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CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF FRYE ISLAND
FINANCIAL REPORT

DECEMBER 31, 2014

BTR

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TOWN OF FRYE ISLAND, MAINE
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Frye Island, Maine, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Tel: 207-781-3445 Fax: 207-781-3578 6 Fundy Road, Suite 100, Falmouth, Maine 04105 www.btr-cpa.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3–9 and 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

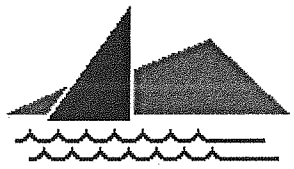
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Frye Island, Maine's basic financial statements. The schedule of general fund reserves, schedule of proprietary fund reserves, and schedule of departmental operations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Berry Talbot Royer

Certified Public Accountants
December 17, 2015



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, 2014. This is the Town's ninth 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.

2014 Financial Highlights

The net position of the Town of Frye Island is 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 Position for the governmental activities for the year ending on December 31, 2014 was $4,017,746, an increase of $52,945 over 2013. Total Net Position for the business type activities for the year ending on December 31, 2014 was $3,479,191, an increase of $104,250.

The total fund balance for the general fund for the year ending December 31, 2014 was $976,126; a decrease of $90,209 over the previous year. Of this balance, $12,729 is nonspendable; $524,026 is reserved for specific purposes, including ferry projects, water system renovations, island improvement projects, etc.; $50,000 is assigned to 2015 use of fund balance; and $389,371 in the unassigned fund balance.

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

Required and 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 Position* and *Statement of Activities.*

The **Statement of Net Position** presents information about the Town's assets and liabilities with the difference between the two reported as net position. Over time, changes in net position (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 position has changed during the fiscal year. All changes in net position 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 Position and the Statement of Activities. Activities in the Enterprise Fund include the Ferry Service, the Golf Course and the Marina Operations.

Statement of Net Position Information

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

Table 1
Statement of Net Position
Year Ended December 31, 2014
(Statement 1)

	Governmental Activities	Business-type Activities	Total
Assets			
Current & Other Assets	$ 2,019,483	$ 1,159,886	$ 3,179,369
Capital Assets, net	3,261,408	2,402,989	5,664,397
Total Assets	5,280,891	3,562,875	8,843,766
Liabilities			
Current Liabilities	62,010	83,684	145,694
Non-current Liabilities	266,667	-	266,667
Total Liabilities	328,677	83,684	412,361
Prepaid Property Taxes	934,468	-	934,468
Total Deferred Inflows of Resources	934,468	-	934,468
Net Position			
Net Investment in Capital Assets	2,993,684	2,402,989	5,396,673
Unrestricted	1,024,062	1,076,202	2,100,264
Total Net Position	$ 4,017,746	$ 3,479,191	$ 7,496,937

The Total Net Position of the Town of Frye Island exceeded its liabilities at the close of the most recent fiscal year by $7,496,937 per Statement 1 (Statement of Net Position). Of this amount, $2,100,264 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The total net position of the Town of Frye Island increased by $157,195 over the previous year.

As of December 31, 2014, the Town of Frye Island reported a combined ending fund balance of $976,126, a decrease of $90,209. Approximately 40% of this total amount, $389,371 is available for spending at the Town's discretion (unassigned fund balance).

A large portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire 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 position represents resources that are subject to restrictions on how they may be expended. The remaining unrestricted balance of net position may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 –
Changes in Net Position
Year Ended December 31, 2014
(Statement 2)

	Governmental Activities	Business-type Activities	Total
Revenues			
Program Revenues			
Charges for Services	$ 58,249	$ 771,945	$ 830,194
Operating Grants and Contributions	16,532	-	16,532
General Revenues			
Property and Excise Taxes	2,576,246	-	2,576,246
Intergovernmental	784	-	784
Miscellaneous / Transfers	(72,575)	72,575	-
Investment Earnings	25,548	5,919	31,467
Total Revenues	**2,604,784**	**850,439**	**3,455,223**
Expenses			
Administration	437,680	-	437,680
Public Works and Sanitation	374,946	-	374,946
Public Safety	187,008	-	187,008
Recreation	37,137	-	37,137
Education	1,364,460	-	1,364,460
Fixed Expenses	113,048	-	113,048
Capital Outlay	37,560	-	37,560
Program Expenditures	-	746,189	746,189
Total Expenses	**2,551,839**	**746,189**	**3,298,028**
Changes in Net Assets	**$ 52,945**	**$ 104,250**	**$ 157,195**

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, 2014
(Statement 2)

Function / Program	Total Cost of Services	Net Cost of Services
General Government	$ 437,680	$ (389,143)
Public Works and Sanitation	374,946	(357,689)
Public Safety	187,008	(187,008)
Recreation	37,137	(36,150)
Education	1,364,460	(1,364,460)
Fixed Expenses	113,048	(113,048)
Capital Reserve Activity	37,560	(29,560)
Total Governmental Activities	$ 2,551,839	$ (2,477,058)

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

The Unassigned fund balance decreased from $507,002 to $389,371, a decrease of $117,631. The Committed fund balance increased from $509,333 to $524,026, an increase of $14,693.The general fund decreased a total of $90,209, which includes an increase in nonspendable fund balance of $12,729.

Analysis of Significant General Fund Budget Variances

For the 2014 year, operating revenues came in below budget expectations by $2,591, a negative variance of 0.1%. Actual expenditures were $49,536 less than the budget, a 1.9 % positive variance.

Significant Capital Asset and Long-Term Debt Activity

- Capital assets totaling $5,664,397 (Statement 1) are being reported as of December 31, 2014. This represents an increase of $77,155 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 $161,050,000 in 2014. This creates a maximum allowed debt service of $12,078,750. The actual long-term debt as of December 31, 2014 was $266,667 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 2014, these expenses totaled $1,516,787 which accounts for 59.30% of the property taxes paid to the municipality. The largest contributor to these required expenses is our payment to RSU 6 which totaled $1,379,071. 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. 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 order to make the necessary final payment to the School District, the Board of Selectmen approved an appropriation of $14,611 from the School Reserve leaving a balance at the end of 2014 of $81,529. The assessment for RSU 6 is $1.49 million in 2015 and we estimate that it will be approaching $1.75 million by 2017. The tax rate for Frye Island is already one of the highest in the State and it is getting increasingly more difficult to keep it from going higher considering the anticipated increases in the school assessment.

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 2015 season. We are funding this project through property taxes at approximately $30,000 to $50,000 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 stark reality is that we will no doubt have to fund replacement of the ferries and the facilities using local funds at some point. 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, some unforeseen catastrophic accident renders one of them inoperable and un-repairable. 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 "Ring Road" facility on the purchased property. In 2015, the Town of Raymond Zoning Board of Appeals rescinded the permit issued by the Planning Board. The Town of Frye Island's selectmen have decided not to move forward with an appeal to the Board of Appeals and are looking at other options.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 2,030,785	$ 1,069,058	$ 3,099,843
Receivables:			
Taxes	12,765	-	12,765
Liens	48,949	-	48,949
Accounts	-	790	790
Inventory	-	4,293	4,293
Prepaid Expenses	12,729	-	12,729
Internal Balances	(85,745)	85,745	-
Capital Assets:			
Land and Construction in Progress	738,108	534,500	1,272,608
Other Capital Assets, Net of Depreciation	2,523,300	1,868,489	4,391,789
TOTAL ASSETS	5,280,891	3,562,875	8,843,766
LIABILITIES			
Accounts Payable	31,353	22,109	53,462
Accrued Expenses	22,955	1,066	24,021
Accrued Compensated Absences	6,645	-	6,645
Accrued Interest Payable	1,057	-	1,057
Unearned Revenues	-	60,509	60,509
Long-Term Liabilities			
Due within One Year	24,916	-	24,916
Due in More Than One Year	241,751	-	241,751
TOTAL LIABILITIES	328,677	83,684	412,361
DEFERRED INFLOWS OF RESOURCES			
Prepaid Property Taxes	934,468	-	934,468
NET POSITION			
Net Investment in Capital Assets	2,993,684	2,402,989	5,396,673
Unrestricted	1,024,062	1,076,202	2,100,264
TOTAL NET POSITION	$ 4,017,746	$ 3,479,191	$ 7,496,937

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, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government						
Governmental Activities						
General Government	$ 437,680	$ 48,537	$ -	$ (389,143)	$ -	$ (389,143)
Public Works and Sanitation	374,946	8,725	8,532	(357,689)	-	(357,689)
Public Safety	187,008	-	-	(187,008)	-	(187,008)
Recreation	37,137	987	-	(36,150)	-	(36,150)
Education	1,364,460	-	-	(1,364,460)	-	(1,364,460)
Fixed Expenses	113,048	-	-	(113,048)	-	(113,048)
Capital Reserve Activity	37,560	-	8,000	(29,560)	-	(29,560)
Total Governmental Activities	2,551,839	58,249	16,532	(2,477,058)	-	(2,477,058)
Business-type activities						
Ferry	436,207	437,777	-	-	1,570	1,570
Golf Club	253,902	260,188	-	-	6,286	6,286
Yacht Club	56,080	73,980	-	-	17,900	17,900
Total Business-type Activities	746,189	771,945	-	-	25,756	25,756
TOTAL PRIMARY GOVERNMENT	$ 3,298,028	$ 830,194	$ 16,532	$ (2,477,058)	$ 25,756	$ (2,451,302)
General Revenues:						
Taxes - Property				$ 2,557,000	$ -	$ 2,557,000
Taxes - Excise				19,246	-	19,246
Intergovernmental				784	-	784
Investment Earnings				25,548	5,919	31,467
Transfers				(72,575)	72,575	-
Total General Revenues, Transfers				2,530,003	78,494	2,608,497
Change in Net Position				52,945	104,250	157,195
Net Position - January 1, 2014				3,964,801	3,374,941	7,339,742
Net Position - December 31, 2014				$ 4,017,746	$ 3,479,191	$ 7,496,937

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

TOWN OF FRYE ISLAND, MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

		Total Governmental Funds
		General Fund
ASSETS		
Cash and Cash Equivalents		$ 2,030,785
Receivables (Net of Allowance for Uncollectibles):		
Taxes		12,765
Liens		48,949
Accounts		-
Prepaid Expenses		12,729
Tax Acquired Property		45,097
TOTAL ASSETS		2,150,325
LIABILITIES		
Accounts Payable		31,353
Accrued Liabilities		22,955
Due to Other Funds		85,745
TOTAL LIABILITIES		140,053
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues - Property Taxes		99,678
Prepaid Property Taxes		934,468
TOTAL DEFERRED INFLOWS OF RESOURCES		1,034,146
FUND BALANCES		
Nonspendable		12,729
Committed for:		
Capital Expenditures		524,026
Assigned		50,000
Unassigned		389,371
TOTAL FUND BALANCES		976,126
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.		3,216,311
Funds are not available to pay for current period expenditures and therefore are deferred in the funds.		99,678
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	$ (266,667)	
Accrued Interest	(1,057)	
Accrued Compensated Absences	(6,645)	(274,369)
Net Position of Governmental Activities		$ 4,017,746

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, 2014

	Total Governmental Funds General Fund
REVENUES	
Taxes	$ 2,580,650
Licenses and Permits	16,308
Intergovernmental	9,316
Charges for Services	32,778
Miscellaneous	26,185
Total Revenues	2,665,237
EXPENDITURES	
General Government	434,086
Public Works and Sanitation	294,825
Public Safety	177,737
Recreation	31,420
Education	1,364,460
Fixed Expenses	239,563
Capital Reserve Activity	140,780
Total Expenditures	2,682,871
EXCESS OF REVENUES UNDER EXPENDITURES	(17,634)
OTHER FINANCING SOURCES (USES)	
Transfer to Enterprise Fund	(105,724)
Transfer from Enterprise Fund	33,149
Total Other Financing Sources (Uses)	(72,575)
NET CHANGE IN FUND BALANCE	(90,209)
FUND BALANCE - JANUARY 1, 2014	1,066,335
FUND BALANCE - DECEMBER 31, 2014	$ 976,126

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, 2014

Net change in fund balances - Total governmental funds (from Statement 4)		$ (90,209)
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	$ 213,067	
Depreciation	(101,336)	111,731
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 position. This is the amount of bond repayments in the current period.		24,585
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.		82
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.		2,632
Revenues in the governmental funds that do not provide current financial resources are not reported as revenues in the statement of activities.		4,124
Change in net position of governmental activities (see Statement 2)		$ 52,945

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

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds			Totals
	Ferry Service	Golf Course	Marina	
ASSETS				
Current Assets				
Cash	$ 909,336	$ 99,782	$ 59,940	$ 1,069,058
Accounts Receivable	-	790	-	790
Inventory	-	4,293	-	4,293
Due from Other Funds	91,817	14,029	-	105,846
Total Current Assets	1,001,153	118,894	59,940	1,179,987
Noncurrent Assets				
Capital Assets, Net of Depreciation	903,562	811,209	688,218	2,402,989
TOTAL ASSETS	1,904,715	930,103	748,158	3,582,976
LIABILITIES				
Current Liabilities:				
Accounts Payable	19,634	2,475	-	22,109
Accrued Liabilities	796	270	-	1,066
Unearned Revenues	58,296	-	2,213	60,509
Due to Other Funds	-	-	20,101	20,101
Total Current Liabilities	78,726	2,745	22,314	103,785
TOTAL LIABILITIES	78,726	2,745	22,314	103,785
NET POSITION				
Net Investment in Capital Assets	903,562	811,209	688,218	2,402,989
Unrestricted Net Assets	922,427	116,149	37,626	1,076,202
TOTAL NET POSITION	$ 1,825,989	$ 927,358	$ 725,844	$ 3,479,191

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Enterprise Fund			Totals
	Ferry Service	Golf Course	Marina	
OPERATING REVENUES				
Memberships and Fees	$ -	$ 175,814	$ -	$ 175,814
Lounge and Pro Shop Sales	-	74,636	-	74,636
Equity Fees	-	-	15,794	15,794
Rental Fees	-	-	58,186	58,186
Charges for Services	437,777	-	-	437,777
Miscellaneous	-	9,738	-	9,738
	437,777	260,188	73,980	771,945
OPERATING EXPENDITURES				
Salaries and Benefits	225,958	118,870	-	344,828
Supplies and Miscellaneous	134,959	99,393	37,701	272,053
Depreciation	75,290	35,639	18,379	129,308
	436,207	253,902	56,080	746,189
OPERATING INCOME	1,570	6,286	17,900	25,756
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	18,625	1,938	1,419	21,982
Net Decrease in the Fair Value of Investment Earnings	(14,393)	(734)	(936)	(16,063)
	4,232	1,204	483	5,919
INCOME BEFORE TRANSFERS	5,802	7,490	18,383	31,675
OPERATING TRANSFERS IN (OUT)				
Transfer from General Fund	105,724	2,903	-	108,627
Transfers to General Fund Reserve	-	-	(36,052)	(36,052)
	105,724	2,903	(36,052)	72,575
CHANGE IN NET POSITION	111,526	10,393	(17,669)	104,250
NET POSITION - JANUARY 1, 2014	1,714,463	916,965	743,513	3,374,941
NET POSITION - DECEMBER 31, 2014	$ 1,825,989	$ 927,358	$ 725,844	$ 3,479,191

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, 2014

	Enterprise Fund			Totals
	Ferry Service	Golf Course	Marina	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 439,752	$ 260,196	$ 73,693	$ 773,641
Payments to Suppliers	(116,780)	(97,710)	(37,701)	(252,191)
Payments to Employees	(224,596)	(118,720)	-	(343,316)
Increase in Due from Other Funds	(16,583)	(5)	-	(16,588)
Increase in Due to Other Funds	-	-	286	286
Net Cash Provided by Operating Activities	81,793	43,761	36,278	161,832
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisitions of Operating Property	(67,185)	(27,291)	-	(94,476)
Transfer from General Fund	105,724	2,903	-	108,627
Transfers to General Fund Reserve	-	-	(36,052)	(36,052)
Net Cash Used by Capital and Related Financing Activities	38,539	(24,388)	(36,052)	(21,901)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Earnings	18,625	1,938	1,419	21,982
Net Decrease in the Fair Value of Investment Earnings	(14,393)	(734)	(936)	(16,063)
	4,232	1,204	483	5,919
NET INCREASE IN CASH	124,564	20,577	709	145,850
CASH - AT BEGINNING OF YEAR	784,772	79,205	59,231	923,208
CASH - AT END OF YEAR	$ 909,336	$ 99,782	$ 59,940	$ 1,069,058
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 1,570	$ 6,286	$ 17,900	$ 25,756
Adjustments Not Affecting Cash:				
Depreciation Expense	75,290	35,639	18,379	129,308
Change in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	-	8	-	8
Inventory	-	(909)	-	(909)
Due from Other Funds	(16,583)	(5)	-	(16,588)
(Decrease) Increase in:				
Accounts Payable	19,634	2,475	-	22,109
Accrued Liabilities	(93)	267	-	174
Deferred Revenues	1,975	-	(287)	1,688
Due to Other Funds	-	-	286	286
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 81,793	$ 43,761	$ 36,278	$ 161,832

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

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.

The financial statements of the Town conform to accounting principles generally accepted in the United States of America as applicable to government units. 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 pronouncement of the Financial Accounting Standards Board (FASB) (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.

Principles Determining Scope of Reporting Entity

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 the GASB, the Town (the primary government) is financially accountable if it appoints a voting majority of the organization's 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 benefits to or impose specific financial burdens on the Town. The Town also is financially accountable for organizations that are fiscally dependent on it and if there is a financial benefit or burden relationship. 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.

Government-Wide Financial Statements

The government-wide financial statements, comprised of the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the Town. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities points out the extent to which the direct expenses of a given function are offset by program revenues. The Town does not allocate indirect costs among the programs and functions. 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. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

Separate financial statements are provided for governmental funds, and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measure made, regardless of the measurement focus applied.

Government-wide financial statements and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets, other non-current assets, and long-term liabilities. Under accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus excludes from measurement resources such as fixed assets, other non-current assets, and long-term liabilities. Revenues are recognized when they are both measurable and available. Under modified accrual accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. The Town records activities using fund accounting for the following funds:

Governmental Activities

Governmental funds are identified as general, special revenue, capital projects, or permanent funds based upon specific guidelines. The following fund types are used by the Town:

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.

Business-type Activities

Proprietary Funds are used to account for the Town's ongoing activities, which are similar to those often found in the private sector. The following is the Town's proprietary fund type:

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. The Town's enterprise funds are the ferry, golf course, and the marina.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

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 fair market value.

Inventories of Supplies

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.

Interfund Transactions

During the course of normal operations, transactions occur between individual funds. Interfund transactions are classified depending on the nature of the transaction.

Interfund loans are recorded as receivables and payables and are presented as "due to other funds" and "due from other funds," respectively, on the balance sheets of the fund financial statements. For reporting purposes, current amounts due from and due to the same funds are offset and the net amounts are shown in the respective fund balance sheets.

Interfund transfers are flows of assets from one fund to another without equivalent flows of assets in return. Interfund transfers are recorded and are presented as "transfers in" and "transfers out" in the fund financial statements. In the governmental funds, these transfers are reported as other financing sources and uses.

As a general rule, the effect of interfund activity between governmental funds is eliminated from the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The Town currently has no deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the Town's deferred inflows of resources consist of prepaid property taxes. In the fund financial statements, due to differences in the modified accrual basis of accounting, deferred inflows also include deferred (unavailable) property taxes.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Proprietary fund assets are reported in the business-type activities column.

Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 for machinery and equipment, $10,000 for other assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Land Improvements - 10 to 40 years
Buildings and Building Improvements - 20 to 60 years
Vehicles and Equipment - 5 to 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized

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

Compensated Absences

Under the terms of personnel policies, vacation and sick leave are granted in varying amounts according to length of service. The Town accrues accumulated sick leave and vacation time. As of December 31, 2014, the accrual for compensated absences was determined to be $6,645 which has been included in the government-wide 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 net position. Bond premiums and discounts, if material to the basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt and the premiums received are reported as other financing resources. Discounts on debt issuances are reported as other financing uses.

Net Position and Fund Equity Classifications

Net Position is required to be classified into the following three components:

Net Investment in Capital Assets - 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.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Net Position and Fund Equity Classifications (Continued)

Net Position (Continued)

Capital assets	$3,964,639
Accumulated depreciation	(703,231)
Bonds and notes payable	(266,667)
Accrued interest	(1,057)
Total invested in capital assets net of related debt	$2,993,684

Restricted - This component consists of constraints placed on the use of net position 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 position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Balance

In the fund financial statements, governmental fund balance is presented in five possible categories:

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.

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.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

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

For deposits and investments, 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, investments, and/or collateralized securities that are in the possession of an outside party. 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.

Deposits

As of December 31, 2014, the Town reported deposits of $396,647 with a bank balance of $402,640. $250,000 of the Town's bank balance was covered by FDIC insurance and $152,640 was exposed to custodial credit risk. The balance exposed to custodial credit risk was uninsured and uncollateralized.

Investments

The Town's $2,265,402 of investments were exposed to custodial credit risk as of December 31, 2014. $1,890,624 of the Town's investment balance was covered by FDIC insurance and $374,778 was exposed to custodial credit risk. At December 31, 2014, investments consisted of the following:

	Fair Market Value	Not Applicable	<1	1 - 5	6 - 10
Cash and Cash Equivalents	$ 71,580	$ 71,580	$ -	$ -	$ -
Stocks	374,778	374,778	-	-	-
Certificates of Deposit	1,819,044	-	401,759	1,116,474	300,811
Total	$2,265,402	$ 446,358	$ 401,759	$ 1,116,474	$ 300,811

Concentration of Credit Risk

As of December 31, 2014, the Town had individual investments that exceeded 5% of the Town's investments as follows:

	Fair Market Value	Percent	Credit Risk Rating
Certificates of Deposit	$1,724,154	76.1%	N/A
Stocks	$374,778	16.5%	N/A

The Town places a limit of $250,000 on the amount invested in any one issuer. The Town is in compliance with this policy.

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, 2013. Assessed values are periodically established by the assessor at the 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, 2014 was based, was $115,748,540. Interest was charged at 7.00% on all unpaid taxes from January 1 and July 1, 2014.

The following summarizes the levy:

VALUATION AND ASSESSMENT

VALUATION:	
Real Estate	$ 115,718,340
Personal Property	30,200
Total Valuation	115,748,540
TAX RATE PER THOUSAND	22.09
TAX COMMITMENT	$ 2,556,538

COLLECTION OF 2014 TAXES

Original Commitment		$ 2,556,538
Less: Collections in the current period	$ 2,496,885	
Transferred to Liens	58,903	2,555,788
2014 TAXES RECEIVABLE at December 31, 2014		$ 750

Taxes receivable at June 30, 2015 are as follows:

Taxes - Current Year	$ 750
Taxes - Prior Years	12,015
	$ 12,765

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 $49 for the year ended December 31, 2014. 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, 2014 are recognized as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues.

The 2014 property taxes were committed October 18, 2013, were due and payable on December 31, 2013 and June 30, 2014, and have been recorded as revenues. The 2015 property taxes were levied on October 17, 2014, and are due and payable December 31, 2014 and June 30, 2015. The payments collected in 2014 have been recorded as prepaid property taxes. 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.

NOTE 3 - PROPERTY TAX (Continued)

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, 2014, the balances due from (receivables) and due to (payables) accounts were as follows:

Fund	Interfund Receivables	Interfund Payables
General	$ -	$ 85,745
Enterprise		
Ferry	91,817	-
Golf Club	14,029	-
Marina	-	20,101
	$ 105,846	$ 105,846

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when the activity is accounted for through the centralized checking.

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014 consisted of the following:

Fund	Transfers In	Transfers Out
General	$ 36,052	$ 108,627
Enterprise		
Ferry	105,724	-
Golf	2,903	-
Marina	-	36,052
	$ 144,679	$ 144,679

Transfers are used to fund the Long-Term Transportation reserve, to pay for leisure lounge improvements from the Island Improvement Reserve, and to transfer net income from slip rentals for the Marina into the Island Improvement Reserve.

NOTE 6 - FIXED ASSETS

Capital asset activity for the town's general fund operations for the year ended December 31, 2014, was as follows:

Governmental Activities	Balance December 31, 2013	Additions	Dispositions	Balance December 31, 2014
Cost of Assets				
Assets Not Being Depreciated:				
Land	$ 636,006	$ 255	$ -	$ 636,261
Construction in Progress	-	101,848	-	101,848
Assets Being Depreciated				
Land Improvements	95,166	-	-	95,166
Buildings and Building Improvements	1,000,222	-	-	1,000,222
Leasehold Improvements	71,616	12,465	-	84,081
Equipment and Vehicles	1,948,307	98,754	-	2,047,061
Total	3,751,317	213,322	-	3,964,639
Accumulated Depreciation				
Land and Land Improvements	5,730	2,484	-	8,214
Buildings and Building Improvements	141,100	18,761	-	159,861
Leasehold Improvements	4,879	2,354	-	7,233
Equipment and Vehicles	450,186	77,737	-	527,923
Total	601,895	101,336	-	703,231
Governmental Activities Capital Assets, Net	$ 3,149,422	$ 111,986	$ -	$ 3,261,408

Depreciation was charged to functions as follows:

General Government	$ 6,229
Public Works and Sanitation	80,115
Public Safety	9,273
Recreation	5,719
Total	$ 101,336

NOTE 6 - FIXED ASSETS (Continued)

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

Proprietary Funds	Balance December 31, 2013	Additions	Dispositions	Balance December 31, 2014
Cost of Assets				
Assets Not Being Depreciated				
Land	$ 534,500	$ -	$ -	$ 534,500
Assets Being Depreciated				
Land Improvements	835,069	57,198	-	892,267
Buildings and Building Improvements	369,881	-	-	369,881
Equipment and Vehicles	1,927,568	37,277	-	1,964,845
Total	3,667,018	94,475	-	3,761,493
Accumulated Depreciation				
Land and Land Improvements	207,475	22,320	-	229,795
Buildings and Building Improvements	73,295	10,615	-	83,910
Equipment and Vehicles	948,428	96,371	-	1,044,799
Total	1,229,198	129,306	-	1,358,504
Business-Type Activities Capital Assets, Net	$ 2,437,820	$ (34,831)	$ -	$ 2,402,989

Depreciation was charged to functions as follows:	
Ferry	$ 75,288
Golf Course	35,639
Marina	18,379
Total	$ 129,306

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2014:

Governmental Activities	Beginning Balance	Payments	Ending Balance	Amounts Due Within One Year
General Obligation Bond	$ 291,252	$ (24,585)	$ 266,667	$ 24,916

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	$ 266,667

The annual requirements to amortize debts outstanding as of December 31, 2014, are as follows:

Year Ending	Principal	Interest	Total Debt Service
2015	$ 24,916	$ 4,228	$ 29,144
2016	25,260	3,883	29,143
2017	25,620	3,523	29,143
2018	25,997	3,147	29,144
2019	26,390	2,753	29,143
2020 - 2024	138,484	7,232	145,716
	$ 266,667	$ 24,766	$ 291,433

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its stated assessed valuation. The Town's outstanding debt at December 31, 2014, of $266,667 was approximately $23,890,833 below the Town's statutory debt limit.

A summary of the Town's legal debt margin is as follows:

	Outstanding Bonds & Notes	State Assessed Value of $161,050,000	Debt Limit	Margin
Municipal Purposes	$ 266,667	15%	$ 24,157,500	$ 23,890,833

Total interest expended on long-term debt was $4,558 for the fiscal year.

NOTE 8 - CONTINGENT LIABILITIES AND OTHER DISCLOSURES

Litigation

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

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool, as well as coverage provided by purchased commercial insurance. The Town is not aware of any material actual or potential claim liabilities that should be recorded at December 31, 2014. 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 9 - 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 .42% ($155,588) of Cumberland County's outstanding debt of $37,310,000, and 6.26% ($1,236,234) of Maine School Administrative District No. 6's outstanding bonded debt of $19,750,489. In addition, the Town is contracted to pay subsidy to MSAD No. 6 until June 30, 2015, totaling $710,219.

NOTE 10 - SELECTED COMPONENTS OF FUND BALANCE

At December 31, 2014, fund balance components on Statement 3 consisted of the following:

	Nonspendable	Committed	Assigned	Unassigned
General Fund				
Nonspendable	$ 12,729	$ -	$ -	$ -
Committed				
Reserves for:				
Capital Funds	-	29,367	-	-
Water System Improvements	-	30,295	-	-
Recreaetion	-	29,453	-	-
Equipment	-	48,681	-	-
Fire and Safety	-	114,385	-	-
Fire Department Operations	-	107	-	-
Island Improvement	-	190,209	-	-
School Operations	-	81,529	-	-
Assigned				
2015 Use of Fund Balance	-	-	50,000	-
Unassigned	-	-	-	389,371
Total All Funds	$ 12,729	$ 524,026	$ 50,000	$ 389,371

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, 2014 was $10,268. 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 was $56,836 for the year ended December 31, 2014.

NOTE 12 - SUBSEQUENT EVENTS

In October 2013, the Town voters approved a general obligation bond or note for the construction of a new Town Office. The new bond will be with Maine Municipal Bond Bank, for a 10-year term at interest rates that range between 0.41% to 2.78%. Total amount financed will be $150,000.

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 17, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes the Budgetary Comparison Schedule - Budget and Actual - General Fund - Budgetary Basis.

TOWN OF FRYE ISLAND, MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2014

	Initial and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	$ 2,556,538	$ 2,557,000	$ 462
Change in Deferred Property Revenues	-	(4,124)	(4,124)
Excise	14,000	15,941	1,941
Interest and Lien costs on Taxes	8,500	11,833	3,333
	2,579,038	2,580,650	1,612
Licenses and Permits:			
Boat and Vehicle Registrations	1,400	3,305	1,905
Building Permits	12,000	10,167	(1,833)
Plumbing and Electrical Permits	1,000	1,887	887
Other Permits and Fines	325	501	176
Hunting/Fishing	250	448	198
	14,975	16,308	1,333
Intergovernmental:			
Homestead Exemptions	675	513	(162)
Local Road Assistance	7,512	8,532	1,020
State Revenue Sharing	250	220	(30)
Miscellaneous	127	51	(76)
	8,564	9,316	752
Charges for Services:			
Water Hook-up Fees	1,000	2,000	1,000
Solid Waste Fee	5,000	6,125	1,125
Management Fee	26,500	23,600	(2,900)
Road Fees	800	600	(200)
Other Fees	1,000	453	(547)
	34,300	32,778	(1,522)
Other:			
Interest Earnings	20,000	24,975	4,975
Net Decrease in the Fair Value of Investment Earnings	-	(15,060)	(15,060)
Lease	6,561	6,561	-
Recreation Fees/Special Events	250	534	284
Miscellaneous	340	5,375	5,035
	27,151	22,385	(4,766)
TOTAL REVENUES	2,664,028	2,661,437	(2,591)

See Notes to Required Supplementary Information.

TOWN OF FRYE ISLAND, MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2014

	Initial and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General Government:			
Administration	$ 370,945	$ 434,086	$ (63,141)
Public Works and Sanitation:			
Public Works	249,806	207,188	42,618
Roads	34,800	29,403	5,397
Water	43,405	24,823	18,582
Solid Waste	46,783	33,411	13,372
	374,794	294,825	79,969
Public Safety:			
Fire and Safety	26,207	23,227	2,980
Police	80,911	89,020	(8,109)
Emergency Medical	82,234	65,490	16,744
	189,352	177,737	11,615
Recreation:	42,026	31,420	10,606
Education:			
School Administrative District 6	1,364,460	1,364,460	-
Fixed Expenses:			
County Tax	107,553	105,977	1,576
Debt Service	30,601	31,739	(1,138)
Overlay	49	-	49
	138,203	137,716	487
Capital Reserve Accounts:	128,524	118,524	10,000
TOTAL EXPENDITURES	2,608,304	2,558,768	49,536
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	55,724	102,669	46,945
OTHER FINANCING SOURCES (USES)			
Transfer to Enterprise Fund	(105,724)	(105,724)	-
Transfer from Enterprise Fund	-	33,149	33,149
Use of Fund Balance	50,000	-	(50,000)
	(55,724)	(72,575)	(16,851)
EXCESS OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	$ -	$ 30,094	$ 30,094

See Notes to Required Supplementary Information.

TOWN OF FRYE ISLAND, MAINE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2014

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 and sanitation, public safety, recreation, education, and general administrative services.

NOTE 1 - BUDGETARY ACCOUNTING

Each year a budget is adopted for the general fund only. The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

In the prior year, the Town prepared a budget for the year beginning January 1. The operating budget included proposed expenditures and the means of financing them.

After giving public notice of the meeting, the inhabitants of the Town voted in the prior October for the purpose of adopting the proposed budget.

The budget was adopted subsequent to the vote by the inhabitants of the Town.

Formal budgetary integration is employed as a management control device during the year for the general fund.

NOTE 2 - BUDGET VS GAAP BASIS OF ACCOUNTING

The following is an explanation of the various differences and their effect on current year revenues and expenditures on a GAAP basis as presented in Statement 4:

Excess of Revenues and Other Soures Over (Under) Expenditures and Other Uses (Exhibit 1)	$	30,094
Transfers to Reserves		(30,256)
Interest and Other Income from Reserves (Schedule 1)		11,800
Construction in Progress not reported on the Budgetary Comparison Schedule		(101,847)
Net Change in Fund Blances (Statement 4)	$	(90,209)

OTHER SUPPLEMENTARY INFORMATION

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, 2014

Schedule 1

	Fund Balances Beginning of Year	Appropriations	Interest	Net Decrease in the Fair Value of Investments	Other Revenues	Transfers In (Out)	Program Expenditures	Fund Balances End of Year
Capital Reserve	$ 29,829	$ 12,000	$ 785	$ (398)	$ -	$ -	$ 12,849	$ 29,367
Water System Reserve	25,011	50,000	772	(1,227)	8,000	-	52,261	30,295
Recreation Reserve	34,375	10,000	875	(732)	-	-	15,065	29,453
Equipment Reserve	62,131	20,000	1,468	(924)	-	-	33,994	48,681
Fire and Safety Reserve	111,139	2,500	2,612	(1,866)	-	-	-	114,385
Fire Department Operations Reserve	102	-	6	(1)	-	-	-	107
Island Improvement Reserve	151,321	24,024	3,726	(2,011)	-	33,149	20,000	190,209
School Operations Reserve	95,425	-	2,275	(1,560)	-	-	14,611	81,529
TOTAL	$ 509,333	$ 118,524	$ 12,519	$ (8,719)	$ 8,000	$ 33,149	$ 148,780	$ 524,026

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
PROPRIETARY FUNDS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2014

	Fund Balances Beginning of Year	Interest	Net Decrease in the Fair Value of Investments	Other Revenues	Transfers In (Out)	Program Expenditures	Fund Balances End of Year
Ferry Reserve	$ 299,053	$ 6,372	$ (4,932)	$ 93,233	$ -	$ 31,590	$ 362,136
Ferry Service Operations Reserve	87,733	3,024	(2,123)	336,504	-	334,221	90,917
Long-Term Transportation Reserve	397,986	9,229	(7,338)	7,880	105,724	57,198	456,283
Golf Club Operations Reserve	76,595	1,645	(661)	258,486	-	237,522	98,543
Golf Club Equipment Reserve	2,610	293	(73)	1,700	-	3,291	1,239
Yacht Club Equity Reserve	59,231	1,419	(936)	15,794	-	15,568	59,940
Yacht Club Rental Reserve	-	-	-	58,186	(36,052)	22,134	-
TOTAL	$ 923,208	$ 21,982	$ (16,063)	$ 771,783	$ 69,672	$ 701,524	$ 1,069,058

Schedule 3

TOWN OF FRYE ISLAND, MAINE
STATEMENT OF DEPARTMENTAL OPERATIONS
YEAR ENDED DECEMBER 31, 2014

	Appropriation Balances Forward	Appropriations	Transfers and Other Credits	Total Available	Expenditures	Balances		
						Lapsed		Carried Forward
						Overdrawn	Unexpended	
GENERAL GOVERNMENT	$ -	$ 370,945	$ -	$ 370,945	$ 434,086	$ 63,141	$ -	$ -
PUBLIC WORKS AND SANITATION								
Public Works	-	249,806	-	249,806	207,188	-	42,618	-
Roads	-	34,800	-	34,800	29,403	-	5,397	-
Water	-	43,405	-	43,405	24,823	-	18,582	-
Solid Waste	-	46,783	-	46,783	33,411	-	13,372	-
	-	374,794	-	374,794	294,825	-	79,969	-
PUBLIC SAFETY								
Fire and Safety	-	26,207	-	26,207	23,227	-	2,980	-
Police	-	80,911	-	80,911	89,020	8,109	-	-
Emergency Medical	-	82,234	-	82,234	65,490	-	16,744	-
	-	189,352	-	189,352	177,737	8,109	19,724	-
RECREATION	-	42,026	-	42,026	31,420	-	10,606	-
EDUCATION	-	1,364,460	-	1,364,460	1,364,460	-	-	-
FIXED EXPENSES								
County Tax	-	107,553	-	107,553	105,977	-	1,576	-
Debt Service	-	30,601	-	30,601	31,739	1,138	-	-
Overlay	-	49	-	49	-	-	49	-
	-	138,203	-	138,203	137,716	1,138	1,625	-
CAPITAL RESERVE ACCOUNTS:								
Water	-	50,000	-	50,000	50,000	-	-	-
Fire Department Equipment	-	2,500	-	2,500	2,500	-	-	-
Capital Equipment	-	12,000	-	12,000	12,000	-	-	-
Public Works Equipment	-	20,000	-	20,000	20,000	-	-	-
Cape Property Reimbursement	-	10,000	-	10,000	0	-	10,000	-
Recreation Equipment	-	34,024	-	34,024	34,024	-	-	-
	-	128,524	-	128,524	118,524	-	10,000	-
TOTAL	$ -	$ 2,608,304	$ -	$ 2,608,304	$ 2,558,768	$ 72,388	$ 121,924	$ -