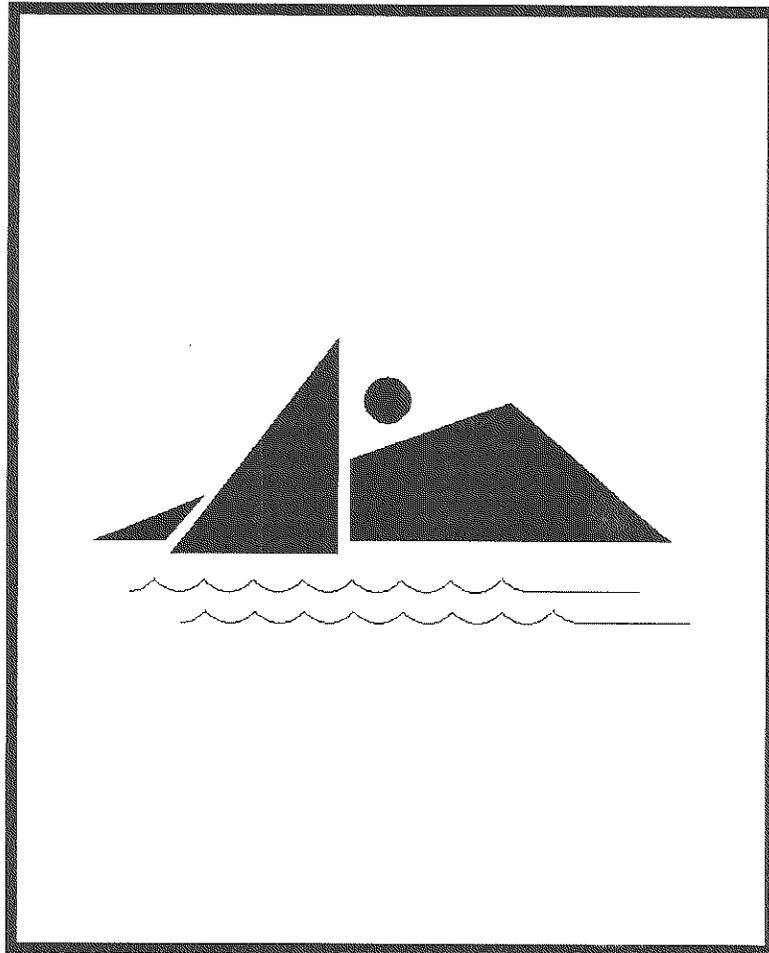


FRYE ISLAND



1992

ANNUAL REPORT

FOREWORD

This year, the Board of Directors and Trustees of Frye Island recognized a need to document not only the previous year's fiscal activities but also the previous year's management activities.

This Annual Report will delineate both fiscal and management activities for the year 1992. The content and text of the report allows each Islander a chance to find out more about management activities and to better understand the fiscal activities.

The most encouraging note of 1992 was the successful implementation of the integration of all activities on the Island. This integration has created more efficient and more effective management of the Island. Information provided in this report is for both Frye Island Inc. and Frye Island Municipal Services Corporation.

FRYE ISLAND ANNUAL REPORT--1992

The 1992 season was an unusually wet and cold season. Every major three day weekend was rained out. The cold spring and wet fall reduced the amount of time Islanders were on the Island. The season was longer from opening day to closing day, but shorter in terms of good days.

This reduced number of "good days" was reflected in fewer ferry rides and a different flow pattern to golf course play. Ferry revenue was down from \$138,000 in 1991 to \$130,000 in 1992; golf greens fees were slightly higher in 1992 than 1991. However, the play was concentrated in August and September, rather than June, July, and August. Golf rentals were down by approximately \$2,000 from 1991 to 1992.

COMMUNITY CENTER

1992 was a good year for the continuing renovation of Island facilities and equipment. New siding was placed on the east side of the Community Center, decks were removed, and the old pool was torn down and removed.

PUBLIC WORKS

A new rubbish compactor truck was financed with a 7.3 % five-year lease-purchase agreement and was successfully used for Island waste removal. A fence was installed around the Brush Dump; a chipper was purchased to keep the Brush Dump active; and a dumpster was placed at the Brush Dump to allow for everyday drop off of household rubbish. These changes to solid waste management translated into approximately 80 fewer trips to the Standish Transfer Station in 1992 than in 1991. This success will change solid waste management in 1993; a recycling program can be instituted and Thursday pick up eliminated.

Additional purchases included a pickup truck with snow plow (plowing the ferry landing in the winter and Island use during the summer), and a new 90 gpm pump for the water system (which will be used in the water system when it is upgraded to meet requirements of the Safe Drinking Water Act).

GOLF

At the golf course, the new John Deere tractor (complete with backhoe and bucket) allowed Jay to work on the course all summer and into the fall. Improvements were made--a new tee, additional drainage pipe, and new irrigation lines. This tractor was financed at 6.9% for four years with the John Deere Company. A new mower blade sharpener will pay for itself within two years. A freezer allowed for bulk ordering and storage of food items for the snack bar.

MAINTENANCE

The new maintenance building which was built in the late fall of 1991 was a great facility for the maintenance and golf crews. Inventory and equipment was stored in a safe and secure structure. The crews could work on equipment which previously could not be repaired and this equipment was put back into service (for example, the road grader).

ADMINISTRATION

A new copier had been budgeted in 1992, but investigation into a laser printer proved more cost efficient and less labor intensive to produce the FINS, newsletters and informational mailings. The cost of a new copier would have been approximately \$6,000; the printer and a new computer were purchased for \$5,300. The printer produced a better FINS in 1992, the Winter Newsletter in 1993, and the ferry schedule in 1993. The ability to produce in-house will save several hundred dollars in printing costs over the next few years.

FERRY

Two new engines and driveshafts were installed in the second boat during the winter. Both boats now have new engines and shafts. We also started an underwater inspection program which we will have on a yearly basis.

PLANNING

Plans for the Boat Basin Facility (Marina) moved ahead slowly but surely. The DEP "guaranteed" a permit, but final plans were not approved in 1992. (Permit received in May 1993)

In October 1992, the FII Board won the auction bid on three lots with septic approved designs. These "permits" or approved septic designs will be transferred to three other lots which FII owns. FII will be able to sell three lots without affecting the 750 cottage limit or affecting any owners' ability to build. The lots will be sold at market value and the "profit" between the auction price and selling price will be placed into an endowment fund. Interest from this fund can be used for capital improvements or for operating expenses.

The Island moved ahead in late 1992 with plans to join other seasonal water systems in Maine to develop an exemption to the EPA's June 29, 1993 deadline for filtration. If granted, the Island could implement a pilot program, test new technology and develop upgrade plans over a three year period.

INSURANCE

Liability and property insurance was put out to bid in 1992. A new policy was written for 1992-1993 with an estimated savings of \$7,000 to \$10,000. Amendments to the policy during the second half of 1992 were made to cover new equipment purchases. Amendments included policies for the compactor truck, the 4-WD pickup truck, the John Deere tractor, the wood chipper, and a pressure washer as well as upgrading the umbrella policy to cover the ferry and Workers' Compensation. In 1992 we saved \$4,700. Savings for 1992-1993 should be approximately \$8,000.

Other insurance costs in 1993 will increase. Workers' Compensation policies will be written by a new state insurance agency. There will be a 15% surcharge for the initial sign up and an increase of 9% in the policy(ies). At this time, we are still working with a private insurer to cover Workers' Compensation at a reduced rate (but still higher than the old policy rates). Our State unemployment rate has risen from 6.5% to 8.2% in 1993.

BUDGET

Except for the new water pump and ferry engines, all equipment was purchased from operating funds, not from Reserve Funds. The ferry engines had been budgeted from the Ferry Reserve; the need for a new water pump was unexpected, but the old one was inoperable at the beginning of the season. By spending general operating funds for equipment, money was kept in the Reserve Funds for future capital improvements.

The 1993 budgets for FII and MSC recognized the importance of continuing to improve and renovate the Island facilities. Appropriations were made for: resurfacing the tennis courts at the Community Center (will be done June 1993); capital improvements to meet the federal mandates to upgrade the water system; and improving and increasing the number of hours for the recreation program at the Community Center.

HUMAN RESOURCES

In 1992 the Board adopted a new Personnel Policy for all Island employees. The policy identified terms of employment and set pay scale ranges for each position. The number of employees who worked on the Island in 1992 was the same number in each of the past three years. Employee classifications are:

POSITION	DEPARTMENT	CATEGORY	# OF
	<u>Ferry</u>		
Director		Annual part-time	1
Captain		Seasonal full-time	2
Captain		Summer full time	1
Mate		Seasonal full-time	3
Mate		Summer full-time	1
Captain		Call when needed	1
Mate		Call when needed	1
	<u>Maintenance</u>		
Director		Annual full-time	1
Assistant Director		Annual full-time	1
Equipment Operator		Annual part-time	1
Equipment Operator		Summer full-time	1
Crew		Seasonal full-time	1
Crew		Summer full-time	1
	<u>Golf</u>		
Greenskeeper		Annual part-time	1
Crew		Seasonal full-time	1
Crew		Summer full-time	2
Pro Shop/Lounge Director		Seasonal full-time	1
Assistant		Summer full-time	1
Assistant		Summer part-time	1
	<u>Recreation</u>		
Director		Seasonal full-time	1
	<u>Administration</u>		
General Manager		Annual full-time	1
Financial Coordinator		Annual full-time	1
Office Administrator		Annual part-time	1

Annual full-time is 12-month employment; annual part-time is full-time for the Island season and part-time for the rest of the year; seasonal is full-time during Island season; and summer can be either full-time or part-time for the summer months of June, July and August.

In 1992, we established a Call When Needed category for ferry captains and mates. We had one experienced captain and one experienced mate ready to work in case of an emergency or sick calls by the scheduled crew. Call When Needed also allowed us some freedom in scheduling the ferries. Each person worked one day per week to maintain a hands-on capability.

The Personnel Policy included a clear and firm statement by the Administration on sexual harassment. Complaint procedures were outlined. A training seminar was held at the beginning of the season for all employees. It should be noted that, because an Islander is a Shareholder in FIL, he/she may be legally considered an employer.

INTEGRATION

The 1992 effort to move the Island forward was predicated upon the integration of the two Boards. This integration went smoothly in 1992. Seven Islanders sit on both Boards, two additional Islanders sit on the MSC Board , and two additional Islanders sit on the FII Board. Meetings of the Boards are held jointly--which reduces costs and increases productivity. All elected officials comment on each Board's activity. Members of each Board vote for the respective corporate policy.

The integration of activities has not endangered the financial position of either corporation (FII or MSC). MSC ended the 1992 fiscal year with a \$13,026 surplus, a Reserve Balance of \$153,531 and a Fund Balance of \$47,939. FII ended the fiscal year by receiving a refund from IRS. The Balance Sheets are sound and reflect cash positions strong enough to meet all obligations: current and long-term.

The financial information which follows shows:

- 1) Audited Statements for each company: Balance Sheet and Income Statement
- 2) 1992 Actual versus Budgeted Income Statements
- 3) Pie chart of 1992 revenue and expenditure by company

FRYE ISLAND MUNICIPAL SERVICES CORPORATION
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 1992

ASSETS:		
Cash		\$378,554
Receivables:		
Taxes (Net of Allowance for Uncollectables of \$354)	\$197,167	
Tax Liens	<u>8,423</u>	205,590
Tax Acquired Property		7,562
Prepaid Items		<u>502</u>
 TOTAL ASSETS		 \$592,208 =====

LIABILITIES AND FUND BALANCES:		
Liabilities		
Accounts Payable	\$ 13,761	
Deferred Revenue	<u>376,977</u>	\$390,738
Fund Balances:		
Reserved:		
For Specific Purposes	\$153,531	
Unreserved:		
Undesignated	<u>47,939</u>	<u>201,470</u>
 TOTAL LIABILITIES AND FUND BALANCES		 \$592,208 =====

FRYE ISLAND MSC--1992 BUDGET AND 1992 AUDIT

	<u>Budget</u> <u>1992</u>	<u>ACTUAL</u> <u>1992</u>	<u>Ferry</u>	<u>Maintenance</u>	<u>Water</u>	<u>Recreation</u>	<u>Administration</u>
Income							
Property Taxes	372,501	373,556	0	0	0	0	373,556
Ferry Receipts	125,000	130,276	130,276	0	0	0	0
Interest	11,000	10,699	0	0	0	0	10,699
Management Services	11,727	11,727	0	0	0	0	11,727
Other Income	2,000	9,081	2,200	325	450	858	5,248
Surplus (88-90)	78,000	78,000	0	0	0	0	78,000
Transfer Reserve							
Transfer Undesignated Reserve							
Transfer Water Reserve							
Total Income	\$600,228	\$613,339	\$132,476	\$325	\$450	\$858	\$479,230
Expenses							
Employee Expenses	292,803	278,727	87,999	94,606	0	0	95,622
FII Leases	16,825	16,825	0	7,200	0	0	9,625
Utilities & Fuel	27,000	25,247	10,021	3,187	3,571	1,986	6,482
Licenses & Permits	1,050	175	0	50	0	125	0
Insurance	28,650	35,570	8,825	3,580	286	11,864	11,013
Property Taxes	10,100	12,899	1,100	0	0	5,101	6,698
Debt Service/Interest	10,000	4,415	0	4,415	0	0	0
Equipment & Supplies	23,700	43,349	5,325	22,969	2,637	1,624	10,794
Maintenance & Repairs	46,500	33,165	11,403	5,015	633	13,136	2,979
Outside Services	14,000	25,377	1,740	9,218	149	5,997	8,273
Office Administration	4,900	4,745	1,166	14	32	0	3,534
Security & Safety	20,000	10,506	0	0	0	0	10,506
Contributions	1,200	600	0	0	0	0	600
Winter Rent	2,500	2,427	0	0	0	0	2,427
Other	6,000	11,785	922	562	215	1,682	8,403
Capital Improvements							
Fund Appropriation	95,000	95,000	40,000	55,000	0	0	0
Total Expenses	\$600,228	\$600,313	\$168,501	\$205,818	\$7,523	\$41,514	\$176,957
Surplus (Deficit)	\$ 0	\$13,026	(\$36,025)	(\$205,493)	(\$7,073)	(\$40,656)	\$302,273

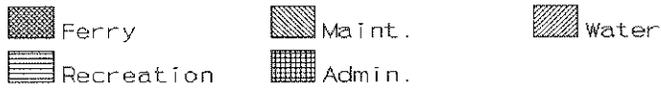
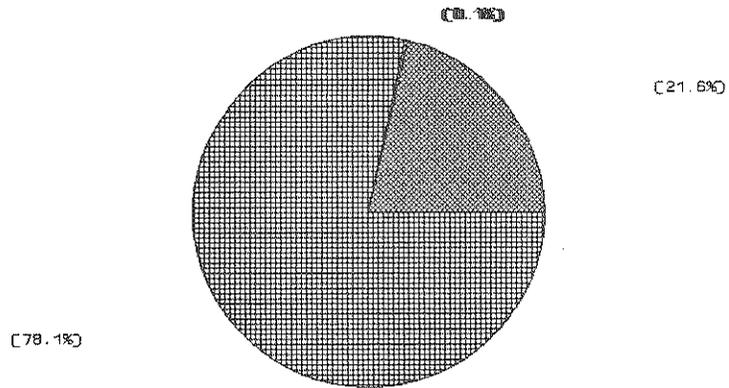
THREE-YEAR INCOME STATEMENT

FRYE ISLAND MSC

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Revenue:			
Tax	\$348,392	\$368,611	\$373,556
Rebate	34,344	0	0
Interest (Bank)	17,322	13,564	6,053
Interest (Tax)	21,983	2,963	4,680
Miscellaneous	722	3,157	4,847
Ferry	130,138	138,399	130,276
Water/Disposal	1,725	2,200	4,200
Surplus	0	65,000	78,000
Management Services	0	0	11,727
Total	\$534,626	\$593,894	\$613,339
Expenditures:			
Administration	\$178,506	\$205,103	\$169,437
Public Works	99,938	105,841	133,761
Protection, Health & Sanitation	26,281	20,529	87,727
Ferry	186,530	215,514	169,878
Recreation	0	0	39,516
Total	\$491,255	\$546,987	\$600,313
Excess Revenues Over Expenditures	\$43,371	\$46,907	\$13,026

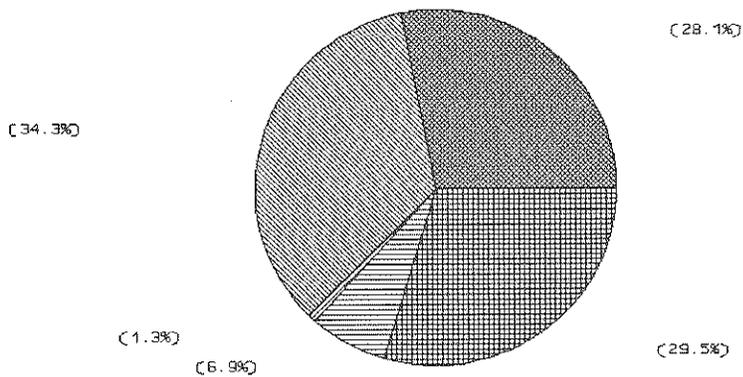
As Presented in Annual Audit

FRYE ISLAND MUNICIPAL SERVICES CORP.
Revenues By Department



MAINTENANCE, RECREATION, AND WATER DEPARTMENTS ARE EACH 0.1%

FRYE ISLAND MUNICIPAL SERVICES CORP.
Expenditures By Department



FRYE ISLAND, INC.
BALANCE SHEETS
DECEMBER 31, 1992

ASSETS

Current Assets:	
Cash in Bank and on Hand	\$ 67,802
Inventory	3,865
Prepaid Expenses	24,767
Interest Receivable	2,100
Corporate Income Tax Receivable	1,050
Accounts Receivable	342
Current Portion of Notes Receivable	<u>4,828</u>
Total Current Assets	104,754
Fixed Assets:	
Land	31,465
Buildings and Improvements	209,356
Furniture and Fixtures	32,636
Machinery and Equipment	78,414
Vehicle	<u>13,860</u>
Total Fixed Assets	365,731
Less: Accumulated Depreciation	<u>171,749</u>
Net Fixed Assets	193,749
Other Assets:	
Notes Receivable - Less Current Portion	<u>8,384</u>
TOTAL ASSETS	\$306,887 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts Payable	\$ 22
Corporate Income Taxes Payable	0
Payroll Taxes Payable	171
Accrued Expenses	2,300
Deposits on Land Sales	200
Current Portion of Long-Term Debt	<u>5,950</u>
Total Current Liabilities	8,643
Long-Term Debt - Net of Current Portion	66,592
Deferred Income Taxes	1,720
Deferred Gain on Installment Land Sales	<u>13,211</u>
Total Liabilities	90,166
Stockholders' Equity:	
Common Stock-No Par Value-1000 Shares authorized, 825 issued and outstanding	100
Paid-In Surplus	125,565
Retained Earnings	<u>91,056</u>
Total Stockholders' Equity	<u>216,721</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$306,887 =====

FRYE ISLAND INC.--1992 BUDGET AND AUDIT (REVIEW)

<u>Income</u>	<u>Budget 92</u>	<u>ACTUAL</u>	<u>Golf</u>	<u>Yacht</u>	<u>Administration</u>
Sales	\$33,141	\$25,428	\$23,385	0	\$2,043
Membership Fees	9,500	6,925	2,325	4,600	0
Usage Fees	75,850	75,069	66,044	9,025	0
Rental	12,000	10,367	10,367	0	0
Building & Equipment Leases	21,675	28,078	0	0	28,078
Tractor Amortization		7,400	0	0	7,400
Interest	9,600	5,146	0	0	5,146
Other Income	1,000	8,997	1,328	0	7,669
Gross Revenue	\$162,766	\$167,411	\$103,449	\$13,625	\$50,337
Cost of Goods Sold	14,500	13,305	13,305	0	0
Gross Margin	\$148,266	\$154,106	\$91,120	13,625	\$50,337
Expenses					
Employee Expenses	54,095	60,236	49,150	1,000	10,086
Utilities & Fuel		3,567	3,567	0	0
Licenses & Permits	1,000	1,335	1,095	0	240
Insurance	14,043	11,961	3,322	0	8,640
Property/Income Taxes	28,350	10,935	2,728	0	8,207
Interest	5,700	4,307	528	0	3,780
Equipment & Supplies	9,200	9,407	9,167	0	239
Repairs	3,200	3,716	3,716	0	0
Outside Services	16,450	17,574	438	12,071	5,066
Office Administration	550	1,551	886	0	665
Minor Improvements		1,370	1,370	0	0
Contributions		500	0	0	500
Depreciation	9,100	11,991	5,384	0	6,607
Maintenance Building	9,303	6,403	6,403	0	0
Tractor Amortization	7,400	7,400	7,400	0	0
Other	2,651	1,101	428	0	673
Total Expenses	\$161,042	\$153,354	\$95,581	\$13,071	\$44,701
Net Income	(\$12,776)	\$752	(\$4,461)	\$554	\$5,635

FRYE ISLAND INC.

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Income:			
Lease	114,000	114,000	9,625
Golf Course	38,175	43,327	45,688
Membership Fees	19,740	23,332	22,550
Maintenance Building Lease	0	0	7,200
Country Club	3,158	0	0
Rentals	16,402	17,463	15,217
Pro Shop Gross Profit	11,098	10,485	10,279
Marina Fees	16,375	14,950	13,625
Soil Testing	2,137	1,150	0
Interest	11,431	8,843	5,146
Land Sales	4,441	5,252	2,043
Miscellaneous	43	7,267	9,130
Total	\$237,000	\$246,069	\$140,503
Expenses:			
Salaries and Wages	74,717	83,483	40,690
Repairs	16,088	14,451	6,404
Real Estate Taxes	22,507	25,576	10,730
Depreciation	8,056	7,708	11,991
Insurance	22,380	34,431	13,869
Supplies	14,061	11,719	7,761
Legal and Accounting	15,700	8,645	3,356
Utilities	3,981	4,471	2,004
Payroll Taxes	9,378	10,244	5,432
Contract Labor	1,044	0	0
Telephone	2,713	2,510	402
Office Supplies	2,217	3,783	1,260
Outside Services	26,038	10,105	14,699
Special Events	921	3,003	0
Other Taxes/Income Taxes	1,133	2,291	175
Licenses and Permits	1,408	1,830	1,335
Advertising	592	279	395
Travel and Entertainment	487	599	476
Contributions	400	500	500
Office Rent	2,154	1,028	0
Vehicle Expense	769	871	1,1161
Interest Expense	74	14	4,307
Dues and Subscriptions	413	617	305
Miscellaneous Expenses	1,490	3,785	772
Employee Benefits	3,111	3,134	0
Management Services	0	0	11,727
Total	\$231,832	\$235,077	\$139,751
Profit (Loss)	\$5,168	\$10,992	\$752

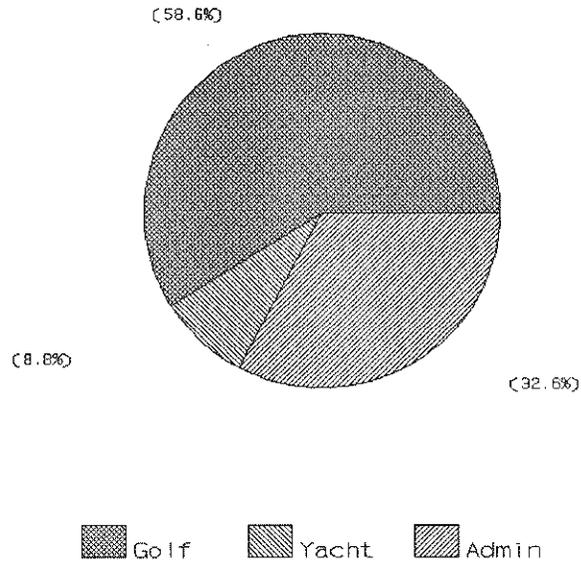
As Presented in Annual Review

Note: In 1992, the C.P.A. did not account for \$13,603 in expenses to Golf course for Tractor or Maintenance Building nor \$13,603 in Lease Revenue to FII from Golf Course

Insurance includes Worker's Compensation

FRYE ISLAND, INC.

Revenues By Department



FRYE ISLAND, INC.

Expenses By Department

