

**TOWN OF FRYE ISLAND**  
**FINANCIAL REPORT**



DECEMBER 31, 2011

**TOWN OF FRYE ISLAND, MAINE**

DECEMBER 31, 2011

**TABLE OF CONTENTS**

**INDEPENDENT AUDITORS' REPORT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BASIC FINANCIAL STATEMENTS**

Statement of Net Assets	Statement 1
Statement of Activities	Statement 2
Balance Sheet - Governmental Funds	Statement 3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Statement 4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Statement 5
Statement of Revenues and Expenditures - Budget and Actual - General Fund - Budgetary Basis	Statement 6
Statement of Net Assets - Proprietary Funds	Statement 7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	Statement 8
Statement of Cash Flows - Proprietary Funds	Statement 9
Notes to Basic Financial Statements	

**SUPPLEMENTAL DATA**

General Fund:

Balance Sheet	Exhibit 1-1
Statement of Revenues and Expenditures - Budget and Actual - Budgetary Basis	Exhibit 1-2
Statement of Changes in Fund Balance	Exhibit 1-3

Other:

Combining Statement of General Fund Reserves	Schedule 1
Statement of Revenues, Expenses and Changes in Fund Balance - Proprietary Funds - Cash Basis	Schedule 2
Statement of Departmental Operations	Schedule 3



**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, 2011, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town'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, 2011 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.

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

Our audit was conducted for the purpose of forming opinion on the financial statements taken as a whole. The combining and individual nonmajor fund statements presented as Exhibits 1-1 through 1-3 and the Schedules 1 through 3 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants  
August 3, 2012



## 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, 2011. This is the Town's eighth 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.

### **2011 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 primarily from the revenues they receive for the service they provide. Total Net Assets for the governmental activities for the year ending on December 31, 2011 were \$3,686,671, an increase of \$242,948 over 2010. Total Net assets for the business type activities for the year ending on December 31, 2011 were \$3,273,043, an increase of \$119,224.

The total fund balance for the general fund for the year ending December 31, 2011 was \$1,217,770; an increase of \$62,144 over the previous year. Of this balance, \$742,890 is reserved for specific purposes; including ferry projects, water system renovations, island improvement projects, etc.; and \$473,749 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 2011 tax requirement, the minimum balance should be approximately \$605,500.

### **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, 2011**  
 (Statement 1)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current & Other Assets	\$ 2,285,932	\$ 849,994	\$3,135,926
Capital Assets, net	<u>2,729,955</u>	<u>2,462,137</u>	<u>5,192,092</u>
Total Assets	<u>5,015,887</u>	<u>3,312,131</u>	<u>8,328,018</u>
Current Liabilities	989,728	39,088	1,028,816
Non-current Liabilities	<u>339,488</u>	<u>-</u>	<u>339,488</u>
Total Liabilities	<u>1,329,216</u>	<u>\$39,088</u>	<u>1,368,304</u>
Net Assets:			
Invested in Capital Assets, net of related debt	2,389,173	2,462,137	4,851,310
Unrestricted	<u>1,297,498</u>	<u>810,906</u>	<u>2,108,404</u>
Total Net Assets	<u>\$3,686,671</u>	<u>\$3,273,043</u>	<u>\$6,959,714</u>

The Total Net Assets of the Town of Frye Island exceeded its liabilities at the close of the most recent fiscal year by \$6,959,714 per Statement 1 (Statement of Net Assets). Of this amount, \$2,108,404 (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 \$362,172 over the previous year.

As of December 31<sup>st</sup> 2011, the Town of Frye Island reported a combined ending fund balance of \$1,217,770 an increase of \$62,144. Approximately 39% of this total amount, \$473,749 is available for spending at the Town's discretion (unassigned 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, 2011  
(Statement 2)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><i>Revenues</i></b>			
Program Revenues			
Charges for Services	\$63,635	\$733,711	\$797,346
Operating Grants and Contributions	72,395	-	72,395
General Revenues			
Property and Excise Taxes	2,374,118	-	2,374,118
Intergovernmental	570	-	570
Transfers	(69,075)	69,075	-
Investment Earnings	<u>48,641</u>	<u>18,528</u>	<u>67,169</u>
	2,490,284	821,314	3,311,598
Total Revenues			
<b><i>Expenses</i></b>			
Administration	346,507	-	346,507
Public Works and Sanitation	409,763	-	409,763
Public Safety	119,372	-	119,372
Recreation	29,290	-	29,290
Education	1,236,248	-	1,236,248
Fixed Expenses	92,366	-	92,366
Capital Outlay	13,790	-	13,790
Program Expenditures	-	<u>702,090</u>	<u>702,090</u>
Total Expenses	<u>2,247,336</u>	<u>702,090</u>	<u>2,949,426</u>
<b>Change in Net Assets</b>	<u>\$ 242,948</u>	<u>\$ 119,224</u>	<u>\$ 362,172</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 and facility rental

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, 2011**  
 (Statement 2)

<b>Function/Program</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General Government	\$346,507	(293,569)
Public Works and Sanitation	409,763	(391,420)
Public Safety	119,372	(119,372)
Recreation	29,290	(27,804)
Education	1,236,248	(1,236,248)
Fixed Expenses	92,366	(92,366)
Capital Reserve Activity	<u>13,790</u>	<u>49,473</u>
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$2,247,336</u>	 <u>\$(2,111,306)</u>

**Analysis of Overall Financial Position and Results of Operations**

Excess revenues and other sources of income exceeded total expenses by \$62,144 (Statement 6) as total expenses were carefully controlled and operating revenues came in slightly 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 Unassigned fund balance increased from \$413,594 to \$473,749 an increase of \$60,155. The Reserved / Designated fund balance increased from \$740,901 to \$ 742,890 an increase of \$1,989. This is a total increase of \$62,144 (Exhibit 1-1).

## **Analysis of Significant General Fund Budget Variances**

For the 2011 year, operating revenues came in ahead of budget expectations by \$18,548, a 0.76 % positive variance. Actual expenditures were \$44,182 less than the budget, a 1.89 % positive variance (Statement 6).

## **Significant Capital Asset and Long-Term Debt Activity**

- Capital assets totaling \$5,192,092 (Statement 1) are being reported as of December 31, 2011. This represents an increase of \$147,507 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 \$154,400,000 in 2011. This creates a maximum allowed debt service of \$11,580,000. The actual long-term debt as of December 31, 2011 was \$378,863 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 2011, these expenses totaled \$1,352,432 which accounts for 57.44% of the property taxes paid to the municipality. The largest contributor to these required expenses is our payment to RSU 6 which totaled \$1,236,248. 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 2011 year we had accumulated \$152,269 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 Ridge Road. In addition, a portion of Leisure Lane has been completed. 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.

In 2005 the Town purchased approximately 25 acres of undeveloped property on the main land directly across the Raymond Cape road from the ferry access road. A study was performed by an in-house committee to determine the long term needs of the ferry system servicing the Island. It was determined that the major equipment in the system (ferries and gantries) were in reasonable condition considering their age and shouldn't need replacement in the near term. Unless, of course, if some unforeseen catastrophic accident renders one of them inoperable and unrepairable. However, the Committee did recognize the congestion and safety problem created on the main land by the increase in the number of vehicles needing access to the ferries. To relieve some of this congestion the Committee recommended establishing a "Park & Ride" facility on the purchased property. In 2011 the Town approved \$30,000 to complete an engineering design for this facility that could be presented to the Department of Environmental Protection and to the Town of Raymond Planning Board for approval. A final plan is required to solicit proposals and determine the ultimate cost so that it can be presented to the Town voters. It is expected that this design will be completed in 2012.

### **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, 2011**

**BASIC FINANCIAL STATEMENTS**

**TOWN OF FRYE ISLAND, MAINE**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash/Investments	\$ 2,195,647	\$ 834,335	\$ 3,029,982
Receivables (Net of Allowance for Uncollectibles):			
Taxes	23,290	-	23,290
Liens	64,094	-	64,094
Accounts	859	23	882
Inventory	-	3,686	3,686
Internal Balances	(11,950)	11,950	-
Prepaid Expenses	1,131	-	1,131
Tax Acquired Property	12,861	-	12,861
Capital Assets:			
Land and Improvements	592,937	1,258,400	1,851,337
Other Capital Assets, Net of Depreciation	2,137,018	1,203,737	3,340,755
<b>TOTAL ASSETS</b>	<u>5,015,887</u>	<u>3,312,131</u>	<u>8,328,018</u>
<b>LIABILITIES AND NET ASSETS:</b>			
Liabilities:			
Accounts Payable	13,743	29,635	43,378
Accrued Expenses	16,518	3,852	20,370
Accrued Compensated Absences	6,488	-	6,488
Accrued Interest Payable	1,294	-	1,294
Deferred Revenues	951,685	5,601	957,286
Long-Term Liabilities			
Due within One Year	23,967	-	23,967
Due in More Than One Year	315,521	-	315,521
Total Liabilities	<u>1,329,216</u>	<u>39,088</u>	<u>1,368,304</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,389,173	2,462,137	4,851,310
Unrestricted	1,297,498	810,906	2,108,404
<b>TOTAL NET ASSETS</b>	<u>\$ 3,686,671</u>	<u>\$ 3,273,043</u>	<u>\$ 6,959,714</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, 2011**

	Program Revenues		Operating Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services			Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Primary Government</b>							
Governmental Activities							
General Government	\$ 346,507	\$ 52,938	\$ -	\$ -	\$ (293,569)	\$ -	\$ (293,569)
Public Works and Sanitation	409,763	9,211	9,132		(391,420)	-	(391,420)
Public Safety	119,372	-	-		(119,372)	-	(119,372)
Recreation	29,290	1,486	-		(27,804)	-	(27,804)
Education	1,236,248	-	-		(1,236,248)	-	(1,236,248)
Fixed Expenses	92,366	-	-		(92,366)	-	(92,366)
Capital Reserve Activity	13,790	-	63,263		49,473	-	49,473
Total governmental activities	<u>2,247,336</u>	<u>63,635</u>	<u>72,395</u>		<u>(2,111,306)</u>	<u>-</u>	<u>(2,111,306)</u>
Business-type activities							
Ferry	398,435	414,406	-		-	15,971	15,971
Golf Club	252,196	241,926	-		-	(10,270)	(10,270)
Yacht Club	51,459	77,379	-		-	25,920	25,920
Total business-type activities	<u>702,090</u>	<u>733,711</u>	<u>-</u>		<u>-</u>	<u>31,621</u>	<u>31,621</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 2,949,426</u>	<u>\$ 797,346</u>	<u>\$ 72,395</u>		<u>\$ (2,111,306)</u>	<u>\$ 31,621</u>	<u>\$ (2,079,685)</u>
General revenues:							
Taxes - Property					\$ 2,356,692	\$ -	\$ 2,356,692
Taxes - Excise					17,426	-	17,426
Intergovernmental					570	-	570
Investment Earnings					48,641	18,528	67,169
Transfers					(69,075)	69,075	-
Total General Revenues, Special Items					<u>2,354,254</u>	<u>87,603</u>	<u>2,441,857</u>
Change in Net Assets					242,948	119,224	362,172
<b>Net Assets - January 1, 2011</b>					<u>3,443,723</u>	<u>3,153,819</u>	<u>6,597,542</u>
<b>Net Assets - December 31, 2011</b>					<u>\$ 3,686,671</u>	<u>\$ 3,273,043</u>	<u>\$ 6,959,714</u>

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

Berry Talbot Royer, Falmouth, Maine

**TOWN OF FRYE ISLAND, MAINE**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>Total Governmental Funds</u>
	<u>General Fund</u>
<b>ASSETS:</b>	
Cash/Investments	\$ 2,195,647
Receivables (Net of Allowance for Uncollectibles):	
Taxes	23,290
Liens	64,094
Accounts	859
Prepaid Expenses	1,131
Tax Acquired Property	<u>12,861</u>
<b>TOTAL ASSETS</b>	<u>2,297,882</u>
<b>LIABILITIES AND FUND BALANCES:</b>	
Liabilities:	
Accounts Payable	13,743
Accrued Liabilities	16,518
Due to Other Funds	11,950
Deferred Revenues	<u>1,037,901</u>
Total Liabilities	<u>1,080,112</u>
Fund Balances:	
Nonspendable:	1,131
Committed for:	
Reserves	742,890
Unassigned	<u>473,749</u>
Total Fund Balances	<u>1,217,770</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	
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.	2,729,955
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	(339,488)
Accrued Interest	(1,294)
Accrued Compensated Absences	<u>(6,488)</u>
Funds are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>86,216</u>
Net Assets of Governmental Activities	<u><u>\$ 3,686,671</u></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, 2011**

	<u>Total Governmental Funds</u>
	<u>General Fund</u>
<b>REVENUES:</b>	
Taxes	\$ 2,375,905
Licenses and Permits	18,381
Intergovernmental	9,702
Charges for Services	38,777
Miscellaneous	44,451
Total Revenues	<u>2,487,216</u>
<b>EXPENDITURES:</b>	
General Government	336,050
Public Works and Sanitation	345,291
Public Safety	115,022
Recreation	28,302
Education	1,236,248
Fixed Expenses	116,184
Capital Reserve Activity	178,900
Total Expenditures	<u>2,355,997</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	131,219
<b>OTHER FINANCING SOURCES (USES)</b>	<u>(69,075)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	62,144
<b>FUND BALANCES - JANUARY 1, 2011</b>	<u>1,155,626</u>
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<u><u>\$ 1,217,770</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, 2011**

**Net change in fund balances - total governmental funds (from Statement 4)** \$ 62,144

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	228,373	
Depreciation	<u>(73,779)</u>	154,594

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	23,677
-----------------	--------

Interest on long term-debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of the change in accrued interest

141

Some expenses reported in the Statement of Activities, such as accrued compensated absences, do not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(6,488)

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

8,880

**Change in net assets of governmental activities (see Statement 2)** \$ 242,948

*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, 2011**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Positive <u>(Negative)</u>
<b>REVENUES:</b>			
Taxes	\$ 2,377,692	\$ 2,375,905	\$ (1,787)
Licenses and Permits	5,957	18,381	12,424
Intergovernmental	7,864	9,702	1,838
Charges for Services	32,835	38,777	5,942
Other	25,179	25,310	131
	<u>2,449,527</u>	<u>2,468,075</u>	<u>18,548</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
General Government	340,326	336,050	4,276
Public Works and Sanitation	346,382	345,291	1,091
Public Safety	128,438	115,022	13,416
Recreation	33,173	28,302	4,871
Education	1,236,248	1,236,248	-
Fixed Expenses	126,712	116,184	10,528
Capital Reserve Accounts	132,524	122,524	10,000
	<u>2,343,803</u>	<u>2,299,621</u>	<u>44,182</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	105,724	168,454	62,730
<b>OTHER FINANCING SOURCES (USES):</b>	<u>-</u>	<u>(69,075)</u>	<u>47,631</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 105,724</u>	<u>99,379</u>	<u>\$ 110,361</u>
<b>RECONCILIATION TO MODIFIED ACCRUAL BASIS</b>			
Transfers to Reserves		(119,639)	
Interest and Other Income from Reserves		82,404	
		<u>(37,235)</u>	
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES</b>		<u>\$ 62,144</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, 2011**

	<u>Enterprise Funds</u>			<u>Totals</u>
	<u>Ferry Service</u>	<u>Golf Course</u>	<u>Marina</u>	<u>2011</u>
<b>ASSETS:</b>				
Current Assets				
Cash	\$ 720,018	\$ 60,365	\$ 53,952	\$ 834,335
Accounts Receivable	-	23	-	23
Inventory	-	3,686	-	3,686
Capital Assets, Net of Depreciation	900,140	818,644	743,353	2,462,137
Due from Other Funds	16,511	16,051	15,012	47,574
<b>TOTAL ASSETS</b>	<u>1,636,669</u>	<u>898,769</u>	<u>812,317</u>	<u>3,347,755</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	29,635	-	-	29,635
Accrued Liabilities	1,031	2,821	-	3,852
Deferred Revenues	3,901	-	1,700	5,601
Due to Other Funds	-	-	35,624	35,624
Total Current Liabilities	<u>34,567</u>	<u>2,821</u>	<u>37,324</u>	<u>74,712</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	900,140	818,644	743,353	2,462,137
Unrestricted Net Assets	701,962	77,304	31,640	810,906
<b>TOTAL NET ASSETS</b>	<u>\$ 1,602,102</u>	<u>\$ 895,948</u>	<u>\$ 774,993</u>	<u>\$ 3,273,043</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, 2011**

	<b>Enterprise Fund</b>			<b>Totals</b>
	<u>Ferry Service</u>	<u>Golf Course</u>	<u>Marina</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>				
Memberships and Fees	\$ -	\$ 158,235	\$ -	\$ 158,235
Lounge and Pro Shop Sales	-	67,939	-	67,939
Equity Fees	-	-	16,204	16,204
Rental Fees	-	-	61,175	61,175
Charges for Services	414,406	-	-	414,406
Miscellaneous	-	15,752	-	15,752
	<u>414,406</u>	<u>241,926</u>	<u>77,379</u>	<u>733,711</u>
<b>OPERATING EXPENDITURES</b>	<u>398,435</u>	<u>252,196</u>	<u>51,459</u>	<u>702,090</u>
<b>OPERATING INCOME (LOSS)</b>	15,971	(10,270)	25,920	31,621
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	16,663	1,295	570	18,528
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	32,634	(8,975)	26,490	50,149
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer from General Fund	105,724	2,575	-	108,299
Transfers to General Fund Reserve	-	-	(39,224)	(39,224)
	<u>105,724</u>	<u>2,575</u>	<u>(39,224)</u>	<u>69,075</u>
<b>CHANGE IN NET ASSETS</b>	138,358	(6,400)	(12,734)	119,224
<b>NET ASSETS - JANUARY 1,</b>	<u>1,463,744</u>	<u>902,348</u>	<u>787,727</u>	<u>3,153,819</u>
<b>NET ASSETS - DECEMBER 31,</b>	<u>\$ 1,602,102</u>	<u>\$ 895,948</u>	<u>\$ 774,993</u>	<u>\$ 3,273,043</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, 2011**

	<u>Enterprise Fund</u>			<u>Totals</u>
	<u>Ferry Service</u>	<u>Golf Course</u>	<u>Marina</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 439,639	\$ 226,723	\$ 77,879	\$ 744,241
Payments to Suppliers	(84,490)	(103,323)	(33,080)	(220,893)
Payments to Employees	(225,051)	(116,333)	-	(341,384)
Decrease (Increase) in Due from Other Funds	(16,511)	13,016	-	(3,495)
Increase in Due to Other Funds	(793)	-	(500)	(1,293)
Net Cash Provided by Operating Activities	<u>112,794</u>	<u>20,083</u>	<u>44,299</u>	<u>177,176</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisitions and Construction of Operating Property	(88,823)	(11,050)	-	(99,873)
Transfer from General Fund	105,724	2,575	-	108,299
Transfers to General Fund Reserve	-	-	(39,224)	(39,224)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>16,901</u>	<u>(8,475)</u>	<u>(39,224)</u>	<u>(30,798)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Earnings	<u>16,663</u>	<u>1,295</u>	<u>570</u>	<u>18,528</u>
<b>NET INCREASE IN CASH</b>	146,358	12,903	5,645	164,906
<b>CASH - AT BEGINNING OF YEAR</b>	<u>573,660</u>	<u>47,462</u>	<u>48,307</u>	<u>669,429</u>
<b>CASH - AT END OF YEAR</b>	<u>\$ 720,018</u>	<u>\$ 60,365</u>	<u>\$ 53,952</u>	<u>\$ 834,335</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 15,971	\$ (10,270)	\$ 25,920	\$ 31,621
Adjustments not affecting cash:				
Depreciation Expense	58,228	30,353	18,379	106,960
Change in Assets and Liabilities				
(Increase) Decrease in:				
Accounts and Notes Receivable	21,332	(23)	-	21,309
Inventory	-	577	-	577
Due from Other Funds	(16,511)	13,016	-	(3,495)
(Decrease) Increase in:				
Accounts Payable	29,635	-	-	29,635
Accrued Liabilities	1,031	1,610	-	2,641
Deferred Revenues	3,901	(15,180)	500	(10,779)
Due to Other Funds	(793)	-	(500)	(1,293)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 112,794</u>	<u>\$ 20,083</u>	<u>\$ 44,299</u>	<u>\$ 177,176</u>

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

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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 three 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 generally accepted accounting principles (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, 2011

**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, 2011

**Note 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)

**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. Investments are reported at cost; there is no significant difference between the fair value and cost of investments.

**TOWN OF FRYE ISLAND, MAINE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1 - SUMMARY OF 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, 2011, 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 - 10 - 40 years  
Buildings and Building Improvements - 20 to 60 years  
Vehicles and Equipment - 5 to 40 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, 2011**

**Note 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Net Assets and Fund Equity Classifications**

Net assets are required to be classified into the following three components:

*Invested in capital assets, net of related debt* - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Capital assets	\$ 6,606,896
Accumulated Depreciation	(1,414,804)
Bonds and Notes Payable	(339,488)
Accrued Interest	<u>(1,294)</u>
Total invested in capital assets	
Net of related debt	<u>\$ 4,851,310</u>

*Restricted* - This component consists of constraints placed on the use of net assets which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

**Fund Balance**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions* (required implementation date of June 2011). The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. Classifications are hierarchical and are based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this Standard, the fund balance classifications of reserved, designated, and undesignated were replaced with the following classifications:

*Nonspendable* - includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

*Restricted* - represent those portions of fund equity that have externally enforceable legal restrictions.

*Committed* - describes the portion of the fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assigned* - This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen and town manager have the authority to assign amounts to be used for specific purposes.

*Unassigned* - represents amounts that are available for any purpose.

***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 expense.

**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, 2011, the Town reported deposits of \$917,701 with a bank balance of \$875,077. All of the Town's bank balance of \$875,077 was covered by FDIC insurance and none was exposed to custodial credit risk.

**Investments**

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$2,112,281 investment, \$2,106,000 is insured by the FDIC and \$6,281 was exposed to custodial risk as of December 31, 2011.

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 2 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

At December 31, 2011, investments consisted of the following:

	<u>Maturities</u>	<u>Cost</u>	<u>Fair Market Value</u>
Certificates of Deposit	2012 - 2021	\$ 2,106,000	N/A
Corporate Bonds	N/A	<u>6,281</u>	<u>3,000</u>
		<u>\$ 2,112,281</u>	<u>\$ 3,000</u>

**Concentration of Credit Risk**

The Town places a limit of \$250,000 on the amount invested in any one issuer. As of December 31, 2011, the Town had individual investments that exceeded 5% of the Town's investments as follows:

	<u>Cost</u>	<u>Percent</u>	<u>Credit Risk Rating</u>
Certificates of Deposit	\$1,136,000	53.9%	N/A

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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, 2010. Assessed values are periodically established by the assessor at 69.3% 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, 2011 was based, was \$113,281,276. Interest was charged at 7.00% on all unpaid taxes from January 1, 2011, and July 1, 2011.

The following summarizes the levy:

**VALUATION AND ASSESSMENT**

<b>VALUATION:</b>		
Real Estate		\$ 113,256,276
Personal Property		<u>25,000</u>
Total Valuation		113,281,276
<b>TAX RATE PER THOUSAND</b>		<u>20.80</u>
<b>TAX COMMITMENT</b>		<u>\$ 2,356,364</u>

**COLLECTION OF 2011 TAXES**

<b>ORIGINAL COMMITMENT</b>		\$ 2,356,364
<b>Less: Collections</b>	\$ 2,279,206	
<b>Transferred to Liens</b>	<u>66,609</u>	<u>2,345,815</u>
<b>2011 TAXES RECEIVABLE at December 31, 2011</b>		<u>\$ 10,549</u>

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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 \$32.20 for the year ended December 31, 2011. 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, 2011 are recognized as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues.

The 2011 property taxes were committed October 20, 2010, were due and payable on January 1 and July 1, 2011, and have been recorded as revenues. The 2012 property taxes were levied on October 18, 2011, and are due and payable January 1, and July 1, 2012. The payments collected in 2011 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/ PAYABLES AND TRANSFERS**

**Interfund Receivables/ Payables**

At December 31, 2011, the balances due to and due from accounts were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ -	\$ 11,950
Enterprise		
Ferry	16,511	-
Golf Club	16,051	-
Marina	<u>15,012</u>	<u>35,624</u>
	<u>\$ 47,574</u>	<u>\$ 47,574</u>

The interfund balances are due to the enterprise fund cash and the general fund cash being kept in the same bank account.

**TOWN OF FRYE ISLAND, MAINE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 4 - INTERFUND RECEIVABLES/ PAYABLES AND TRANSFERS (Continued)**

**Transfers**

Interfund transfers for the year ended December 31, 2011 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 39,224	\$ 108,299
Enterprise		
Ferry	105,724	-
Golf Club	2,575	-
Marina	<u>-</u>	<u>39,224</u>
	<u>\$ 147,523</u>	<u>\$ 147,523</u>

Transfers are used to fund the enterprise fund reserves and to transfer excess revenues from the Marina into the Island Improvement Reserve.

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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, 2011, was as follows:

Governmental Activities:	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Dispositions</u>	Balance December 31, <u>2011</u>
<b>Cost of Assets:</b>				
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	1,485,541	198,406	8,595	1,675,352
Construction in Progress	<u>-</u>	<u>29,967</u>	<u>-</u>	<u>29,967</u>
Total	<u>2,933,761</u>	<u>228,373</u>	<u>8,595</u>	<u>3,153,539</u>
<b>Accumulated Depreciation:</b>				
Land and Land Improvements	591	169	-	760
Buildings and Building Improvements	91,861	15,168	-	107,029
Leasehold Improvements	1,482	988	-	2,470
Equipment and Vehicles	<u>264,466</u>	<u>57,454</u>	<u>8,595</u>	<u>313,325</u>
Total	<u>358,400</u>	<u>73,779</u>	<u>8,595</u>	<u>423,584</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,575,361</u>	<u>\$ 154,594</u>	<u>\$ -</u>	<u>\$ 2,729,955</u>

Depreciation was charged to functions as follows:

General Government	\$ 3,969
Public Works and Sanitation	64,472
Public Safety	4,350
Recreation	<u>988</u>
	<u>\$ 73,779</u>

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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>2010</u>	<u>Additions</u>	<u>Dispositions</u>	Balance December 31, <u>2011</u>
Proprietary Funds:				
Cost of Assets:				
Land and Land Improvements	\$ 1,329,196	\$ -	\$ -	\$ 1,329,196
Buildings and Building Improvements	326,498	-	-	326,498
Equipment and Vehicles	<u>1,697,790</u>	<u>99,873</u>	<u>-</u>	<u>1,797,663</u>
Total	<u>3,353,484</u>	<u>99,873</u>	<u>-</u>	<u>3,453,357</u>
Accumulated Depreciation:				
Land and Land Improvements	140,516	22,319	-	162,835
Buildings and Building Improvements	47,957	8,445	-	56,402
Equipment and Vehicles	<u>695,787</u>	<u>76,196</u>	<u>-</u>	<u>771,983</u>
Total	<u>884,260</u>	<u>106,960</u>	<u>-</u>	<u>991,220</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,469,224</u>	<u>\$ (7,087)</u>	<u>\$ -</u>	<u>\$ 2,462,137</u>
Depreciation was charged to functions as follows:				
Ferry	\$ 58,228			
Golf Course	30,353			
Marina	<u>18,379</u>			
	<u>\$ 106,960</u>			

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 6 - LONG-TERM DEBT AND COMPENSATED ABSENCES**

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2011:

	General Long-Term Debt
Long-Term Debt Payable at December 31, 2010	\$ 363,165
Debt Retired	<u>(23,677)</u>
Long-Term Debt Payable at December 31, 2011	<u>\$ 339,488</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.

\$ 339,488

The annual requirements to amortize debts outstanding as of December 31, 2011, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	25,260	3,883	29,143
2017 – 2021	132,036	13,681	145,717
2022 – 2024	<u>84,455</u>	<u>2,976</u>	<u>87,431</u>
	<u>\$ 339,488</u>	<u>\$ 39,375</u>	<u>\$ 378,863</u>

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 6 - LONG-TERM DEBT AND COMPENSATED ABSENCES (Continued)**

**Compensated Absences**

Accrued vacation as of December 31, 2011 is as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>Ending Balance</u></b>
Accrued Vacation	\$ 6,197	\$ 291	-	\$ 6,488

**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.

**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, 2011. 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, 2011**

**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 .38% (\$5,478) of Cumberland County's outstanding debt of \$1,445,000, and 5.58% (\$1,531,326) of Maine School Administrative District No. 6's outstanding bonded debt of \$27,448,325. In addition, the Town is contracted to pay subsidy to MSAD No. 6 until June 30, 2012, totaling \$581,398.

**NOTE 9 -COMPONENTS OF FUND BALANCE**

Fund balance classifications for the governmental funds as of June 30, 2011 are as follows:

	<u>General Fund</u>
Fund Balances:	
Nonspendable-Prepaid	
Expenses	\$ 1,131
Committed	
Reserves:	
Capital Funds	34,228
Water System Improvements	27,304
Recreation	8,421
Equipment	58,389
Fire and Safety	119,310
Fire Department Operations	4,374
Island Improvement	338,595
School Operations	152,269
Unassigned Fund Balance	<u>473,749</u>
Total All Funds	<u>\$ 1,217,770</u>

**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.

**TOWN OF FRYE ISLAND, MAINE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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, 2011 was \$9,602. 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 \$48,226 for the year ended December 31, 2011.

**NOTE 12 - SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through August 3, 2012, the date the financial statements were available to be issued.

**TOWN OF FRYE ISLAND, MAINE**  
**DECEMBER 31, 2011**

**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, 2011**  
(With Comparative Totals for the Year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>ASSETS:</b>		
Cash/Investments	\$ 2,195,647	\$ 2,083,396
Receivable:		
Taxes	23,290	14,675
Tax Liens	64,094	64,584
Accounts	859	414
Prepaid Expenses	1,131	1,131
Tax Acquired Property	<u>12,861</u>	<u>9,685</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,297,882</u></u>	<u><u>\$ 2,173,885</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
Accounts Payable	\$ 13,743	\$ 23,651
Accrued Liabilities	16,518	13,645
Due to Other Funds	11,950	7,162
Deferred Revenue	<u>1,037,901</u>	<u>973,801</u>
	<u>1,080,112</u>	<u>1,018,259</u>
Fund Balances:		
Nonspendable:	1,131	1,131
Restricted for:		
Reserves	742,890	740,901
Unassigned	<u>473,749</u>	<u>413,594</u>
	<u>1,217,770</u>	<u>1,155,626</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,297,882</u></u>	<u><u>\$ 2,173,885</u></u>

**TOWN OF FRYE ISLAND, MAINE**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>			
Taxes:			
Property	\$ 2,356,692	\$ 2,356,692	\$ -
Change in Deferred Property Revenues	-	(8,880)	(8,880)
Excise	14,000	15,672	1,672
Interest and Lien costs on Taxes	7,000	12,421	5,421
	<u>2,377,692</u>	<u>2,375,905</u>	<u>(1,787)</u>
Licenses and Permits:			
Boat and Vehicle Registrations	1,250	1,754	504
Building Permits	3,500	14,816	11,316
Plumbing and Electrical Permits	1,000	917	(83)
Other Permits and Fines	107	617	510
Hunting/Fishing	100	277	177
	<u>5,957</u>	<u>18,381</u>	<u>12,424</u>
Intergovernmental:			
Homestead Exemptions	225	440	215
Local Road Assistance	7,512	9,132	1,620
Miscellaneous	127	130	3
	<u>7,864</u>	<u>9,702</u>	<u>1,838</u>
Charges for Services:			
Water Hook-up Fees	1,000	2,500	1,500
Solid Waste Fee	5,135	5,711	576
Management Fee	26,100	28,600	2,500
Road Fees	600	1,000	400
Other Fees	-	966	966
	<u>32,835</u>	<u>38,777</u>	<u>5,942</u>
Other:			
Interest Earnings	20,000	17,079	(2,921)
Lease	4,270	2,950	(1,320)
Recreation Fees/Special Events	250	520	270
Miscellaneous	659	4,761	4,102
	<u>25,179</u>	<u>25,310</u>	<u>131</u>
<b>TOTAL REVENUES</b>	<u>2,449,527</u>	<u>2,468,075</u>	<u>18,548</u>

**TOWN OF FRYE ISLAND, MAINE**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b>Variance</b>
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Positive</u></b>
			<b><u>(Negative)</u></b>
<b>EXPENDITURES:</b>			
General Government:			
Administration	\$ 340,326	\$ 336,050	\$ 4,276
Public Works and Sanitation:			
Public Works	236,122	219,402	16,720
Roads	30,240	26,425	3,815
Water	39,200	59,303	(20,103)
Solid Waste	40,820	40,161	659
	<u>346,382</u>	<u>345,291</u>	<u>1,091</u>
Public Safety:			
Fire and Safety	27,289	27,930	(641)
Police	75,514	67,673	7,841
Emergency Medical	25,635	19,419	6,216
	<u>128,438</u>	<u>115,022</u>	<u>13,416</u>
Recreation:	<u>33,173</u>	<u>28,302</u>	<u>4,871</u>
Education:			
School Administrative District 6	<u>1,236,248</u>	<u>1,236,248</u>	<u>-</u>
Fixed Expenses:			
County Tax	96,138	85,583	10,555
Debt Service	30,574	30,601	(27)
	<u>126,712</u>	<u>116,184</u>	<u>10,528</u>
Capital Reserve Accounts:	<u>132,524</u>	<u>122,524</u>	<u>10,000</u>
<b>TOTAL EXPENDITURES</b>	<u>2,343,803</u>	<u>2,299,621</u>	<u>44,182</u>
<b>EXCESS OF REVENUES OVER</b>			
<b>(UNDER) EXPENDITURES</b>	<u>105,724</u>	<u>168,454</u>	<u>62,730</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer to Enterprise Fund	-	(108,299)	(108,299)
Transfer from Enterprise Fund	-	39,224	39,224
	<u>-</u>	<u>(69,075)</u>	<u>(69,075)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER</b>			
<b>(UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 105,724</u>	<u>\$ 99,379</u>	<u>\$ (6,345)</u>

**TOWN OF FRYE ISLAND, MAINE**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Positive (Negative)</u></b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b><u>\$ 105,724</u></b>	<b>\$ 99,379</b>	<b><u>\$ (6,345)</u></b>
<b>RECONCILIATION TO MODIFIED ACCRUAL BASIS</b>			
Transfers to Reserves		(119,639)	
Interest and Other Income from Reserves		<u>82,404</u>	
		<u>(37,235)</u>	
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>		<b><u>\$ 62,144</u></b>	

**TOWN OF FRYE ISLAND, MAINE**  
**STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Nonspendable</u>	<u>Committed</u>	<u>Unassigned</u>	
	<u>Prepaid Expenses</u>	Specific Purpose (Schedule 1)		<u>Total</u>
<b>FUND BALANCE - JANUARY 1, 2011</b>	\$ 1,131	\$ 740,901	\$ 413,594	\$ 1,155,626
<b>EXCESS OF ACTUAL REVENUES AND OTHER SOURCES OVER (UNDER) ACTUAL EXPENDITURES AND OTHER USES</b>	-	1,989	60,155	62,144
<b>FUND BALANCE - DECEMBER 31, 2011</b>	\$ 1,131	\$ 742,890	\$ 473,749	\$ 1,217,770

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, 2011**

	<u>Capital Funds Reserve</u>	<u>Water System Reserve</u>	<u>Recreation Reserve</u>	<u>Equipment Reserve</u>	<u>Fire and Safety Reserve</u>
<b>APPROPRIATIONS:</b>	\$ 12,000	\$ 74,024	\$ 4,000	\$ 20,000	\$ 12,500
<b>REVENUES:</b>					
Interest	1,014	2,052	213	1,323	3,237
Other	-	10,000	-	900	-
	<u>1,014</u>	<u>12,052</u>	<u>213</u>	<u>2,223</u>	<u>3,237</u>
<b>EXPENDITURES FOR DESIGNATED PURPOSES</b>	<u>8,695</u>	<u>70,108</u>	<u>856</u>	<u>6,500</u>	<u>31,300</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	4,319	15,968	3,357	15,723	(15,563)
<b>OTHER FINANCING SOURCES:</b>					
Transfers from Enterprise Fund	-	-	-	-	-
Intrafund Transfers	<u>(12,000)</u>	<u>4,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
	<u>(12,000)</u>	<u>4,000</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(7,681)	19,968	3,357	27,723	(15,563)
<b>BALANCE - BEGINNING OF YEAR</b>	<u>41,909</u>	<u>7,336</u>	<u>5,064</u>	<u>30,666</u>	<u>134,873</u>
<b>BALANCE - END OF YEAR</b>	<u>\$ 34,228</u>	<u>\$ 27,304</u>	<u>\$ 8,421</u>	<u>\$ 58,389</u>	<u>\$ 119,310</u>

**TOWN OF FRYE ISLAND, MAINE**  
**COMBINING STATEMENT OF GENERAL FUND RESERVES**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Fire</u>	<u>Department</u>	<u>Island</u>	<u>Revaluation</u>	<u>School</u>	<u>Total</u>
	<u>Operations</u>	<u>Improvement</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Operations</u>	<u>Reserve</u>
	<u>Reserve</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Reserve</u>
<b>APPROPRIATIONS:</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,524
<b>REVENUES:</b>						
Interest	83	8,467	-	-	2,752	19,141
Other	559	-	-	-	51,804	63,263
	<u>642</u>	<u>8,467</u>	<u>-</u>	<u>-</u>	<u>54,556</u>	<u>82,404</u>
<b>EXPENDITURES FOR DESIGNATED PURPOSES</b>	<u>3,107</u>	<u>121,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,163</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,465)	(113,130)	-	-	54,556	(37,235)
<b>OTHER FINANCING SOURCES:</b>						
Transfers from Enterprise Fund	-	39,224	-	-	-	39,224
Intrafund Transfers	-	(4,000)	-	-	-	-
	<u>-</u>	<u>35,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,224</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(2,465)	(77,906)	-	-	54,556	1,989
<b>BALANCE - BEGINNING OF YEAR</b>	<u>6,839</u>	<u>416,501</u>	<u>-</u>	<u>-</u>	<u>97,713</u>	<u>740,901</u>
<b>BALANCE - END OF YEAR</b>	<u>\$ 4,374</u>	<u>\$ 338,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,269</u>	<u>\$ 742,890</u>

**TOWN OF FRYE ISLAND, MAINE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE**  
**PROPRIETARY FUNDS - CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2011**

	<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>
<b>REVENUES:</b>								
Interest	\$ 7,843	\$ 3,710	\$ 5,110	\$ 1,292	\$ 3	\$ 570	\$ -	\$ 18,528
Other	91,534	322,872	-	244,501	-	16,204	61,175	736,286
	<u>99,377</u>	<u>326,582</u>	<u>5,110</u>	<u>245,793</u>	<u>3</u>	<u>16,774</u>	<u>61,175</u>	<u>754,814</u>
<b>EXPENDITURES FOR DESIGNATED PURPOSES</b>	<u>97,199</u>	<u>331,832</u>	<u>-</u>	<u>232,893</u>	<u>-</u>	<u>11,129</u>	<u>21,951</u>	<u>695,004</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,178	(5,250)	5,110	12,900	3	5,645	39,224	59,810
<b>OTHER FINANCING SOURCES:</b>								
Intrafund Transfer	-	-	-	(5,358)	5,358	-	-	-
Transfers to (from) General Fund Reserve:	-	-	105,724	-	-	-	(39,224)	66,500
	<u>-</u>	<u>-</u>	<u>105,724</u>	<u>(5,358)</u>	<u>5,358</u>	<u>-</u>	<u>(39,224)</u>	<u>66,500</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	2,178	(5,250)	110,834	7,542	5,361	5,645	-	126,310
<b>FUND BALANCE - BEGINNING OF YEAR</b>	288,597	176,374	108,689	47,315	148	48,307	-	669,430
<b>FUND BALANCE- END OF YEAR</b>	<u>\$ 290,775</u>	<u>\$ 171,124</u>	<u>\$ 219,523</u>	<u>\$ 54,857</u>	<u>\$ 5,509</u>	<u>\$ 53,952</u>	<u>\$ -</u>	<u>\$ 795,740</u>

**TOWN OF FRYE ISLAND, MAINE**  
STATEMENT OF DEPARTMENTAL OPERATIONS  
YEAR ENDED DECEMBER 31, 2011

	Appropriation Balances Forward	Appropriations	Transfers and Other Credits	Total Available	Expenditures	Balances		
						Overdrawn	Lapsed	Unexpended
	\$	\$	\$	\$	\$	\$	\$	\$
<b>GENERAL GOVERNMENT</b>								
<b>PUBLIC WORKS AND SANITATION</b>								
Public Works	-	236,122	-	236,122	219,402	-	16,720	-
Roads	-	30,240	-	30,240	26,425	-	3,815	-
Water	-	39,200	-	39,200	59,303	20,103	-	-
Solid Waste	-	40,820	-	40,820	40,161	-	659	-
	-	346,382	-	346,382	345,291	20,103	21,194	-
<b>PUBLIC SAFETY</b>								
Fire and Safety	-	27,289	-	27,289	27,930	641	-	-
Police	-	75,514	-	75,514	67,673	-	7,841	-
Emergency Medical	-	25,635	-	25,635	19,419	-	6,216	-
	-	128,438	-	128,438	115,022	641	14,057	-
<b>RECREATION</b>								
	-	33,173	-	33,173	28,302	-	4,871	-
<b>EDUCATION</b>								
	-	1,236,248	-	1,236,248	1,236,248	-	-	-
<b>FIXED EXPENSES</b>								
County Tax	-	96,138	-	96,138	85,583	-	10,555	-
Debt Service	-	30,574	-	30,574	30,601	27	-	-
	-	126,712	-	126,712	116,184	27	10,555	-
<b>CAPITAL RESERVE ACCOUNTS:</b>								
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	-	-	-
Cape Property Reimbursement	-	10,000	-	10,000	-	-	10,000	-
Capital Equipment	-	12,000	-	12,000	12,000	-	-	-
Recreation Equipment	-	2,000	-	2,000	2,000	-	-	-
Recreation Improvements	-	2,000	-	2,000	2,000	-	-	-
	-	132,524	-	132,524	122,524	-	10,000	-
<b>TOTAL</b>	\$ -	\$ 2,343,803	\$ -	\$ 2,343,803	\$ 2,299,621	\$ 20,771	\$ 64,953	\$ -