2,001	-
Emergency Medical	-	23,897	-	23,897	19,497	-	4,400	-
	<u>-</u>	<u>125,963</u>	<u>-</u>	<u>125,963</u>	<u>116,320</u>	<u>-</u>	<u>9,643</u>	<u>-</u>
RECREATION	<u>-</u>	<u>38,525</u>	<u>-</u>	<u>38,525</u>	<u>19,510</u>	<u>-</u>	<u>19,015</u>	<u>-</u>
EDUCATION	<u>-</u>	<u>1,275,208</u>	<u>-</u>	<u>1,275,208</u>	<u>1,224,561</u>	<u>-</u>	<u>50,647</u>	<u>-</u>
FIXED EXPENSES								
County Tax	-	102,463	-	102,463	87,398	-	15,065	-
Overlay	-	3,009	-	3,009	-	-	3,009	-
Debt Service	-	30,601	-	30,601	30,601	-	-	-
	<u>-</u>	<u>136,073</u>	<u>-</u>	<u>136,073</u>	<u>117,999</u>	<u>-</u>	<u>18,074</u>	<u>-</u>
CAPITAL RESERVE ACCOUNTS:								
Water	-	74,024	-	74,024	74,024	-	-	-
Equipment	-	20,000	-	20,000	20,000	-	-	-
Public Safety	-	2,500	-	2,500	2,500	-	-	-
Fire Department Operations	-	10,000	-	10,000	10,000	-	-	-
	<u>-</u>	<u>106,524</u>	<u>-</u>	<u>106,524</u>	<u>106,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ -</u>	<u>\$ 2,382,412</u>	<u>\$ -</u>	<u>\$ 2,382,412</u>	<u>\$ 2,292,540</u>	<u>\$ 43,515</u>	<u>\$ 133,387</u>	<u>\$ -</u>

This page is not a part of the official Auditor's December 31, 2010 Financial Report for the Town of Frye Island. Any profit made by a Town of Frye Island Enterprise Operation is placed into a specified Reserve Fund. If in some year an Enterprise Operation operates at a loss, money from that specified Reserve Fund can be withdrawn to keep the Enterprise Operation from being a burden to the taxpayers of the Town of Frye Island. The following list details the specified Reserve Fund associated with each Enterprise Operation:

- Ferry Service - Ferry Operations Reserve, Trio account G3-3-300-13
- Golf Course - Golf Operations Reserve, Trio account G3-300-03
- Yacht Club Equity - Yacht Club Equity Reserve, Trio account G3-300-06
- Yacht Club Rental - Island Improvement Reserve, Trio account G1-300-70

The following table details the Net Year End Profit (Loss) calculations for 2010:

Determination of Net Year End Profit

(per email dated 10-14-2011 from Marge Hall, Auditor)

	<u>Ferry Service</u>	<u>Golf Course</u>	<u>YC Equity</u>	<u>YC Rental</u>	<u>Marina</u>
Per Audit Statement 8					
Operating Revenues	423,056.00	224,114.00			78,405.00
Operating Expenditures	<u>362,049.00</u>	<u>238,069.00</u>			<u>46,963.00</u>
Operating Income (Loss)	61,007.00	(13,955.00)			31,442.00
Marina Operational Split					
Operating Revenues			16,440.00	61,965.00	78,405.00
Operating Expenditures			<u>18,641.00</u>	<u>28,322.00</u>	<u>46,963.00</u>
Operating Income (Loss)			(2,201.00)	33,643.00	31,442.00
Audit Adjustments					
Depreciation Expense	44,652.00	32,927.00	10,270.00	8,848.73	19,118.73
Other Adjustments (see notes)	(74,078.47) A	(15,411.34) B	(1,999.94) C	(3,600.00) D	(5,599.94)
Net Year End Profit (Loss)	<u>31,580.53</u>	<u>3,560.66</u>	6,069.06	38,891.73	44,960.79

Notes: A = This is the activity that reflects the activity in the Ferry Service Reserve.

B = This difference is the Golf Club Equipment Reserve activity.

C = Transfer of current operations already done.

D = Transfer of current operations already done.