

TOWN OF FREEPORT, MAINE

Annual Financial Report

June 30, 2005

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June 30, 2005

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Independent Auditors' Report

Town Council
Town of Freeport
Freeport, 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 Freeport, Maine, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed on the table of contents. These financial statements are the responsibility of the Town of Freeport's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the 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 Freeport, Maine, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Freeport's basic financial statements. The combining and individual nonmajor fund statements on pages 41 through 66 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The prior year summarized comparative information has been derived from the Town's 2004 financial statements and, in our report dated December 8, 2004, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marchonelli Page & Co LLC

South Portland, Maine
November 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
TOWN OF FREEPORT FISCAL YEAR 2005 AUDIT

As the management of the Town of Freeport, Maine, we are pleased to provide this Management Discussion and Analysis as part of our annual financial statements. We offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town of Freeport for the year ended June 30, 2005. It is the belief of management that all the information contained herein is accurate in all material respects and reflects fairly the financial position and operations of the Town. This Management Discussion and Analysis is designed to offer further explanation of the information contained herein. We encourage readers to consider the information that we have furnished in the Town's basic financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Freeport's basic financial statements. The Town's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Table of Contents in the front section of the audit provides the specific pages where the various statements and exhibits can be found.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Freeport's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Freeport that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town currently reports the activities of the Nonemergency Transportation Program (NET Program) as a business-type activity. The governmental activities of the Town include general government, public safety, public works, education, and community services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Freeport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Freeport's own programs.

Governmental Funds

For the reporting period, the Town had an increase in fund balance for total governmental funds (from statement 4) of \$825,000. The General Fund's fund balance increased by approximately \$617,000. A large portion of the increase in fund balance was due to higher than expected General Fund revenues (which exceeded estimated revenues by approximately \$1,057,000). Revenue surpluses and unspent appropriations exceeded the planned use of fund balance for capital reserves of \$350,000, capital project authorizations of \$277,000 and the budget use of surplus to reduce the tax rate of \$365,000. Additionally, the Town was able to increase balances in the Town Capital Reserve Funds which increased by approximately \$422,000 during the year. Offsetting those increases was the expenditure of various capital projects and various other factors in several of the non-major governmental funds.

ENTITY WIDE CONDENSED PRESENTATION OF NET ASSETS

Net Assets over time will serve as a useful indicator of a government's financial position. The following information is condensed from Statement 1, Statement of Net Assets for Fiscal 2005. It distinguishes between capital and other assets, notes the Town's general liabilities and debt service, and shows the Town's net assets by restricted and unrestricted amounts. This information is for the Town's Governmental Activities and Business-type Activities as of June 30:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
ASSETS						
Cash and cash equivalents	\$7,012,563	8,356,430	-	-	7,012,563	8,356,430
Investments	8,911,224	6,611,906	-	-	8,911,224	6,611,906
Receivables	972,130	841,417	90,303	65,208	1,062,433	906,625
Internal balances	157,671	185,841	(157,671)	(185,841)	-	-
Inventory	38,072	29,279	-	-	38,072	29,279
Capital assets, net	27,942,333	27,574,239	25,129	64,485	27,967,462	27,638,724
Total assets	45,033,991	43,599,112	(42,239)	(56,148)	44,991,752	43,542,964
LIABILITIES						
Current liabilities	1,535,576	1,233,800	3,667	4,379	1,539,243	1,238,179
Noncurrent liabilities	16,055,361	17,833,858	-	-	16,055,361	17,833,858
Total liabilities	17,590,937	19,067,658	3,667	4,379	17,594,604	19,072,037
NET ASSETS						
Invested in capital assets, net of debt	12,834,433	10,605,689	25,129	64,485	12,859,562	10,670,174
Restricted	3,317,472	3,532,357	-	-	3,317,472	3,532,357
Unrestricted	11,291,150	10,393,408	(71,035)	(125,012)	11,220,115	10,268,396
Total net assets	\$ 27,443,054	24,531,454	(45,906)	(60,527)	27,397,148	24,470,927

A large portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those 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 are 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 all infrastructure assets at this time. Such assets are being compiled and will be added to the Town's presentation in future years as further discussed in the footnotes to the financial statements. An additional portion of the Town's net assets represents resources that are subject to external restrictions on how they may be expended. The remaining unrestricted balance of net assets may be used to meet the government's ongoing obligations to citizens and creditors.

ENTITY WIDE CONDENSED PRESENTATION OF CHANGES IN NET ASSETS

Our next analysis focuses on changes in net assets of the Town's governmental and business type activities. Governmental activities increased the Town of Freeport's net assets by \$2,912,000 during the year ended June 30, 2005. The following analysis provides the key elements of the increases.

	Governmental	Business-type	2005 Total Primary Government	2004 Total Primary Government
	Activities	Activities		
Program revenues:				
Charges for Services	\$ 2,039,752	334,143	2,373,895	2,227,647
Operating grants and contributions	3,571,048	-	3,571,048	3,334,855
Capital grants and contributions	293,765	-	293,765	388,721
General revenues:				
Property taxes	18,380,367	-	18,380,367	17,845,806
Motor vehicle excise taxes	1,386,431	-	1,386,431	1,328,609
Interest and lien costs	48,268	-	48,268	75,705
State Revenue Sharing	685,760	-	685,760	625,725
Homestead exemption	154,806	-	154,806	167,926
Other State aid	82,185	-	82,185	113,570
Unrestricted investment earnings	488,477	-	488,477	468,177
Miscellaneous revenues	693,453	4,135	697,588	573,932
Total revenues	27,824,311	338,278	28,162,589	27,150,674
Program expenses:				
General government	1,434,087	-	1,434,087	1,412,772
Public safety	2,380,816	323,657	2,704,473	2,677,416
Public works	2,103,179	-	2,103,179	1,918,443
Community services	782,254	-	782,254	813,834
Education	14,829,197	-	14,829,197	14,016,363
County tax	735,177	-	735,177	789,724
Unclassified	1,287,443	-	1,287,443	1,477,175
Interest on debt	1,015,300	-	1,015,300	1,047,343
Capital maintenance expenses	345,258	-	345,258	56,495
Total expenses	24,912,711	323,657	25,236,368	24,209,565
Change in net assets before Transfers	2,911,600	14,621	2,926,221	2,941,109
Transfers	-	-	-	-
Change in net assets after transfers	2,911,600	14,621	2,926,221	2,941,109
Net assets -- beginning	24,531,454	(60,527)	24,470,927	21,529,818
Net assets -- ending	\$ 27,443,054	(45,906)	27,397,148	24,470,927

It should be noted that this presentation is prepared on an entity wide condensed net assets presentation and not prepared on a basis consistent with the budget. A detailed budgetary presentation can be found in the basic financial statements in Exhibit A-2.

ANALYSIS OF TOWN POSITION AND OPERATIONS –GOVERNMENTAL FUNDS BUDGETARY BASIS

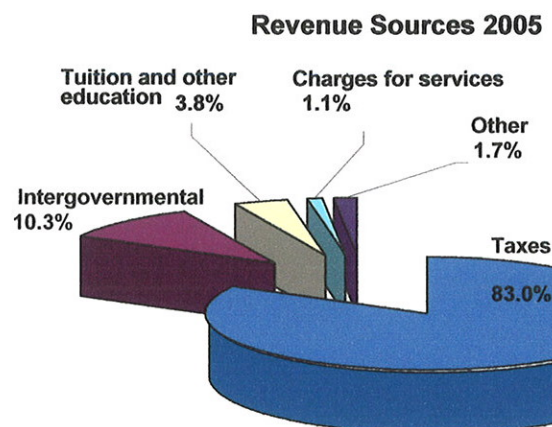
In Freeport, the Town has managed over the past several years to build its general fund undesignated fund balance (the equivalent of a savings account) to \$3.3 million. The Town Council established a figure of \$1.88 million (one twelfth of the annual budget) as a minimum level of fund balance to maintain. Under the Town's fund balance policy, amounts in excess of one twelfth of the annual budget can be used to set aside additional reserves for capital needs, used to reduce property taxes for subsequent years' budgets or be used for immediate operational or capital needs. Additionally in FY04 the Town Council modified its fund balance policy establishing a Tax Rate Stabilization Account. The Council has funded this stabilization account for \$310,000 for each of the past two years for a total in the account at year-end of \$620,000. During periods of low, new valuation or extraordinary unpredicted increases in costs, up to fifty (50) percent of the Tax Rate Stabilization Account may be used annually to offset the municipal tax rate.

For the fiscal year ended June 30, 2005, the Town managed to increase its fund balance once again. Although \$365,000 had been budgeted from the fund balance toward the FY 2005 expenses to reduce property taxes, these funds were not used. General fund undesignated fund balance increased by approximately \$142,000 to \$3,281,000. The major reasons were a larger than expected overlay, \$330,000, as a result of final valuation numbers coming in greater than expected, positive tax collections with a decrease in deferred taxes of approximately \$80,000, very strong vehicle excise tax collections with collections exceeding budget by \$249,000 and unexpended appropriations of \$426,000. For FY 2006, \$405,000 has been budgeted from the fund balance to reduce property taxes. The property tax collection rate for the year increased slightly to 96.98%, an increase from the previous year's collection rate of 96.75%.

In addition, over the years, the Town has established various capital and other reserves. For the year ended June 30, 2005, the Town was able to increase these Town reserves by \$422,000 to a balance of approximately \$4,660,000 while School Capital reserves decreased by \$19,000 to a balance of approximately \$379,000.

General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 18,423,034	19,112,231	689,197
Licenses and permits	150,200	175,295	25,095
Intergovernmental	2,241,656	2,403,660	162,004
Tuition and other charges for services – education	865,930	872,058	6,128
Charges for services	191,000	258,933	67,933
Fees and fines	51,500	55,728	4,228
Unclassified	13,700	27,605	13,905
Investment earnings	40,000	128,019	88,019
Total revenues	\$ 21,977,020	23,033,528	1,056,508

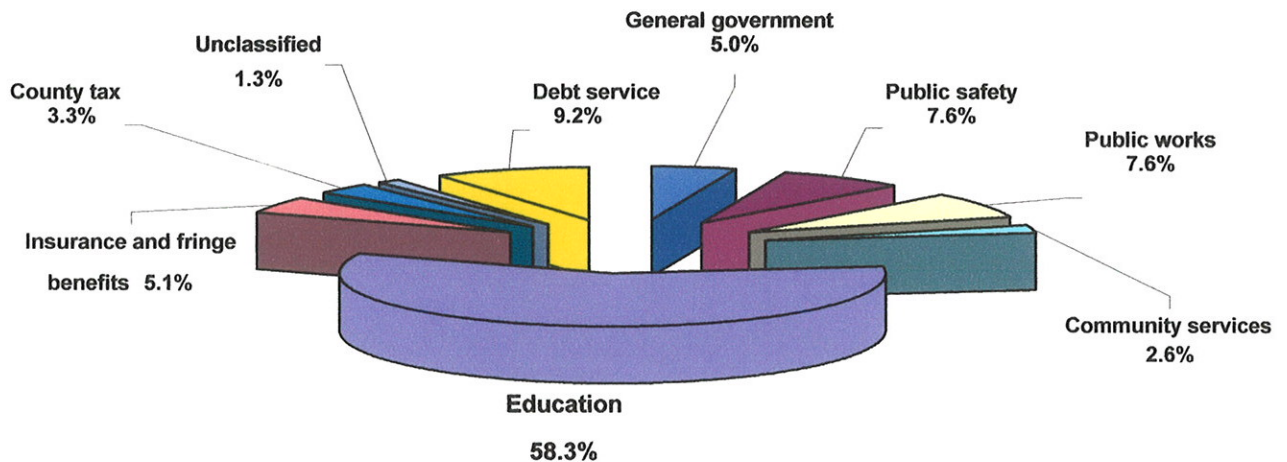


General Fund Expenditures Budget to Actual Summary

General Fund expenditure budgets are approved by the Town Council at the departmental level, with charter budgetary limits at the function level. A few departments exceeded their authorized level by small amounts as a result of wage accrual adjustments. A negative variance is noted in unclassified due to higher than expected tax abatements. Abatements are not subject to charter limits as they are corrections to valuation calculations on the commitment. All charter function levels were significantly within budget limits. The following summarizes the Town of Freeport's General Fund budgeted appropriations to actual by function for the year ended June 30, 2005 (see Exhibit A-2 for a more detailed presentation):

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government	\$ 1,153,311	1,107,640	45,671
Public safety	1,770,681	1,678,353	92,328
Public works	1,730,987	1,685,237	45,750
Community services	605,863	566,823	39,040
Education	12,950,415	12,892,650	57,765
Insurance and fringe benefits	1,240,401	1,121,723	118,678
County tax	735,177	735,177	-
Unclassified	256,500	284,556	(28,056)
Debt service	2,091,612	2,036,838	54,774
Total expenditures	\$ 22,534,947	22,108,997	425,950

Expenditure Components 2005



SUMMARY OF CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

CAPITAL ASSETS

The Town has developed and maintained a five-year and a twenty-year Capital Improvement Plan (CIP) for over twenty years. This plan is updated annually as part of the budget cycle. The plan is for equipment, building and Town wide infrastructure needs. Additionally, the Town has a street paving account in the Public Works budget for ongoing street paving. The Town's 2005 capital budget that was approved in April of 2005 included \$219,500 for school capital needs and \$1,046,600 for various departmental equipment and Town improvement projects. All of these projects were funded from existing capital reserves and did not require borrowing. A summary of the Town's capital assets at June 30, 2005 and 2004 are as follows:

General fixed assets:	<u>2005</u>	<u>2004</u>
Land	\$1,850,869	1,850,869
Land improvements	1,147,756	983,698
Buildings and improvements	26,598,591	26,441,648
Machinery, equipment and other	3,712,217	3,520,876
Vehicles	3,830,218	3,617,140
Infrastructure	2,225,402	1,377,485
Construction in process	491,640	507,505
<hr/>		
Total governmental fund capital assets	\$39,856,693	38,299,221

LONG-TERM DEBT

The State allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,180,750,000 for 2005, the debt limit would be over \$177,000,000. Our current debt is \$15,107,900, or slightly less than 1.28% of State Valuation or approximately 8.53% of the Town's debt limit. Another measure of a municipalities debt load is debt per capita. As of June 30, 2005, the Town of Freeport's debt per capita was \$1,937 as compared to the prior year of \$2,175.

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2005:

Bonds and notes payable at June 30, 2004	\$ 16,968,550
Principal additions	-
Principal payments	(1,860,650)

<u>Bonds and notes payable at June 30, 2005</u>	<u>\$ 15,107,900</u>
--	-----------------------------

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Freeport and its vibrant downtown continue to experience economic growth from business development, considerable residential construction growth and stable employment levels. Both commercial and residential development in Freeport has increased considerably over the past year. The largest approval by far was for Freeport's largest business, LL Bean, which was approved for a 335,000 sq. ft. expansion at their Order Fulfillment Center on Desert Road. Construction is scheduled to start this spring. Other commercial proposals were significant, with the majority of the development being on Route One South. The types of commercial uses remained diverse and for many, construction is well underway. Three new office buildings are being constructed for a total of 32,000 sq. ft. of new office space. The uses will include a medical office, a plumbing/electrical company, and a mixed use office. Nine thousand square feet of retail space is also being developed which will accommodate two retail tenants. Additionally, in 2005, the Freeport Project Review Board approved 6 single-family residential developments with a total of 48 new house lots being created. The Board also approved a large increase in condominium developments, with 4 developments being reviewed with a total of 47 new units, for which much of the construction is already underway. Freeport with its close proximity to the City of Portland, its coastal location and availability of land has made it very attractive to residential development. Freeport has seen substantial residential construction for several years and anticipates a continuation of this trend for the near future.

New Fiscal Year Budget

In adopting the budget for the ensuing fiscal year 2006, the Town officials considered many factors in making judgments and estimates about the finances for the upcoming year. A primary objective was to continue to provide basic town services to the citizens while attempting to keep the property tax rate low.

The budget for the fiscal year starting July 1, 2005 was approved by the Town Council with a tax rate of 17.90 mils, for a decrease over the prior year's rate of 18.10 mils. The following summarizes the major components of the FY 2006 and FY 2005 budgets:

	<u>FY 2006</u>	<u>FY 2005</u>	<u>Variance</u>
	<u>Appropriation</u>	<u>Appropriation</u>	
<u>REVENUES:</u>			
School	\$ 2,442,898	2,166,163	276,735
Town Non-Property Tax	3,126,177	2,846,727	279,450
Property Tax	17,112,227	17,250,534	(138,307)
Fund Balance	405,000	365,000	40,000
TOTALS	\$ 23,086,302	22,628,424	457,878
<u>EXPENDITURES:</u>			
Municipal	\$ 7,148,677	6,769,642	379,035
School	13,065,877	12,469,699	596,178
County Tax	736,850	735,177	1,673
Capital Reserves	50,000	50,000	-
Debt Services	2,084,898	2,603,906	(519,008)
TOTALS	\$ 23,086,302	22,628,424	457,878
 Tax Mil Rate	 17.90	 18.10	 (0.20)
(Decrease) in Tax Rate			(1.10)%

In terms of the future, while we are in good financial shape at this time, with revenues starting to level off, we need to be alert to the public benefit versus the costs of the services we provide. We need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Freeport's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Freeport, 30 Main Street, Freeport, Maine 04032.

Respectfully submitted,

Dale C. Olmstead Jr.
Town Manager

Gregory N. L'Heureux
Finance Director

BASIC FINANCIAL STATEMENTS

TOWN OF FREEPORT, MAINE
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,012,563	-	7,012,563
Investments	8,911,224	-	8,911,224
Receivables:			
Accounts, net	29,553	90,303	119,856
Intergovernmental	177,409	-	177,409
Taxes receivable	560,564	-	560,564
Tax liens	204,604	-	204,604
Internal balances	157,671	(157,671)	-
Inventory	38,072	-	38,072
Capital assets, net	27,942,333	25,129	27,967,462
Total assets	45,033,991	(42,239)	44,991,752
LIABILITIES			
Accounts payable and other current liabilities	1,172,439	1,914	1,174,353
Accrued wages and benefits payable	25,382	1,753	27,135
Compensated absences payable	175,800	-	175,800
Accrued interest	161,955	-	161,955
Noncurrent liabilities:			
Other long-term liabilities	947,461	-	947,461
Bonds due within one year	1,616,150	-	1,616,150
Bonds due in more than one year	13,491,750	-	13,491,750
Total liabilities	17,590,937	3,667	17,594,604
NET ASSETS			
Invested in capital assets, net of related debt	12,834,433	25,129	12,859,562
Restricted for:			
Special revenues	617,602	-	617,602
Capital projects	1,138,660	-	1,138,660
Nonexpendable trust principal	949,391	-	949,391
Other purposes	611,819	-	611,819
Unrestricted	11,291,150	(71,035)	11,220,115
Total net assets	\$ 27,443,054	(45,906)	27,397,148

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Activities
For the Year Ended June 30, 2005

Functions/programs	Program Revenues					Net (expense) revenue and changes in net assets	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary Government Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,434,087	184,492	-	-	(1,249,595)	-	(1,249,595)
Public safety	2,380,816	208,775	53,737	-	(2,118,303)	-	(2,118,303)
Public works	2,103,179	186,600	214,121	-	(1,702,458)	-	(1,702,458)
Community services	782,254	122,643	14,737	-	(644,874)	-	(644,874)
Education	13,534,197	872,058	1,868,944	-	(10,793,195)	-	(10,793,195)
Maine State Retirement on behalf payments	1,295,000	-	1,295,000	-	-	-	-
County tax	735,177	-	-	-	(735,177)	-	(735,177)
Unclassified	1,287,443	465,182	124,509	-	(697,752)	-	(697,752)
Interest on debt	1,015,300	-	-	-	(1,015,300)	-	(1,015,300)
Capital maintenance expenses	345,258	-	-	293,765	(51,492)	-	(51,492)
Total governmental activities	24,912,711	2,039,752	3,571,048	293,765	(19,008,146)	-	(19,008,146)
Business-type activities:							
Nonemergency Transportation	323,657	334,143	-	-	-	10,486	10,486
Total business-type activities	323,657	334,143	-	-	-	10,486	10,486
Total primary government	\$ 25,236,368	2,373,895	3,571,048	293,765	(19,008,146)	10,486	(18,997,660)
General revenues:							
Property taxes, levied for general purposes				\$	18,380,367	-	18,380,367
Motor vehicle excise taxes					1,386,431	-	1,386,431
Interest and lien costs					48,268	-	48,268
Grants and contributions not restricted to specific programs:							
Homestead exemption					154,806	-	154,806
Other State aid					82,185	-	82,185
State Revenue Sharing					685,760	-	685,760
Unrestricted investment earnings					488,477	-	488,477
Gain on sale of fixed asset					-	4,135	4,135
Miscellaneous revenues					693,453	-	693,453
Total general revenues and transfers					21,919,747	4,135	21,923,882
Change in net assets					2,911,600	14,621	2,926,221
Net assets - beginning					24,531,454	(60,527)	24,470,927
Net assets - ending				\$	27,443,054	(45,906)	27,397,148

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Balance Sheet
Governmental Funds
June 30, 2005

		General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash	\$	6,519,577	92,721	400,265	7,012,563
Investments		1,827,958	4,568,159	2,515,106	8,911,224
Receivables:					
Accounts		1,454	-	28,098	29,553
Intergovernmental		-	-	177,409	177,409
Taxes receivable		560,564	-	-	560,564
Tax liens		204,604	-	-	204,604
Interfund loans receivable		157,671	-	2,909,075	3,066,747
Inventory		15,851	-	22,221	38,072
Total assets	\$	9,287,679	4,660,880	6,052,174	20,000,734
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	428,293	-	305,186	733,479
Accrued wages and benefits		25,382	-	-	25,382
Compensated absences payable		175,800	-	-	175,800
Taxes collected in advance		14,838	-	-	14,838
Interfund loans		2,788,620	439	120,017	2,909,076
Development escrows		324,102	-	-	324,102
Deferred tax revenues		535,000	-	-	535,000
Other deferred revenues		100,021	-	-	100,021
Total liabilities		4,392,036	439	425,203	4,817,698
Fund balances:					
Reserved for:					
Encumbrances		425,347	-	-	425,347
Nonexpendable trust principal		-	-	949,391	949,391
Future retirement pay		148,400	-	-	148,400
Inventory		15,851	-	22,221	38,072
Unreserved, reported in:					
Designated		1,025,000	-	49,500	1,074,500
Undesignated:					
General fund		3,281,025	-	-	3,281,025
Special revenue funds		-	4,660,442	1,843,385	6,503,826
Capital project funds		-	-	2,755,584	2,755,584
Permanent funds		-	-	6,892	6,892
Total fund balances		4,895,622	4,660,442	5,626,972	15,183,036
Total liabilities and fund balances	\$	9,287,679	4,660,880	6,052,174	20,000,734
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.					
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.					
Net assets of governmental activities					27,443,053
					<i>See accompanying notes to financial statements.</i>

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

		General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$	19,112,231	-	782,835	19,895,066
Licenses, permits and fees		175,295	62,958	-	238,253
Intergovernmental		2,403,660	-	1,095,233	3,498,893
Intergovernmental on behalf payments		1,295,000	-	-	1,295,000
Tuition and other charges for services - education		872,058	-	-	872,058
Charges for services		258,933	198,974	963,349	1,421,256
Fees and fines		55,728	-	-	55,728
Unclassified		27,605	5,234	106,742	139,582
Investment earnings		128,019	236,953	123,305	488,477
Total revenues		24,328,528	504,119	3,071,665	27,904,311
Expenditures:					
Current:					
General government		1,089,527	-	-	1,089,527
Public safety		1,683,899	-	11,792	1,695,690
Public works		1,559,049	-	-	1,559,049
Community services		555,302	-	-	555,302
Education		12,892,650	-	567,025	13,459,675
Maine State Retirement on behalf payments		1,295,000	-	-	1,295,000
Insurance and fringe benefits		1,133,923	-	-	1,133,923
County tax		735,177	-	-	735,177
Food services		-	-	410,340	410,340
Unclassified		268,224	5,672	570,135	844,031
Capital outlay		-	62,463	1,855,470	1,917,933
Debt service		2,036,838	-	346,385	2,383,223
Total expenditures		23,249,588	68,135	3,761,147	27,078,870
Excess (deficiency) of revenues over (under) expenditures		1,078,940	435,984	(689,482)	825,442
Other financing sources (uses):					
Operating transfers from other funds		357,177	675,000	990,544	2,022,721
Operating transfers to other funds		(819,012)	(689,000)	(514,709)	(2,022,721)
Total other financing sources (uses)		(461,835)	(14,000)	475,835	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		617,105	421,984	(213,647)	825,442
Fund balances, beginning of year		4,278,517	4,238,458	5,840,619	14,357,594
Fund balances, end of year	\$	4,895,622	4,660,442	5,626,972	15,183,036

See accompanying notes to financial statements.

TOWN OF FREEPORT, 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 June 30, 2005

Net change in fund balances - total governmental funds (from Statement 4)	\$	825,442
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		368,095
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(80,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(62,586)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		1,860,650
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Change in net assets of governmental activities (see Statement 2)	\$	2,911,600
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See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - All Budgeted Governmental Fund Types
General Fund
For the year ended June 30, 2005

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 18,423,034	18,423,034	19,112,231	689,197
Licenses, permits and fees	150,200	150,200	175,295	25,095
Intergovernmental	2,170,883	2,241,656	2,403,660	162,004
Tuition and other charges for services - education	865,930	865,930	872,058	6,128
Charges for services	191,000	191,000	258,933	67,933
Fees and fines	51,500	51,500	55,728	4,228
Unclassified	13,700	13,700	27,605	13,905
Investment earnings	40,000	40,000	128,019	88,019
Total revenues	21,906,247	21,977,020	23,033,528	1,056,508
Expenditures:				
Current:				
General government	1,153,311	1,153,311	1,107,640	45,671
Public safety	1,770,681	1,770,681	1,678,353	92,328
Public works	1,664,987	1,730,987	1,685,237	45,750
Community services	605,863	605,863	566,823	39,040
Education	12,947,743	12,950,415	12,892,650	57,765
Insurance and fringe benefits	1,238,300	1,240,401	1,121,723	118,678
County tax	735,177	735,177	735,177	-
Unclassified	256,500	256,500	284,556	(28,056)
Debt service	2,091,612	2,091,612	2,036,838	54,774
Total expenditures	22,464,174	22,534,947	22,108,997	425,950
Excess of revenues over expenditures	(557,927)	(557,927)	924,531	1,482,458
Other financing sources (uses):				
Use of undesignated fund balance - Town	310,000	587,000	-	(587,000)
Use of undesignated fund balance - School	55,000	55,000	-	(55,000)
Operating transfers from other funds	357,177	357,177	357,177	-
Operating transfers to other funds	(164,250)	(441,250)	(819,012)	(377,762)
Total other financing sources (uses)	557,927	557,927	(461,835)	(1,019,762)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	-	462,696	462,696
Reconciliation to GAAP basis:				
Encumbrances			165,609	
Other			-	
Future retirement pay			(11,200)	
Excess (deficiency) of revenues and other financing sources over (under) expenditures - GAAP basis			617,105	
Fund balance, beginning of year			4,278,517	
Fund balance, end of year	\$		4,895,622	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2005

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
ASSETS		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$109,000	\$	90,303
Total current assets		90,303
Non-current assets:		
Property, plant, and equipment		135,192
Less accumulated depreciation		(110,063)
Total noncurrent assets		25,129
Total assets	\$	115,432
LIABILITIES		
Current liabilities:		
Accounts payable		1,914
Interfund loans		157,671
Accrued wages and benefits payable		1,753
Total current liabilities		161,338
Total liabilities	\$	161,338
NET ASSETS		
Invested in capital assets, net of related debt		25,129
Unrestricted		(71,035)
Total net assets (deficit)	\$	(45,906)

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2005

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
Operating revenues:		
Charges for services (net uncollectibles)	\$	334,143
Total operating revenues		334,143
Operating expenses:		
Wages and benefits		251,564
Operational costs		38,602
Depreciation and amortization		33,491
Total operating expenses		323,657
Operating income		10,486
Gain on sale of fixed assets		4,135
Change in net assets		14,621
Total net assets (deficit), beginning of year		(60,527)
Total net assets (deficit), end of year	\$	(45,906)

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2005

Business-type Activities - Enterprise Funds	
	Nonemergency Transportation Program
Cash flows from operating activities:	
Receipts from customers and users	\$ 310,962
Payments to suppliers	(38,602)
Payments to employees	(254,190)
Net cash provided by (used in) operating activities	18,170
Cash flows from capital and related financing activities:	
Sale of Fixed assets	10,000
Interfund borrowing	(28,170)
Net cash provided by (used in) financing activities	(18,170)
Decrease in cash	-
Cash, beginning of year	-
Cash, end of year	\$ -

**Reconciliation of operating income to net cash
provided by operating activities:**

Operating income (loss)	\$ 10,486
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	33,491
(Increase) decrease in operating assets:	
Accounts receivable	(25,095)
Increase (decrease) in operating liabilities:	
Accounts payable	1,914
Accrued wages and benefits payable	(2,626)
Net cash provided by (used in) operating activities	18,170

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Agency Fund</u>
	<u>School Activity</u>
	<u>Fund</u>
<hr/>	
ASSETS	
Cash	\$ 153,296
<hr/>	
Total assets	153,296
<hr/>	
LIABILITIES AND	
FUND BALANCES	
Liabilities:	
Due to student groups	153,296
Total liabilities	153,296
<hr/>	
Net assets:	
Held in trust	\$ -
<hr/>	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Freeport, Maine was incorporated as a Town in 1789 under the laws of the State of Massachusetts and later the State of Maine. The Town operates under a council-manager form of government. Freeport is located in Cumberland County approximately fifteen miles northeast of Portland along the southern Maine coast. The Council is comprised of seven members elected by district and at-large for staggered three-year terms.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14 "The Financial Reporting Entity". The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on the application of these criteria, the town has reported the following component unit:

Component Unit

Freeport Economic Development Corporation (FEDC) is a component unit of the Town and is governed by a Town appointed Board. Although it is legally separate from the Town, the FEDC is reported as if it were part of the primary government because its sole purpose is to attract new businesses to the Freeport area. There are no separately issued financial statements for this component unit and it is reported as a special revenue fund blended component unit.

As defined in GASB Statement #14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or interlocal agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The Town participates in the following joint venture:

Joint Venture

Eastern Cumberland - Sagadahoc County Vocational Program-The Town shares the financial and governing responsibility of the Eastern Cumberland - Sagadahoc County Vocational Program for Maine Vocational Region #10 with Maine School Administrative District No. 75 and the Town of Brunswick, Maine. The entities fund the operations of the applied technology program through yearly assessments. Separately issued financial statements can be obtained at its administrative office.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 year 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. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and one year for all other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town Capital Reserve Funds are used to account for financial resources reserved for the acquisition or construction of major equipment and capital facilities.

School Capital Projects Fund is used to account for various School Capital projects and items that have been approved by voters or as part of the Town's annual capital plan.

The Town reports the following proprietary fund:

Nonemergency Transportation Program (NET) accounts for the operation of a nonemergency transportation program operating in Southern Maine.

Additionally, the Town reports the following fund types:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Receivables

Accounts receivable for the business-type activities include an allowance for doubtful accounts in the amount of \$109,000 as of June 30, 2005. Management has determined that potential uncollectible accounts for intergovernmental, taxes and tax liens receivable are not material.

E. Investments

Investments are stated at fair value, unless otherwise indicated.

Investments of the Permanent Funds, Town and School Reserve accounts and certain capital project funds are pooled on a cost basis, with each individual fund subscribing to or disposing of interest in the investment pool on the basis of cost value at the beginning of the fiscal year. As such, investment income, investment expense, and gains and losses on sales of investments are allocated to each fund based on its proportionate interest in the investment pool.

F. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 60 years. Business-type fund capital assets are depreciated using the straight line method over the assets' estimated useful lives ranging from 4 to 7 years.

For all capital assets; buildings, vehicles and equipment the Town elects to use the Depreciation Approach as defined by Statement No. 34 for reporting. The Town conducted an inventory of all other non-infrastructure capital assets for fiscal year 2003. This process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost. Infrastructure assets will be compiled over the next 2-3 years and valued at historical cost.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Vacation and Sick Leave

Under the terms of personnel policies and a union contract, vacation and sick leave are granted in varying amounts according to length of service. The Town and the School Department accrue accumulated vacation leave and vested sick leave. The portion of this liability attributable to the General Fund, which is expected to be paid with current financial resources, is accrued in the General Fund with the balance reported in the government-wide financial statement.

H. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

I. Inventory

Inventory in the General Fund consists of vehicle fuel and inventory of the School Lunch Program consists of food, supplies and donated commodities and is recorded at the lower of cost or market on the first-in, first-out basis and is offset with a reserved fund balance for inventories.

J. Interfund Transactions

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

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

L. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. Comparative Data/Reclassifications

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

N. Budgetary Information

Each year the Town Manager submits to the Town Council a budget for the ensuing fiscal year. Hearings are held to obtain public comments. The budget is legally enacted by a council order. The order enacts the total Town and the total School appropriation. Budgets are adopted for the General Fund, Winslow Park Fund and Nonemergency Transportation Fund only, and are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances and Maine State Retirement on-behalf payments. As required by generally accepted accounting principles (GAAP), the Town has recorded a revenue and expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Town of Freeport School Department. These amounts have not been budgeted and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of \$1,295,000. These amounts have been included as an intergovernmental revenue and an education expenditure in the General Fund on Statement 4 (GAAP basis). Additionally, encumbrances have been recorded as expenditures for budgetary reporting in the year encumbered. There is no effect on the fund balance at the end of the year.

CASH AND INVESTMENTS

The Town's policy is to invest all available funds at the highest possible rates in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with the Town's cash needs during the year. Generally, the Town invests such excess funds in a cash management accounts and various insured certificates of deposits.

Deposits:

Custodial Credit Risk- Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. Generally, the Town maintains deposits in banks or savings and loans that are a member of the FDIC and qualify as a depository of public funds in the State of Maine as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2005, the Town reported deposits of \$7,012,563 with a bank balance of \$7,960,518. Of the Town's bank balances, \$3,048,168 was covered by FDIC insurance and \$4,912,350 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, \$2,092,958 was collateralized by the pledging bank and \$2,819,392 was uninsured and uncollateralized.

Investments:

Custodial Credit Risk- Investments: For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

CASH AND INVESTMENTS, CONTINUED

At June 30, 2005, the Town had the following investments and maturities:

	Fair <u>Value</u>	Not <u>Applicable</u>	Less than <u>1 year</u>	<u>1-5 years</u>
Money market fund	\$ 2,356,089	-	2,356,089	-
US Treasury Strips	1,062,692	-	456,488	606,204
US Agency Strips	437,878	-	-	437,878
Commercial paper	350,000	-	350,000	-
Mutual Funds	4,380,534	4,380,534	-	-
Investment Pool	324,031	324,031	-	-
Total investments	\$8,911,224	\$4,704,565	\$3,162,577	\$1,044,082

Interest Rate Risk: The Town does not have a formal policy related to investment rate risk. Generally the Town to the extent possible, attempts to match investments with anticipated cash requirements that attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements.

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and certain corporate stocks and bonds. Generally, the Town invests such excess funds in U.S. Treasury and Agency bonds and notes, repurchase agreements, and in investment pool funds. Certain long-term reserve and trust funds are invested through a financial institution with trust powers in fixed income and equity mutual funds to provide long-term growth and income.

Concentration of Credit Risk: The Town's investment portfolio is comprised of a mix of money market, mutual funds, US Treasury and Agency Strips and a state investment pool. At June 30, 2005 the Town had individual investments that exceeded 5 percent of the Town's investments as follows:

	Fair Value <u>June 30, 2005</u>	<u>Percent</u>	Credit Risk <u>Rating</u>
Fidelity Government Portfolio Money Market	\$2,244,600	25.2%	AAA
U.S. Treasury Strips	1,062,692	11.9%	AAA
Mutual Funds:			
American Funds --Growth Fund of America	664,108	7.5%	N/A
American Funds --Fundamental Investors	1,098,458	12.3%	N/A
Evergreen Adjustable Rate Bond Fund	1,301,386	14.6%	AAA

PROPERTY TAX

Property taxes for the current period were committed on September 15, 2004, on the assessed value listed as of April 1, 2004, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 15, 2004 and May 15, 2005. Personal property taxes were due in whole on November 15, 2004. Interest at the rate of 6.50% per annum was charged on any amounts remaining unpaid after these dates. Assessed values are periodically established by the Assessor's agent at 100% of assumed market value. During 2002, the Town implemented a town-wide revaluation that was completed for the assessment list of April 1, 2002. The 2004 assessed value was 93.5% of the estimated market value and 97.1% of the 2004 state valuation of \$1,044,100,000.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

PROPERTY TAX, CONTINUED

The Town is permitted by the laws of the State of Maine to levy taxes up 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 \$329,730 for the period ended June 30, 2005.

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.

Property taxes levied during the period were recorded as receivables at the time the levy was made. The receivables collected during the period and in the first sixty days following the end of the fiscal period have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the tax levies:

	<u>2005</u>	<u>2004</u>
Assessed value	\$1,014,535,861	983,051,203
Tax rate (per \$1,000)	18.10	18.10
Commitment	18,363,099	17,793,227
Supplemental taxes assessed	17,268	52,066
	18,380,367	17,845,293
Less:		
Collections and abatements	17,824,465	17,264,589
Receivable at end of period (Current year)	\$ 555,902	580,704
Collection rate	96.98%	96.75%

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance June 30, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,850,869	-	-	1,850,869
Total capital assets, not being depreciated	1,850,869	-	-	1,850,869
Capital assets, being depreciated:				
Land improvements	983,698	164,058	-	1,147,756
Buildings and building improvements	26,441,648	156,943	-	26,598,591
Machinery, equipment and other	3,520,876	251,341	60,000	3,712,217
Vehicles	3,617,140	261,438	48,360	3,830,218
Construction work in process	507,505	481,593	497,458	491,640
Infrastructure	1,377,485	847,917	-	2,225,402
Total capital assets being depreciated	36,448,352	2,163,290	605,818	38,005,824
Less accumulated depreciation	10,724,982	1,297,738	108,360	11,914,360
Total capital assets being depreciated, net	25,723,370	865,552	497,458	26,091,464
Governmental activities capital assets, net	\$27,574,239	865,552	497,458	27,942,333

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

CAPITAL ASSETS, CONTINUED

	Balance June 30, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2005</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 10,772	-	-	\$ 10,772
Vehicles	153,820	-	29,400	124,420
Total capital assets being depreciated	164,592	-	29,400	135,192
Less accumulated depreciation	100,107	33,491	23,535	110,063
<u>Business-type activities capital assets, net</u>	<u>\$64,485</u>	<u>(33,491)</u>	<u>5,865</u>	<u>\$ 25,129</u>

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2005 as follows:

Governmental activities:	
General government	\$ 58,525
Public Safety	268,172
Public Works	302,693
Community services	131,212
Education	486,843
Unclassified	50,293
<u>Total depreciation expense – governmental activities</u>	<u>\$ 1,297,738</u>

Business-type activities:	
Nonemergency Transportation Program	33,491
<u>Total depreciation expense - business activities</u>	<u>\$ 33,491</u>

In accordance with GASB Statement No. 34, the Town is required to retroactively report all major general infrastructure assets by June 30, 2007. As of June 30, 2005, the Town has not yet determined the amount to be recorded. At present infrastructure assets additions have only been recorded for assets acquired after June 30, 2001.

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 sponsored by the Maine Municipal Association and in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage.

Based on the coverage provided by the pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2005.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

INTERFUND TRANSACTIONS

During the course of normal operations the Town has numerous transactions between funds including expenditures and transfers. Individual fund interfund receivables and payables balances at June 30, 2005 arising from these transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 157,671	\$2,788,620
Special Revenue Fund:		
Town reserve funds	-	439
School reserve funds	-	40,265
Winslow Park	-	7,509
TIF funds	470,552	-
Bartol building lease fund	425,133	-
Tower lease fund	157,788	-
Other Town grants & programs	-	10,742
School categorical funds	225,070	-
Capital Project Funds:		
School capital projects	420,967	-
Fire department projects	33,314	-
Rescue department projects	170,229	-
Public Works projects	122,353	-
Police department projects	35,119	-
Recycling projects	158,839	-
Comprehensive Town projects	273,432	-
Municipal buildings and other	412,057	-
Boards and committees	-	57,742
Enterprise NET Program	-	157,671
Permanent Funds	4,221	3,760
Totals	\$3,066,748	\$3,066,748

FUND BALANCE

At June 30, 2005, the General Fund's fund balance was comprised of the following:

Reservations:	
Encumbrances	\$ 425,347
Inventory	15,851
Future retirement pay	148,400
Total	\$ 589,598
Designated fund balances:	
Town FY 2005 budgeted use of Fund Balance	\$ 350,000
Tax rate stabilization account	620,000
School FY 2005 budgeted use of Fund Balance	55,000
Total	\$ 1,025,000
Undesignated fund balance:	
General education undesignated	\$ 871
Town undesignated	3,280,153
Total	\$ 3,281,025

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

PENSION PLANS

Maine State Retirement Systems - School Employees

All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. Employee contributions for the year ended June 30, 2005 totaled \$579,867. The School Department's payroll for employees covered by this group, for the fiscal year ended June 30, 2005, was \$7,523,098. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to 17.77% of compensation. Contributions paid by the State (on-behalf payments) totaled approximately \$1,295,000 for the year ended June 30, 2005. There is no contribution required by the School Department except for federally funded teachers for which the School Department contributes 17.77% of their compensation. This cost amounted to \$41,916 for the year ended June 30, 2005, and is charged to the applicable grant.

Maine State Retirement System - District Group

Description of the Plan - The Town contributes to the Maine State Retirement System Consolidated Plan, a cost sharing, multiple employer retirement system established by the Maine State Legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute a percentage of their annual covered salary. The Town is required to contribute an actuarially determined rate. Employer and member rates for the year ended June 30, 2005 were as follows:

	<u>Special #2C</u>
Employer payroll rate(s):	
Normal cost	9.6%
Pooled UAL	-5.6%
Rejoining rate	5.6%
	<hr/>
Total payroll rate	9.60%
	<hr/>
Monthly IUUAL available (7/1/04):	
Payment/(Credit)	(\$ 2,875)
	<hr/>
Member contribution rate(s)	6.5%

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

PENSION PLANS, CONTINUED

Prior to the Consolidated Plan, the Town had a separate inactive District Plan. Effective July 1, 2003, the Town elected to join the Consolidated Plan. Under the terms of joining the Consolidated Plan, the Town has an Initial Unpooled Unfunded Actuarial Liability Credit (IUUAL). The credit is being amortized over 14 years starting for the fiscal year 2005. Employer contributions for the year ended June 30, 2005 were \$114,072 net credits taken. The contribution rates of plan members and the Town are established and may be amended by the Maine State Retirement System Board of Trustees. For the years ended June 30, 2005, employee contributions to the plan totaled \$99,101.

Defined Contribution Plan

The Town offers its regular employees a defined contribution money purchase plan created in accordance with Internal Revenue Code Section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate and are vested from the date of employment. Participating employees are required to contribute 7% of compensation for the year and the Town matches the employees' contribution with 10% of compensation for the plan year. For the year ended June 30, 2005, the Town's contribution to the plan totaled \$116,146.

Deferred Compensation Plan

The Town offers all its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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.

Other

Additionally, the Town participates in the Social Security Retirement Program. The Town and School's contribution to Social Security (including Medicare) was approximately \$437,333 for the year ended June 30, 2005.

CONTINGENCIES

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grant Funds - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

LONG-TERM DEBT

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2005:

Bonds and notes payable at June 30, 2004	\$ 16,968,550
Principal additions	-
Principal payments	(1,860,650)

Bonds and notes payable at June 30, 2005	\$ 15,107,900
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Bonds and notes payable at June 30, 2005 are comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance June 30, 2005</u>
Governmental activities:					
1986 Town improvements	10/29/86	\$1,425,000	2006	6.600%	\$90,000
1990 Capital improvements	9/01/90	6,175,000	2010	7.244%	1,675,000
1992 Capital improvements	12/15/98(1)	3,274,000	2012	4.206%	1,225,000
1996 Capital improvements	5/23/96	659,000	2006	5.075%	131,800
1997 Capital improvements	1/23/97	4,275,000	2016	5.300%	2,025,000
1997 Taxable improvements	1/23/97	265,000	2006	7.000%	50,000
1997 Capital improvements	10/30/97	465,000	2007	4.668%	139,500
1998 Capital improvements	10/29/98	508,000	2008	4.034%	203,200
1999 Capital improvements	11/01/99	960,000	2009	5.000%	250,000
2000 School improvements	2/08/01	4,888,000	2021	4.578%	3,690,000
2001 Capital improvements	10/25/01	517,000	2011	4.401%	333,900
2001 Capital improvements	2/14/02	1,000,000	2022	4.598%	850,000
2002 Capital improvements	10/30/02	540,500	2012	2.983%	394,000
2002 School improvements	11/07/02	4,491,000	2012	4.319%	4,040,000
2002 School improvements	6/02/03	25,000	2007	N/A	10,500
Total bonds and notes payable					\$ 15,107,900

(1) Bonds were originally issued in 1992 but were refinanced in 1998 at a lower cost.

Arbitrage rebate - Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. There are certain exceptions which result in a municipal issuer not having to calculate or pay the required rebate. The Town of Freeport has met these exceptions since the effective date of the regulations.

The Town is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the Town. The Town's outstanding long-term debt of \$15,107,900 at June 30, 2005 was within the statutory limit.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding at June 30, 2005 are as follows. Such amounts exclude overlapping debt requirements, but include School debt requirements to be reimbursed by the State of Maine.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1,612,650	687,835	2,300,485
2007	1,542,650	611,043	2,153,693
2008	1,376,750	540,634	1,917,384
2009	1,316,350	475,875	1,792,225
2010	1,260,550	412,822	1,673,372
2011-2015	4,238,950	1,347,326	5,586,276
2016-2020	2,775,000	580,621	3,355,621
2021-2023	985,000	66,138	1,051,138
Totals	\$15,107,900	\$4,722,293	\$19,830,193

The State of Maine currently reimburses the Town for a portion of financing costs of school building and school bus purchases. Continuation of such reimbursements is dependent upon continued appropriations by the State legislature.

OVERLAPPING DEBT AND OTHER CONTINGENCIES

Overlapping Debt

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's state valuation to the County's state valuation. At June 30, 2005, the Town's share is \$490,593 (3.90%) of Cumberland County's outstanding debt of \$12,590,000.

Other Contingencies

Regional Waste Systems, Inc. (RWS), a Maine corporation with twenty participating municipalities including the Town of Freeport, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of RWS, payable from and secured by a pledge of RWS revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. RWS has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to RWS for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2005, outstanding "Incinerator Debt" of RWS totaled \$50,092,000 and "Material Recycling Facility Debt" of RWS totaled \$5,593,000 of which the Town of Freeport's share, based on estimated tonnage to be delivered, amounted to \$1,552,393 and \$146,537. Additionally, the Town's share of the projected landfill closure and post closure cost relating to RWS is estimated to be \$615,272.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2005

TAX INCREMENT FINANCING DISTRICT LIMITED OBLIGATION BONDS

Bonds totaling \$1,315,000 were issued in June 1990 to finance the development known as the Desert Road Project. The bonds are payable solely from the portion of taxes assessed against properties within the tax increment financing district as designated by the Town as retained captured assessed value. All tax increment revenues from retained captured assessed values from the district are held in a sinking fund which is pledged to and charged with the payment of the principal and interest on the bonds. The developers of the Desert Road Industrial Park have guaranteed the bonds.

The principal on the bonds is to be paid over a twenty-year term at an interest rate of 7.75%. The bonds mature in June 2010. The amount outstanding at June 30, 2005 is \$349,000. Because the bonds are a limited obligation of the Town and are payable solely from the tax increment revenues on the retained captured assessed value of the tax increment financing district and do not otherwise constitute a debt obligation of the Town nor a pledge of its full faith and credit, the balance outstanding at June 30, 2005 has not been included in the general long-term debt of the Town.

The retained captured assessed valuation of \$9,000,000 generated \$162,900 of taxes, and \$101,395 of debt service payments were made for the year ended June 30, 2005. As of June 30, 2005, the bond sinking fund for the payment of principal and interest has accumulated \$78,895. Under terms of the trust agreement with the developer, the company may request reimbursement for amounts previously paid under the guarantee agreement. During the year ended June 30, 2005, the developer requested reimbursements for amounts previously paid totaling \$65,121 which was paid subsequent to year end.

SIGNIFICANT TAXPAYER

For the year ended June 30, 2005, the Town of Freeport committed and collected \$3,464,097 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 18.64% of total property taxes assessed.

LANDFILL CLOSURE AND POST CLOSURE COSTS

Under existing state law, Maine communities have to close existing landfills under a state approved plan and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Historically, the Town maintained two old solid waste landfills which were closed and permanently capped in 1990 and 1996. Additionally, the Town maintains a demolition debris landfill which is near full capacity. The transfer station has been modified to handle and transport future materials. The demolition debris landfill will be accepting limited material for the next few years and to be closed thereafter. The Town has set aside funds totaling \$116,000 for its closure. The Town has estimated that there will be post closure care costs for the various landfills approximating \$189,000 over the next 30 years. As such, the Town has recognized a liability of \$155,000 for closure and an estimate for post closure monitoring and maintenance costs of \$189,000 for a total of \$344,000 in the government-wide financial statements. The actual costs of closure and post closure care may be higher or lower due to inflation, changes in technology, engineering estimates, or changes in landfill laws and regulations.

GENERAL FUND

TOWN OF FREEPORT, MAINE
Comparative Balance Sheets - General Fund
June 30, 2005 and 2004

	2005	2004
ASSETS		
Cash	\$ 6,519,577	6,919,862
Investments	1,827,958	333,631
Accounts receivables	1,454	14,523
Taxes receivable	560,564	585,389
Tax liens	204,604	208,869
Inventory	15,851	11,224
Interfund loans	157,671	185,841
Total assets	\$ 9,287,679	8,259,340
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	428,293	346,903
Accrued wages and benefits	25,382	65,879
Compensated absences payable	175,800	171,800
Taxes collected in advance	14,838	6,365
Interfund loans	2,788,620	2,498,058
Development escrows	324,102	146,120
Deferred tax revenues	535,000	615,000
Other deferred revenues	100,021	130,697
Total liabilities	4,392,056	3,980,822
Fund balance:		
Reserved for:		
Encumbrances	425,347	303,400
Inventory	15,851	11,224
Future retirement pay	148,400	150,000
Designated	1,025,000	675,000
Undesignated - School	871	31,712
Undesignated - Town	3,280,153	3,107,181
Total fund balance	4,895,622	4,278,517
Total liabilities and fund balance	\$ 9,287,679	8,259,340

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
Year ended June 30, 2005

(with comparative actual amounts for the year ended June 30, 2004)

	2005		Variance positive (negative)	2004 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 17,250,534	17,677,532	426,998	17,244,342
Excise taxes & registration fees	1,137,500	1,386,431	248,931	1,328,609
Interest and lien costs	35,000	48,268	13,268	75,705
Total taxes	18,423,034	19,112,231	689,197	18,648,656
Licenses, permits and fees:				
Building, plumbing & electrical permits	59,000	76,794	17,794	90,504
Town clerk licenses & fees	28,850	35,366	6,516	36,275
Moorings and other harbor fees	47,350	48,016	666	47,291
Solid waste permits	2,000	2,500	500	2,750
Shellfish licenses	13,000	12,620	(380)	13,180
Total licenses, permits and fees	150,200	175,295	25,095	190,000
Intergovernmental:				
Education subsidies	1,163,233	1,155,687	(7,546)	1,217,342
Adult education subsidy	52,000	51,524	(476)	52,941
Tree growth reimbursement	12,000	39,722	27,722	37,026
General assistance	8,000	14,737	6,737	7,749
State revenue sharing	585,000	685,760	100,760	625,725
Homestead exemption reimbursement	166,500	154,806	(11,694)	167,926
State road assistance	114,500	143,348	28,848	114,532
Public safety contributions	27,400	44,840	17,440	17,550
Federal emergency management assistance	70,773	70,773	-	15,296
Other intergovernmental	42,250	42,463	213	43,698
Total intergovernmental	2,241,656	2,403,660	162,004	2,299,785
Tuition and other charges for services - education	865,930	872,058	6,128	820,825
Charges for services:				
Planning	21,000	72,333	51,333	39,452
Transfer station and recycling	62,500	108,017	45,517	87,338
Parking lot	37,500	37,500	-	37,500
Vehicle maintenance	20,000	9,140	(10,860)	9,092
Engineering	50,000	31,943	(18,057)	38,093
Total charges for services	191,000	258,933	67,933	211,475
Fees and fines:				
Police parking and other fines	29,500	28,844	(656)	10,770
Library fines and fees	11,000	11,670	670	11,047
Alarm and other fire fees	11,000	15,214	4,214	11,434
Total fees and fines	51,500	55,728	4,228	33,251

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2005		Variance positive (negative)	2004 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	13,700	27,605	13,905	30,646
Investment earnings	40,000	128,019	88,019	55,857
Total revenues	21,977,020	23,033,528	1,056,508	22,290,495
Expenditures:				
Current:				
General government:				
Town council	102,133	87,748	14,385	90,180
Town manager	114,017	106,786	7,231	119,152
Finance and treasury	245,634	242,777	2,857	215,997
Assessing	112,621	112,613	8	103,954
Code enforcement	65,117	65,753	(636)	64,877
Town clerk and elections	75,039	73,437	1,602	68,775
General administration	142,916	128,549	14,367	120,621
Municipal buildings	192,207	187,674	4,533	168,094
Planning	103,627	102,302	1,325	97,782
Total general government	1,153,311	1,107,640	45,671	1,049,435
Public Safety:				
Police department	788,079	731,258	56,821	717,200
Special enforcement	40,162	38,168	1,994	34,983
Fire department	291,777	287,479	4,298	254,916
Rescue	236,226	234,361	1,865	223,479
Dispatch	183,012	182,581	431	177,397
Hydrant rental	182,225	157,370	24,855	150,097
Street lights	49,200	47,136	2,064	47,476
Total public safety	1,770,681	1,678,353	92,328	1,605,547
Public Works:				
General road operations	611,965	601,942	10,023	549,856
Summer roads	429,600	419,164	10,436	393,752
Winter roads	102,750	98,204	4,546	51,270
Tree program	9,050	14,711	(5,661)	12,435
Solid waste	495,559	471,138	24,421	456,563
Engineering	82,063	80,079	1,984	67,638
Total public works	1,730,987	1,685,237	45,750	1,531,514

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2005		Variance positive (negative)	2004 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	46,100	46,100	-	46,100
Public library	352,457	336,437	16,020	324,407
Cable TV	52,141	55,120	(2,979)	49,020
Promotions	15,400	14,835	565	11,525
General assistance	80,473	60,311	20,162	60,435
Coastal waters	49,642	46,584	3,058	44,574
Shellfish commission	4,100	2,972	1,128	2,779
Other	5,550	4,463	1,087	4,642
Total community services	605,863	566,823	39,040	543,482
Education:				
Elementary -Mast Landing	1,736,506	1,697,560	38,946	1,676,994
Elementary -Morse Street	1,579,204	1,554,296	24,908	1,484,432
Middle School	2,252,201	2,239,289	12,912	2,141,813
High School	3,062,874	3,029,471	33,403	2,868,202
Debt service	512,294	512,294	-	643,607
Office of superintendent	537,342	524,858	12,484	453,901
School committee	22,700	18,792	3,908	23,302
Employee benefits & insurances	1,796,388	1,865,468	(69,080)	1,696,576
Student transportation	460,973	474,567	(13,594)	456,615
Other	431,141	395,424	35,717	389,590
Community services and recreation	558,792	580,629	(21,837)	521,158
Total education	12,950,415	12,892,650	57,765	12,356,189
Insurance and fringe benefits:				
Employee benefits	1,154,901	1,050,973	103,928	1,031,688
Insurances	85,500	70,750	14,750	68,145
Total insurance and fringe benefits	1,240,401	1,121,723	118,678	1,099,833
Unclassified:				
County tax	735,177	735,177	-	789,724
Bustin's Island Corporation	174,000	169,552	4,448	161,897
Miscellaneous & contingency	57,500	27,014	30,486	14,943
Abatements	25,000	87,990	(62,990)	39,127
Total unclassified	991,677	1,019,733	(28,056)	1,005,692
Debt service	2,091,612	2,036,838	54,774	2,090,181
Total expenditures	22,534,947	22,108,997	425,950	21,281,873
Excess (deficiency) of revenues over (under) expenditures	(557,927)	924,531	1,482,458	1,008,622

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund, Continued

	2005		Variance positive (negative)	2004 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	587,000	-	(587,000)	-
Budgeted utilization of surplus - School	55,000	-	(55,000)	-
Operating transfers in	357,177	357,177	-	372,177
Operating transfers out	(441,250)	(819,012)	(377,762)	(801,393)
Total other financing sources (uses)	557,927	(461,835)	(1,019,762)	(429,216)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	462,696	462,696	579,406
Reconciliation to GAAP basis:				
Encumbrances		165,609		102,315
Other		-		-
Future retirement and vacation pay		(11,200)		(58,813)
Excess of revenues and other financing sources over expenditures - GAAP basis		617,105		622,908
Fund balance, beginning of year		4,278,517		3,655,609
Fund balance, end of year	\$	4,895,622		4,278,517

See accompanying independent auditors' report.

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF FREEPORT
Combining Balance Sheet
All Other Governmental Funds
June 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ 393,922	6,343	-	400,265
Investments	472,518	1,090,672	951,916	2,515,106
Due from other governments	87,409	90,000	-	177,409
Accounts receivable	24,193	-	3,905	28,098
Inventory	22,221	-	-	22,221
Interfund loans	1,278,543	1,626,311	4,221	2,909,075
Total assets	\$ 2,278,806	2,813,326	960,042	6,052,174

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	305,186	-	-	305,186
Interfund loans	58,515	57,742	3,760	120,017
Total liabilities	363,701	57,742	3,760	425,203

Fund balances:

Reserved for:				
Inventory	22,221	-	-	22,221
Encumbrances	-	-	-	-
Nonexpendable trust principal	-	-	949,391	949,391
Unreserved				
Designated	49,500	-	-	49,500
Undesignated, reported in:				
Special revenue funds	1,843,385	-	-	1,843,385
Capital project funds	-	2,755,584	-	2,755,584
Permanent funds	-	-	6,892	6,892
Total fund balance	1,915,106	2,755,584	956,282	5,626,972

Total liabilities and fund balances	\$ 2,278,806	2,813,326	960,042	6,052,174
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See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 782,835	-	-	782,835
Charges for services	963,349	-	-	963,349
Gifts and donations	67,289	-	6,428	73,716
Intergovernmental	860,275	234,958	-	1,095,233
Unclassified	22,342	10,684	-	33,026
Investment income	26,802	23,275	73,428	123,505
Total revenues	2,722,891	268,918	79,855	3,071,665
Expenditures:				
Current:				
Public safety	11,792	-	-	11,792
Education	567,025	-	-	567,025
Unclassified	560,589	-	9,546	570,135
Capital outlay	364,062	1,491,408	-	1,855,470
Debt service	346,385	-	-	346,385
Food services	410,340	-	-	410,340
Total expenditures	2,260,193	1,491,408	9,546	3,761,147
Excess of revenues over expenditures	462,699	(1,222,490)	70,309	(689,482)
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Transfers (to) from other funds	(514,709)	990,544	-	475,835
Total other financing sources (uses)	(514,709)	990,544	-	475,835
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	(52,010)	(231,947)	70,309	(213,647)
Fund balances, beginning of year	1,967,116	2,987,530	885,973	5,840,619
Fund balances, end of year	\$ 1,915,106	2,755,584	956,282	5,626,972

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	School Reserve Funds	Winslow Park	Tax Increment Funding	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	School Categorical Programs	School Lunch	Totals 2005
ASSETS										
Cash	\$ -	217,594	134,409	-	-	110	20,881	16,446	4,481	393,922
Investments	419,011	-	-	-	-	-	53,508	-	-	472,518
Due from other governments	-	-	-	-	-	58,137	-	29,272	-	87,409
Accounts receivable	-	-	-	-	-	-	16,050	-	8,143	24,193
Inventory	-	-	-	-	-	-	-	-	22,221	22,221
Interfund loans receivable	-	-	470,552	425,133	157,788	-	-	225,070	-	1,278,543
Total assets	\$ 419,011	217,594	604,962	425,133	157,788	58,247	90,439	270,788	34,845	2,278,806
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	-	-	286,871	-	-	-	1,014	-	17,301	305,186
Accrued wages	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	40,265	7,509	-	-	-	10,742	-	-	-	58,515
Total liabilities	40,265	7,509	286,871	-	-	10,742	1,014	-	17,301	363,701
Fund balances:										
Reserved for inventory	-	-	-	-	-	-	-	-	22,221	22,221
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Designated	-	-	-	49,500	-	-	-	-	-	49,500
Undesignated	378,746	210,086	318,091	375,633	157,788	47,505	89,425	270,788	(4,677)	1,843,385
Total fund balances	378,746	210,086	318,091	425,133	157,788	47,505	89,425	270,788	17,544	1,915,106
Total liabilities and fund balances	\$ 419,011	217,594	604,962	425,133	157,788	58,247	90,439	270,788	34,845	2,278,806

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2005

	School Reserve Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	School Categorical Programs	School Lunch	Totals 2005
Revenues:										
Property taxes	-	-	782,835	-	-	-	-	-	-	782,835
Charges for services	-	208,699	-	341,924	156,242	-	-	-	256,483	963,349
Gifts and donations	-	-	-	-	-	-	-	67,289	-	67,289
Intergovernmental	53,582	-	-	-	-	87,739	-	594,445	124,509	860,275
Investment income	21,302	2,288	1,421	-	-	-	979	73	740	26,802
Unclassified	-	-	-	-	-	10,068	12,275	-	-	22,342
Total revenues	74,884	210,987	784,256	341,924	156,242	97,807	13,253	661,807	381,732	2,722,891
Expenditures:										
Current:										
Public safety	-	-	-	-	-	11,792	-	-	-	11,792
Education	-	-	-	-	-	-	-	567,025	-	567,025
Unclassified	1,015	172,169	315,871	95	-	8,963	62,476	-	-	560,589
Debt service	-	-	346,385	-	-	-	-	-	-	346,385
Food services	-	-	-	-	-	-	-	-	410,340	410,340
Capital	-	13,638	269,481	-	-	80,944	-	-	-	364,062
Total expenditures	1,015	185,807	931,736	95	-	101,698	62,476	567,025	410,340	2,260,193
Excess (deficiency) of revenues over (under) expenditures	73,869	25,180	(147,481)	341,829	156,242	(3,891)	(49,223)	94,781	(28,608)	462,699
Other financing sources (uses):										
Transfer to (from) other funds	(92,832)	-	-	(332,177)	(115,000)	-	76,050	(85,000)	34,250	(514,709)
Total other financing sources (uses)	(92,832)	-	-	(332,177)	(115,000)	-	76,050	(85,000)	34,250	(514,709)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(18,963)	25,180	(147,481)	9,652	41,242	(3,891)	26,827	9,781	5,642	(52,010)
Fund balances, beginning of year	397,709	184,906	465,572	415,481	116,546	51,396	62,598	261,006	11,902	1,967,116
Fund balances, end of year	\$ 378,746	210,086	318,091	425,133	157,788	47,505	89,425	270,788	17,544	1,915,106

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2005

	Fund Balance (deficit) June 30, 2004	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2005
		Inter- governmental	Other				
Town Reserve Funds (Major Fund):							
Unemployment compensation fund	\$ 404,907	-	26,106	8,651	17,456	-	422,362
General administration reserve	196,748	-	10,538	502	10,036	101,250	308,035
Police equipment reserve	71,786	-	3,845	183	3,662	13,750	89,197
Cable TV equipment reserve	208,937	-	74,149	42,262	31,887	(80,000)	160,824
Public infrastructure reserve	796,370	-	42,655	2,032	40,623	59,000	895,993
Land Trust reserve	15,842	-	849	40	808	-	16,651
Public works equipment reserve	1,012,944	-	54,255	2,585	51,670	105,000	1,169,614
Ambulance equipment reserve	199,831	-	173,513	1,020	172,493	(264,000)	108,324
Building maintenance reserve	297,721	-	15,946	760	15,187	(10,000)	302,908
Fire equipment reserve	753,523	-	41,175	1,923	39,252	67,250	860,025
Municipal parking lot reserve	127,663	-	53,714	7,826	45,889	(30,000)	143,551
Hedgehog mountain reserve	20,560	-	1,101	52	1,049	-	21,609
Recycling equipment reserve	116,456	-	6,238	297	5,940	23,750	146,147
Other	15,168	-	35	2	33	-	15,201
Total town reserve funds	4,238,458	-	504,119	68,135	435,984	(14,000)	4,660,442
School Reserve Funds:							
Building reserve	244,552	53,582	13,099	624	66,057	(26,859)	283,749
Technology reserve	71,184	-	3,813	182	3,631	(32,986)	41,828
Vehicle reserve	81,974	-	4,391	209	4,181	(32,986)	53,169
Total school reserve funds	397,709	53,582	21,302	1,015	73,869	(92,832)	378,746
Winslow Park fund	184,906	-	210,987	185,807	25,180	-	210,086
TIF Funds:							
TIF I - Desert road	70,911	-	163,817	166,516	(2,699)	-	68,211
TIF II - Desert road phase II	54,355	-	468,778	466,740	2,038	-	56,393
TIF III - Nursing home	55,011	-	19,512	-	19,512	-	74,522
TIF IV - Destination TIF	285,296	-	132,149	298,481	(166,332)	-	118,964
Total TIF funds	465,572	-	784,256	931,736	(147,481)	-	318,091
Bartol Building Lease Fund	415,481	-	341,924	95	341,829	(332,177)	425,133
Tower Lease Fund	116,546	-	156,242	-	156,242	(115,000)	157,788

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2005

	Fund Balance (deficit) June 30, 2004	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2005
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 10,481	8,897	-	7,822	1,075	-	11,556
Homeland security grants	-	57,994	-	57,994	-	-	-
MDOT grant Bow St/Lower Mast Ld	-	13,873	-	13,500	373	-	373
Public safety preemption system	3,970	-	-	3,970	(3,970)	-	-
Florida Lake grant	4,225	5,225	-	9,450	(4,225)	-	-
Other	32,721	1,750	10,068	8,963	2,855	-	35,576
Total Town Grants and Projects	51,396	87,739	10,068	101,698	(3,891)	-	47,505
Freeport Economic Development Corporation	62,598	-	13,253	62,476	(49,223)	76,050	89,425
School Categorical & Other Funds:							
ECIA Title I-A	-	114,499	-	111,004	3,495	-	3,495
Local entitlement	12,328	327,794	-	288,359	39,436	-	51,763
Local entitlement Sec 619	3,321	7,797	-	9,824	(2,027)	-	1,293
Communities for children	375	-	-	375	(375)	-	-
Teacher quality grant	12,108	31,440	-	25,852	5,588	-	17,696
Carl Perkins	6,480	6,162	-	7,907	(1,745)	-	4,735
Therapeutic riding grant	1,000	-	-	980	(980)	-	20
Title V	7,012	6,201	-	13,213	(7,012)	-	0
Title II technology	5,993	3,143	-	5,993	(2,850)	-	3,143
Drug free schools	-	6,752	-	6,752	-	-	-
State agency clients	14,538	2,905	-	-	2,905	(10,000)	7,443
Professional development	6,960	13,270	-	10,099	3,171	-	10,131
Medicaid	97,203	73,982	-	4,343	69,639	(75,000)	91,842
Donations	8,747	-	13,110	1,056	12,054	-	20,801
Community education scholarship	3,071	-	16,247	6,001	10,246	-	13,317
Auditorium fund	48,830	-	15,838	43,028	(27,191)	-	21,639
Summer program	140	-	6,550	6,690	(140)	-	-
Aspirations	2,212	-	10,364	11,382	(1,018)	-	1,194
Dollars for scholars	10,660	-	65	3,000	(2,935)	-	7,725
MAXX	7,490	-	-	-	-	-	7,490
Other	12,539	500	5,189	11,167	(5,478)	-	7,061
Total school categorical funds	261,006	594,445	67,362	567,025	94,781	(85,000)	270,788
School Lunch Program	11,902	124,509	257,223	410,340	(28,608)	34,250	17,544
Total special revenue funds	\$ 6,205,574	860,275	2,366,735	2,328,328	898,682	(528,709)	6,575,547

See accompanying independent auditors' report.

CAPITAL PROJECT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2005

	School Department Projects	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Undesignated Interest	Total 2005
ASSETS											
Cash	-	-	-	-	-	-	6,343	-	-	-	6,343
Investments	7,061	4,456	-	-	-	-	22,324	-	1,016,967	39,864	1,090,672
Due from other governments	-	-	-	-	-	-	-	-	90,000	-	90,000
Interfund loans	420,967	33,314	170,229	122,353	35,119	158,839	273,432	412,057	-	-	1,626,311
Total assets	\$ 428,028	37,770	170,229	122,353	35,119	158,839	302,099	412,057	1,106,967	39,864	2,813,326
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	57,742	-	57,742
Total liabilities	-	-	-	-	-	-	-	-	57,742	-	57,742
Fund balances:											
Unreserved, undesignated	428,028	37,770	170,229	122,353	35,119	158,839	302,099	412,057	1,049,225	39,864	2,755,584
Total fund balances	428,028	37,770	170,229	122,353	35,119	158,839	302,099	412,057	1,049,225	39,864	2,755,584
Total liabilities and fund balances	\$ 428,028	37,770	170,229	122,353	35,119	158,839	302,099	412,057	1,106,967	39,864	2,813,326

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year ended June 30, 2005

	School Department Projects	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other	Boards and Committees	Undesignated Interest	Total 2005
Revenues:											
Interest earnings	\$ -	-	-	-	-	-	-	-	-	23,275	23,275
Intergovernmental	-	-	-	-	2,557	-	-	-	231,401	-	234,958
Other revenue	-	-	-	-	-	684	-	-	10,000	-	10,684
Total revenues	-	-	1,000	-	2,557	684	-	-	241,401	23,275	268,918
Expenditures:											
Capital outlay											
	298,585	22,838	30,416	237,712	9,162	122,747	314,642	101,644	341,661	12,000	1,491,408
Total expenditures	298,585	22,838	30,416	237,712	9,162	122,747	314,642	101,644	341,661	12,000	1,491,408
Excess of revenues over expenditures	(298,585)	(22,838)	(29,416)	(237,712)	(6,605)	(122,063)	(314,642)	(101,644)	(100,260)	11,275	(1,222,490)
Other financing sources (uses):											
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfer in (out)	332,544	34,000	159,000	30,000	20,000	10,000	257,500	137,500	10,000	-	990,544
Total other financing sources (uses)	332,544	34,000	159,000	30,000	20,000	10,000	257,500	137,500	10,000	-	990,544
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	33,958	11,162	129,584	(207,712)	13,395	(112,063)	(57,142)	35,856	(90,260)	11,275	(231,947)
Fund balances (deficit), beginning of year	394,070	26,608	40,646	330,065	21,723	270,903	359,241	376,201	1,139,485	28,589	2,987,530
Fund balances (deficit), end of year	\$ 428,028	37,770	170,229	122,353	35,119	158,839	302,099	412,057	1,049,225	39,864	2,755,584

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2005

	Fund Balance (deficit) June 30, 2004	Revenues and Other Sources			Expenditures	Fund Balance (deficit) June 30, 2005
		Inter- governmental	Other Revenues	Bond Proceeds		
School Capital Project Funds:						
School buses & other vehicles	\$ 80,220	-	-	-	66,890	77,110
Technology upgrades	70,042	-	-	-	121,500	57,094
Mast Landing improvements	66,472	-	-	-	27,550	50,243
Morse School improvements	49,436	-	-	-	-	37,069
Middle School improvements	25,891	-	-	-	56,850	11,849
High School improvements	33,213	-	-	-	58,800	33,213
Parking Lot lighting improvements	-	-	-	-	18,000	18,000
Fire alarm panels Morse and Middle School	-	-	-	-	18,500	18,500
Track/ballfield preconstruction	34,700	-	-	-	(32,927)	1,773
School administration projects	34,097	-	-	-	(2,620)	30,233
Total school capital projects	394,070	-	-	-	332,544	298,585
Fire Department Capital Project Funds						
Protective clothing	11,672	-	-	-	14,000	14,207
Thermal imaging	-	-	-	-	20,000	-
Other	14,937	-	-	-	-	8,631
Total fire department	26,608	-	-	-	34,000	22,838
Rescue Department Capital Project Funds						
Protective clothing	23,923	-	-	-	14,000	13,318
Ambulance replacement	-	-	-	-	135,000	-
Equipment	16,723	1,000	-	-	10,000	17,098
Total rescue department	40,646	1,000	-	-	159,000	30,416
Public Works Capital Project Funds						
Backhoe	34,199	-	-	-	-	740
Front end loader	120,000	-	-	-	-	89,731
Grader repair	-	-	-	-	30,000	-
Pickup truck, sander & plow	22,313	-	-	-	-	18,784
Liquid calcium ground speed control system	10,189	-	-	-	-	3,529
Dump truck replacement, sander & plow	8,248	-	-	-	-	6,399
Wheeler truck replacement, sander & plow	135,116	-	-	-	-	8,248
Total public works	330,065	-	-	-	124,667	10,449
Police Department Capital Project Funds						
Public safety recording equipment	-	-	-	-	20,000	-
Bullet proof vests	10,000	2,557	-	-	-	7,162
Other	11,723	-	-	-	-	2,000
Total police department	21,723	2,557	-	-	20,000	9,162
See accompanying independent auditors' report.						35,119
See accompanying independent auditors' report.						122,353

TOWN OF FREEPORT, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2005

	Fund Balance (deficit) June 30, 2004	Revenues and Other Sources			Expenditures	Fund Balance (deficit) June 30, 2005
		Inter- governmental	Other Revenues	Bond Proceeds		
Recycling Capital Project Funds:						
Landfill closing	\$ 116,436	-	-	-	-	116,436
Lagoon closure	83,707	-	-	-	81,513	2,194
Scale	47,500	-	-	-	41,234	6,266
Other	23,260	-	684	-	-	33,944
Total recycling capital projects	270,903	-	684	-	122,747	158,839
Comprehensive Town Improvement Funds:						
South Freeport road projects	159,251	-	-	-	145,328	13,924
Pleasant Hill road projects	-	-	-	200,000	-	200,000
Grove street widening	-	-	-	30,000	-	30,000
Carriage road reconstruction	11,083	-	-	-	6,583	4,500
Oak street drainage & reconstruction	16,642	-	-	-	11,664	4,977
Pettingill/Scotch	39,000	-	-	-	23,733	15,267
Merrill road	75,000	-	-	-	61,956	13,044
Kendall lane sidewalks	37,500	-	-	27,500	55,423	9,577
Other	20,765	-	-	-	9,955	10,809
Total comprehensive town improvement	359,241	-	-	257,500	314,642	302,099
Municipal Buildings and Other Improvement Funds:						
Resurface parking lot	60,838	-	-	-	36,809	24,029
Public safety storage facility	53,470	-	-	-	41,986	11,484
Computer system upgrade	120,000	-	-	20,000	-	140,000
Dunning boat yard	26,000	-	-	-	-	26,000
Cable TV	15,251	-	-	45,000	-	60,251
Valuation update	-	-	-	35,500	3,796	31,704
Other	100,643	-	-	-	19,053	118,590
Total municipal buildings and other	376,201	-	-	137,500	101,644	412,057
Boards and Committees Improvement Funds:						
Recreation fund	47,631	-	-	-	36,747	10,883
Harbor fund	59,063	10,315	-	-	15,722	53,656
Land conservation fund	263,507	113,482	10,000	-	127,249	259,740
Community center	750,000	107,604	-	-	161,843	695,761
Other	19,284	-	-	10,000	100	29,184
Total boards and committees	1,139,485	231,401	10,000	-	341,661	1,049,225
Undesignated Interest	28,589	-	23,275	-	12,000	39,864
Total capital project funds	2,987,530	234,958	33,959	-	990,544	2,755,584

See accompanying independent auditors' report.

NONMAJOR GOVERNMENTAL FUNDS
PERMANENT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2005

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
ASSETS					
Investments	\$ 236,744	178,489	182,898	353,784	951,916
Accounts receivable	146	-	400	3,360	3,905
Interfund loans	746	3,475	-	-	4,221
Total assets	237,636	181,964	183,298	357,144	960,042
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund loans	-	-	400	3,360	3,760
Total liabilities	-	-	400	3,360	3,760
Fund balances:					
Principal	263,189	162,147	185,626	338,428	949,391
Unexpended income	(25,554)	19,817	(2,728)	15,356	6,892
Total fund balances	237,636	181,964	182,898	353,784	956,282
Total liabilities and fund balances	\$ 237,636	181,964	183,298	357,144	960,042

See accompanying independent auditors' report.

TOWN OF FREEPORT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2005

		Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:						
Investment income	\$	8,606	4,190	4,902	8,956	26,654
Realized & unrealized gains on investments		7,166	9,195	10,759	19,654	46,774
Donations		6,006	247	175	-	6,428
Total revenues		21,778	13,631	15,837	28,609	79,855
Expenditures:						
Current:						
Other miscellaneous		5,260	351	575	3,360	9,546
Total expenditures		5,260	351	575	3,360	9,546
Excess (deficiency) of revenues over (under) expenditures		16,518	13,280	15,262	25,250	70,309
Fund balances, beginning of year		221,118	168,684	167,636	328,535	885,973
Fund balances, end of year	\$	237,636	181,964	182,898	353,784	956,282

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
Year ended June 30, 2005

	Principal				Unexpended Income				Total
	Fund Balance (deficit) June 30, 2004	Revenues Unrealized/ Realized Gains	Other	Fund Balance (deficit) June 30, 2005	Fund Balance (deficit) June 30, 2004	Interest Income	Expenditures	Fund Balance (deficit) June 30, 2005	
Cemetery Care:									
Perpetual Care:	\$	3,544	-	127,206	(14,552)	4,257	2,740	(13,035)	114,171
Burr	123,662	1,133	4,200	44,880	(5,093)	1,361	872	(4,603)	40,277
Grove	39,547	369	306	13,550	(1,769)	443	-	(1,326)	12,225
Webster	12,875	554	-	19,874	(2,698)	665	429	(2,462)	17,412
Woodlawn	19,321	1,000	1,500	37,403	(4,685)	1,201	776	(4,260)	33,143
South Freeport	34,902	202	-	7,244	(983)	242	156	(897)	6,348
Flying Point	7,043	62	-	2,227	1	75	49	27	2,253
Town maintained	2,165	18	-	628	605	21	14	612	1,240
Davis Mausoleum	611	10	-	361	128	12	8	132	493
Carrie Thomas	350	273	-	9,816	146	328	216	258	10,074
A.O. Woodard	9,542	7,166	6,006	263,189	(28,900)	8,606	5,260	(25,554)	237,636
Total Cemetery Funds	250,018	7,166	6,006	263,189	(28,900)	8,606	5,260	(25,554)	237,636
Library Funds:									
Bartol Association	23,477	1,448	247	25,171	1,586	660	-	2,246	27,417
Paul and Emma Bennett	13,115	809	-	13,924	2,311	369	351	2,328	16,252
Eleanor Brewer	121	7	-	129	46	3	-	49	178
Albert Conley	23,608	1,456	-	25,064	9,205	663	-	9,868	34,932
Jane Hall	92,384	5,476	-	97,859	2,830	2,495	-	5,325	103,185
Total Library Funds	152,705	9,195	247	162,147	15,979	4,190	351	19,817	181,964
School Scholarship Funds									
Fitts Award	2,045	126	-	2,171	(503)	57	-	(445)	1,726
Salomon Plummer	7,042	434	-	7,477	(2,580)	198	-	(2,383)	5,094
Wallace True	4,090	252	-	4,342	(753)	115	-	(638)	3,704
Millard and Enid Crooker	20,422	1,259	-	21,682	(4,771)	574	-	(4,198)	17,484
Alice Pollock	8,681	535	-	9,217	(1,254)	244	-	(1,010)	8,206
Audis Foster	1,534	95	-	1,629	(237)	43	-	(194)	1,435
Kenneth Thompson	6,139	379	-	6,517	(654)	172	-	(481)	6,036
Christine Small Cushing	124,737	7,679	175	132,591	3,697	3,499	575	6,621	139,212
Total School Scholarship Funds	174,692	10,759	175	185,626	(7,055)	4,902	575	(2,728)	182,898
Benevolent Funds:									
George Davis	8,880	548	-	9,428	(1,260)	249	-	(1,011)	8,417
Arthur L. Gould	309,894	19,106	-	329,000	11,021	8,706	3,360	16,367	345,368
Total Benevolent Funds	318,774	19,654	-	338,428	9,760	8,956	3,360	15,356	353,784
Total	896,189	46,774	6,428	949,391	(10,216)	26,654	9,546	6,892	956,282

See accompanying independent auditors' report.

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

TOWN OF FREEPORT
Capital Assets Used in the Operation of Governmental Funds by Type
June 30, 2005

General fixed assets:		
Land	\$	1,850,869
Land improvements		1,147,756
Buildings and improvements		26,598,591
Machinery, equipment and other		3,712,217
Vehicles		3,830,218
Infrastructure		2,225,402
Construction in process		491,640
Total governmental fund capital assets		\$ 39,856,693

TOWN OF FREEPORT, MAINE
Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the year ended June 30, 2005

Function and Activity	Balance 2004	Additions	Disposals	Balance 2005
General government	\$ 2,667,433	28,554	-	2,695,987
Community services				
Library	3,632,077	63,744	-	3,695,821
Cable TV	182,853	19,396	-	202,249
Coastal waters	135,339	14,150	-	149,489
Community center	-	161,843		161,843
Education	20,265,781	204,235	48,360	20,421,656
Public safety:				
Police	882,267	48,051	-	930,318
Fire & Rescue	3,436,474	41,986	-	3,478,460
Public works				
General	4,776,034	722,721	60,000	5,438,755
Solid waste	1,169,762	144,826	-	1,314,588
Recreation	691,323	163,996	-	855,319
Unclassified:				
Parking lots	53,000	36,809	-	89,809
School lunch	78,768		-	78,768
Winslow Park	328,110	15,521	-	343,631
	\$ 38,299,221	1,665,832	108,360	39,856,693

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE

Schedule of Capital Assets used in the Operation of Governmental Funds - By Function and Activity
June 30, 2005

Function and Activity	Land	Land Improvements	Building and Improvements	Machinery and Equipment	Vehicles	Infrastructure	Construction	
							Work in Process	Total
General government	\$ 711,566	-	1,526,100	458,321	-	-	-	2,695,987
Community Services								
Library	110,000	78,405	2,364,305	1,143,111	-	-	-	3,695,821
Cable TV	-	-	-	180,249	22,000	-	-	202,249
Coastal waters	-	-	5,000	126,402	-	-	18,087	149,489
Community center	-	-	-	-	-	-	161,843	161,843
Education	360,285	44,380	18,927,452	258,418	809,921	-	21,200	20,421,656
Public safety:								
Police	3,850	-	598,000	105,594	222,874	-	-	930,318
Fire & Rescue	40,000	-	1,218,000	505,145	1,671,799	-	43,516	3,478,460
Public works								
General	193,768	-	1,274,000	498,086	1,041,832	2,225,402	205,667	5,438,755
Solid waste	190,000	399,000	398,000	294,693	32,895	-	-	1,314,588
Recreation	238,400	539,162	-	36,430	-	-	41,327	855,319
Unclassified:								
Parking lots	3,000	86,809	-	-	-	-	-	89,809
School lunch	-	-	-	78,768	-	-	-	78,768
Winslow Park	-	-	287,734	27,000	28,897	-	-	343,631
Total capital assets	\$ 1,850,869	1,147,756	26,598,591	3,712,217	3,830,218	2,225,402	491,640	39,856,693

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Schedule of Depreciation - By Function and Activity
Year Ended June 30, 2005

Function and Activity	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Total
General government	\$ -	35,115	23,410	-	-	58,525
Community services						
Library	3,270	59,108	42,679	-	-	105,057
Cable TV	-	-	13,728	3,667	-	17,395
Coastal waters	-	333	8,426	-	-	8,760
Community center	-	-	-	-	-	-
Education	825	405,001	14,794	66,223	-	486,843
Public safety:						
Police	-	14,950	12,906	49,248	-	77,104
Fire & Rescue	-	30,450	50,406	110,212	-	191,068
Public works						
General		31,850	28,577	108,351	82,972	251,750
Solid waste	15,960	9,950	19,550	5,483	-	50,943
Recreation	14,791	-	2,429	-	-	17,220
Unclassified:						
Parking lots	3,420	-	-	-	-	3,420
School lunch	-	-	6,200	-	-	6,200
Winslow Park	-	17,849	3,375	2,229	-	23,453
Total capital assets	\$ 38,266	604,606	226,480	345,413	82,972	1,297,738

See accompanying independent auditors' report.