

TOWN OF FREEPORT, MAINE

Annual Financial Report

June 30, 2009

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June 30, 2009

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macdonaldpage & co LLC

Certified Public Accountants and Management Advisors

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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund 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 December 7, 2009, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 15 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.

Town Council
Town of Freeport

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 45 through 71 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 2008 financial statements and, in our report dated February 17, 2009, 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.

Marionell Page LLC

South Portland, Maine
December 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

TOWN OF FREEPORT FISCAL YEAR 2009 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, 2009. 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 approximately \$697,000. The General Fund's fund balance increased by approximately \$869,000. A large portion of the increase in fund balance was due to higher than expected General Fund revenues, which exceeded estimated revenues by approximately \$1,163,000. Revenue surpluses and unspent appropriations exceeded the planned use of fund balance for capital reserves of \$550,000. Additionally, Town reserve funds were increased significantly from dedicated revenues, and repayment of advances from the NET program and Community Center project. Other increases in various capital projects and several other non-major governmental funds also occurred.

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 2009. 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	
	2009	2008	2009	2008	2009	2008
ASSETS						
Cash and cash equivalents	\$13,949,749	\$12,361,978	-	-	13,949,749	12,361,978
Investments	6,118,323	7,437,208	-	-	6,118,323	7,437,208
Receivables	1,444,780	987,653	129,396	172,971	1,574,176	1,160,624
Internal balances	34,517	150,759	(34,517)	(150,759)	-	-
Inventory	45,092	51,962	-	-	45,092	51,962
Capital assets, net	32,219,548	32,376,181	30,834	46,940	32,250,382	32,423,121
Total assets	53,812,009	53,365,741	125,713	69,152	53,937,722	53,434,893
LIABILITIES						
Current liabilities	2,159,043	2,222,715	7,131	4,695	2,166,174	2,227,410
Noncurrent liabilities	11,722,728	12,387,183	-	-	11,722,728	12,387,183
Total liabilities	13,881,771	14,609,898	7,131	4,695	13,888,902	14,614,593
NET ASSETS						
Invested in capital assets, net of debt	21,881,943	21,145,331	30,834	46,940	21,912,777	21,192,271
Restricted	2,768,336	3,431,592	-	-	2,768,336	3,431,592
Unrestricted	15,279,959	14,178,920	87,748	17,517	15,367,707	14,196,437
Total net assets	39,930,238	38,755,843	118,582	64,457	40,048,820	38,820,300

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 its 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. 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 its 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 \$1,174,393 during the year ended June 30, 2009. The following analysis provides the key elements of the increases.

	Governmental	Business-type	2009 Total Primary Government	2008 Total Primary Government
	Activities	Activities		
Program revenues:				
Charges for Services	\$2,398,345	510,196	2,908,541	3,006,521
Operating grants and contributions	4,592,689	-	4,592,689	3,742,519
Capital grants and contributions	-	-	-	220,554
General revenues:				
Property taxes	19,933,811	-	19,993,811	19,386,306
Motor vehicle excise taxes	1,342,755	-	1,342,755	1,376,574
Interest and lien costs	107,649	-	107,649	81,027
State Revenue Sharing	657,168	-	657,168	690,964
Homestead exemption	155,092	-	155,092	153,236
Other State aid	72,758	-	72,758	61,924
Unrestricted investment earnings	(161,449)	-	(161,449)	443,118
Miscellaneous revenues	1,821,531	-	1,821,531	1,499,984
Total revenues	30,920,349	510,196	31,430,545	30,662,727
Program expenses:				
General government	1,693,691	-	1,693,691	1,607,371
Public safety	2,632,055	411,071	3,043,126	3,017,252
Public works	2,985,527	-	2,985,527	2,536,108
Community services	986,362	-	986,362	948,397
Education	17,697,544	-	17,697,544	16,543,002
County tax	788,142	-	788,142	761,800
Unclassified	1,555,196	-	1,555,196	1,602,863
Interest on debt	528,369	-	528,369	820,799
Capital maintenance expenses	924,070	-	924,070	339,446
Total expenses	29,790,956	411,071	30,202,027	28,177,038
Transfers	45,000	(45,000)	-	-
Change in net assets	1,174,393	54,125	1,228,518	2,485,689
Net assets – beginning	38,755,842	64,457	38,820,299	36,334,611
Net assets – ending	39,930,235	118,582	40,048,817	38,820,300

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 \$4.8 million. The Town Council established a figure of \$2 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. The Town Council modified its fund balance policy five years ago, establishing a Tax Rate Stabilization Account. The Council funded the stabilization account each of the first three years for a total of \$1 million. No additional funding was provided during FY 2009 and the account remained at \$1 million at June 30, 2009. 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, 2009, the Town managed to increase its total fund balance once again. General fund undesignated fund balance maintained its current strong position, increasing by approximately \$869,000 for a total \$4.8 million. In addition, over the years, the Town has established various capital and other reserves. For the year ended June 30, 2009, the Town's reserves increased by approximately \$413,000. At June 30, 2009, the Town's reserved funds totaled \$6.46 million compared to the prior year's \$6.05 million while School Capital reserves decreased slightly to a balance of approximately \$68,000. The Town annually will fund various capital projects from reserves, appropriations from the general fund and from bond authorizations. This year unspent capital projects decreased by approximately \$900,000, due to large capital expenditures in the school department projects fund, for a balance of \$1.9 million at June 30, 2009.

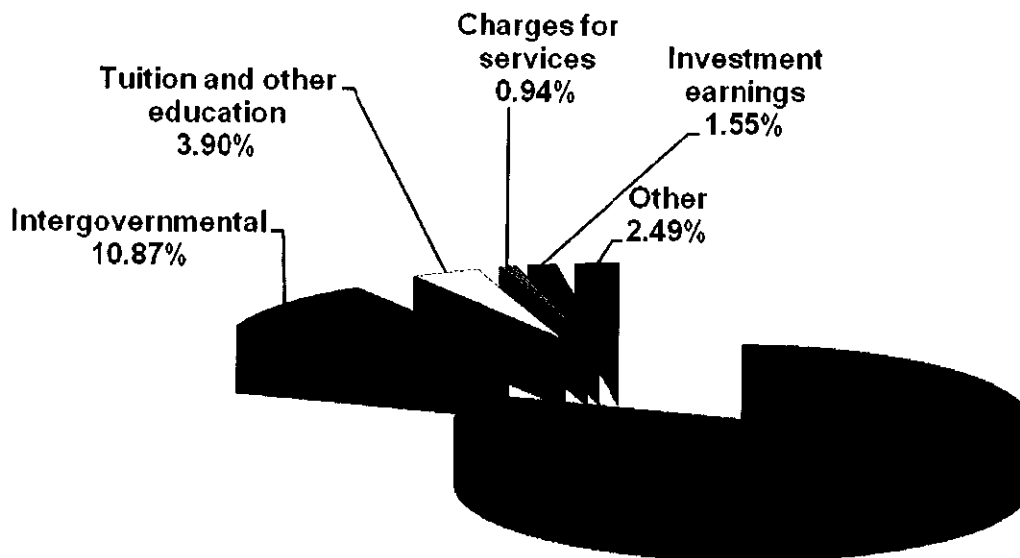
General Fund Revenues Budget to Actual Summary

For fiscal year 2009, revenues exceeded estimated revenues by approximately \$1,163,000. The major reasons were a generous overlay of \$205,000, final valuation figures coming in greater than expected, strong vehicle excise tax collections with collections exceeding budget by \$104,000, and investment earnings exceeding estimates by approximately \$243,000. For FY 2009, \$585,000 was budgeted from the fund balance to reduce property taxes. The property tax collection rate for the year declined slightly to 96.62% from the previous year's collection rate of 96.87%.

General Fund Revenues Budget to Actual Summary

	Budget	Actual	Variance
Revenues:			
Taxes	\$ 19,750,430	20,370,596	620,166
Licenses and permits	230,465	244,848	14,383
Intergovernmental	2,716,276	2,758,820	42,544
Tuition and other charges for services – education	947,917	990,954	43,037
Charges for services	248,800	238,422	(10,378)
Fees and fines	85,300	97,248	11,948
Unclassified	92,750	291,175	198,425
Investment earnings	150,000	392,676	242,676
Total revenues	\$ 24,221,938	25,384,739	1,162,801

Revenue Sources 2009

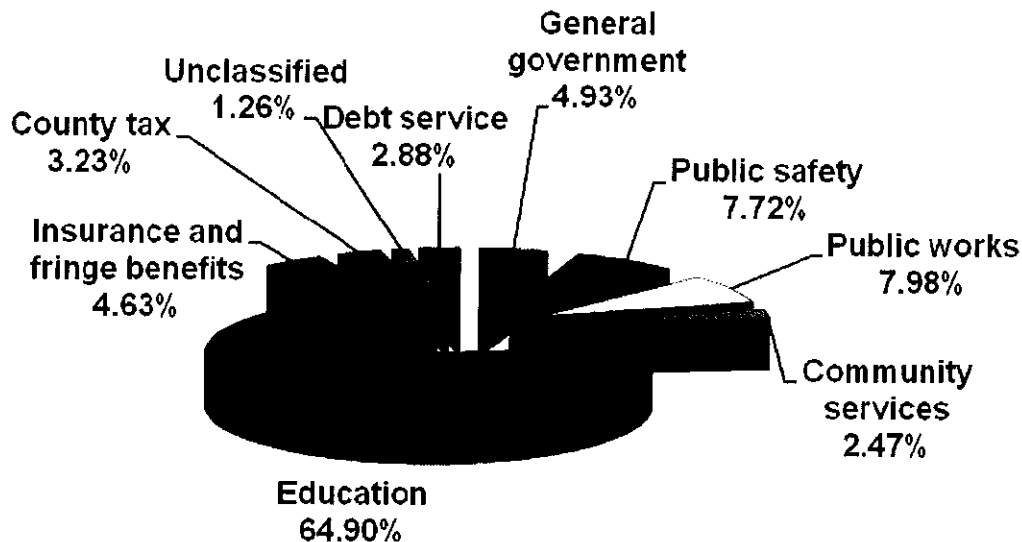


General Fund Expenditures Budget to Actual Summary

General Fund expenditure budgets are approved by the Town Council at the departmental level, with charter budgetary limits at the function level. Expenditures were less than appropriations throughout the budget resulting in approximately \$700,000 of savings. Department managers are directed and make every effort to leave five percent surpluses in budgets, especially during tough economic times when revenue could be lower than budgeted for the fiscal year. 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, 2009 (see Exhibit A-2 for a more detailed presentation):

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government	\$ 1,377,800	1,204,986	172,814
Public safety	1,982,280	1,885,941	96,339
Public works	2,053,428	1,949,665	103,763
Community services	649,603	602,589	47,014
Education	15,852,434	15,860,556	(8,122)
Insurance and fringe benefits	1,330,600	1,130,224	200,376
County tax	788,142	788,142	-
Unclassified	380,550	308,886	71,664
Debt service	717,601	702,467	15,134
Total expenditures	\$ 25,132,438	24,433,456	698,982

Expenditure Components 2009



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 and is used for equipment, vehicles, 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 2009 capital budget that was approved in April of 2009 included the following:

	2009		Funding Source			
	<u>Approved</u>	<u>Reserve</u>	<u>Bond</u>	<u>Fund Balance</u>	<u>TIF</u>	<u>Other</u>
School						
Police						
Fire	98,000	14,400				83,600
Rescue	48,000	48,000				
Public Works	263,500	263,500				
Solid Waste	28,341	28,341				
Comprehensive Town Imp.	106,000	106,000				
Municipal Facilities	97,975	37,500				185,475
TIF	108,000				108,000	
Cable	24,100	24,100				
Other						
Total 2009	773,916	521,841	-	-	108,000	269,075

A summary of the Town's capital assets at June 30, 2009 and 2008 are as follows:

General fixed assets:	<u>2009</u>	<u>2008</u>
Land	\$1,849,869	1,849,869
Land improvements	1,736,907	1,487,909
Buildings and improvements	29,976,967	29,491,143
Machinery, equipment and other	5,219,066	5,032,266
Vehicles	4,671,667	4,265,358
Infrastructure	6,969,522	6,946,193
Construction in process	627,646	738,365
Total governmental fund capital assets	\$51,051,644	49,811,103

LONG-TERM DEBT

The State allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,558,200,000 for 2009, the debt limit was more than \$233,730,000. The Town's current debt is \$10,337,605, or less than 1% of State Valuation or approximately 4.42% of the Town's debt limit. Another measure of a municipality's debt load is debt-per-capita. As of June 30, 2009, the Town of Freeport's debt per capita was \$1,325 as compared to the prior year of \$1,392.

The following is a summary of bond and note transactions of the Town for the year ended June 30, 2009:

Bonds and notes payable at June 30, 2008	\$ 11,230,850
Principal additions	555,538
Principal payments	(1,448,783)

<u>Bonds and notes payable at June 30, 2009</u>	<u>\$ 10,337,605</u>
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Freeport has a vibrant downtown, many thriving businesses, and residential growth outside the downtown, but has not been immune to the national economic downturn. For example, at the height of residential growth in 2005, the Town issued 85 new residential single family building permits, and only issued 36 during FY 2009.

Freeport's largest retailer and employer, L.L. Bean, purchased 800 acres of land on the West end of Town and has long planned to build an "Adventure Center" on this land, which will include a convention center, hotel, and outdoor activity complex. This development is on schedule to be opened in 2012 and has not been delayed or slowed due to the economic downturn. In April of 2009, Berenson Associates in partnership with L.L. Bean opened a 550 car parking garage and 118,000 sq ft of new retail and restaurant space. While the retail space has not been filled as quickly as Berenson or L.L. Beans had hoped, the complex is approximately 60% full as of June 30th, 2009. While information regarding lease rates is not public information, Berenson Associates reports that lease rates have been competitive with local rates. The total project, including the parking garage and retail space, cost approximately \$45 million, and the Town has entered into a TIF credit enhancement agreement with the developer to assist with a maximum of \$17.5 million over 20 years toward the public parking garage portion of the development. While not as large as the Berenson/Bean project, surrounding stores such as Cole Haan and Mexicali Blues underwent construction projects to make their stores accessible to the new shopping and parking complex. This has led to a better pedestrian flow in the downtown, and has ensured more accessibility to all retailers and businesses throughout the downtown.

In addition, Freeport's downtown storefront vacancy rate remains lower than that of other Southern Maine communities', which makes Freeport highly desirable for new retail businesses. Vacancy rate data is difficult to capture on any given date due to the different organizations tracking the information, but it is estimated that the average vacancy rate in Southern Maine retail districts is approximately 20%; Freeport's vacancy rate as of June 30th, 2009 was only 12% of total storefront space. This is encouraging news during a period of such sharp economic downturn.

The Town of Freeport is located within a 25 mile radius of the Brunswick U.S. Naval Air Station. The base is scheduled for closure in 2011 as part of the 2005 Base Realignment and Closure decision. However, the Town anticipates fairly limited impact on its housing stock due to its close proximity to the City of Portland, its coastal location and availability of land which has made it very attractive to residential development for the Portland market. Freeport has seen substantial residential construction and anticipates a continuation of this trend for the near future.

New Fiscal Year Budget

In adopting the budget for the ensuing fiscal year 2010, 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 Town completed a comprehensive revaluation of Town property effective April 1, 2006 for the FY 2007 tax year. The total Town value increased by 33% during that revaluation, and increased by approximately \$3 million between FY 2008 and 2009, or .03% of the town's total taxable value. Presently for fiscal year 2009, the Town believes that its valuation (based on a valuation date of April 1, 2008) is at 100% of present market value.

The budget for the fiscal year starting July 1, 2009 was approved by the Town Council with a tax rate of 12.75 mills, the same rate as the previous fiscal year.

The following summarizes the major components of the FY 2009 and FY 2010 budgets:

	FY 2009 <u>Appropriation</u>	FY 2010 <u>Appropriation</u>	Increase (Decrease)
<u>REVENUES:</u>			
School	\$ 2,662,158	-	(2,662,158)
Town Non-Property Tax	3,436,350	3,489,002	52,652
Property Tax	18,448,430	18,360,065	(88,365)
Fund Balance	585,500	469,125	(116,375)
TOTALS	\$ 25,132,438	22,318,192	(2,814,246)
<u>EXPENDITURES:</u>			
Municipal	\$ 7,724,261	7,966,551	242,290
School	14,663,081	12,985,533	(1,677,548)
County Tax	788,142	824,736	36,594
Reserves	50,000	-	(50,000)
Debt Services	1,906,954	541,372	(1,365,582)
TOTALS	\$ 25,132,438	22,318,192	(2,814,246)
 Tax Mil Rate	 12.75	 12.75	 0.0
Increase in Tax Rate			0.0 %

One notable change in the table above is the creation of the new Regional School Unit, RSU #5. In the past, neighboring towns Pownal and Durham paid the Town of Freeport tuition to send their students to Freeport High School. For FY 2010, there is one RSU budget including all three towns and no tuition is moving between the Towns. The RSU can be viewed as a separate assessment, and is no longer a department of the Town as of July 1, 2009.

While Freeport is currently in very good financial shape, the Town must be very careful of declining revenues from the State of Maine. Such revenues include, but are not limited to revenue sharing (a portion of sales and income taxes), road assistance, homestead exemption, and business equipment tax payments. The Town must maintain a tight budget in order to ensure that expenditures do not begin to outpace revenues in future years.

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

Abigail C. Yacoben
Finance Director

BASIC FINANCIAL STATEMENTS

TOWN OF FREEPORT, MAINE
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,949,749	-	13,949,749
Investments	6,118,323	-	6,118,323
Receivables:			
Accounts, net	80,251	129,396	209,647
Intergovernmental	458,348	-	458,348
Taxes receivable	676,713	-	676,713
Tax liens	229,468	-	229,468
Internal balances	34,517	(34,517)	-
Inventory	45,092	-	45,092
Capital assets, net	32,219,548	30,834	32,250,382
Total assets	53,812,009	125,713	53,937,722
LIABILITIES			
Accounts payable and other current liabilities	1,805,529	1,031	1,806,560
Accrued wages and benefits payable	65,723	6,100	71,823
Compensated absences payable	220,612	-	220,612
Accrued interest	67,179	-	67,179
Noncurrent liabilities:			
Other long-term liabilities	1,286,306		1,286,306
Other postemployment benefits liability	98,817		98,817
Bonds due within one year	1,422,983	-	1,422,983
Bonds due in more than one year	8,914,622	-	8,914,622
Total liabilities	13,881,771	7,131	13,888,902
NET ASSETS			
Invested in capital assets, net of related debt	21,881,943	30,834	21,912,777
Restricted for:			
Special revenues	1,728,588	-	1,728,588
Capital projects	178,233	-	178,233
Nonexpendable trust funds	861,515	-	861,515
Unrestricted	15,279,959	87,748	15,367,707
Total net assets	\$ 39,930,238	118,582	40,048,820

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Activities
For the Year Ended June 30, 2009

Functions/programs	Net (expense) revenue and changes in net assets				
	Program Revenues			Primary Government	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 1,693,691	166,467	-	-	(1,527,224)
Public safety	2,632,055	311,479	32,950	-	(2,287,626)
Public works	2,985,527	215,112	632,215	-	(2,138,200)
Community services	986,362	178,567	21,693	-	(786,102)
Education	16,215,544	990,954	2,161,412	-	(13,063,178)
Maine State Retirement on behalf payments	1,482,000	-	1,482,000	-	-
County tax	788,142	-	-	-	(788,142)
Unclassified	1,555,196	535,766	262,419	-	(757,011)
Interest on debt	528,369	-	-	-	(528,369)
Capital maintenance expenses	924,070	-	-	-	(924,070)
Total governmental activities	29,790,956	2,398,345	4,592,689	-	(22,799,922)
Business-type activities:					
Nonemergency Transportation	411,071	510,196	-	-	99,125
Total business-type activities	411,071	510,196	-	-	99,125
Total primary government	\$ 30,202,027	2,908,541	4,592,689	-	(22,700,797)
General revenues:					
Property taxes, levied for general purposes				\$	19,933,811
Motor vehicle excise taxes					1,342,755
Interest and lien costs					107,649
Grants and contributions not restricted to specific programs:					
Homestead exemption					155,092
Other State aid					72,758
State Revenue Sharing					657,168
Unrestricted investment earnings (losses)					(161,449)
Transfer from NET					45,000
Miscellaneous revenues					(45,000)
Total general revenues and transfers					1,821,531
					23,974,315
					(45,000)
					54,125
Change in net assets					1,228,518
Net assets - beginning					38,755,845
Net assets - ending				\$	39,930,238
					118,582
				\$	40,048,820

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Balance Sheet
Governmental Funds
June 30, 2009

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash	\$ 11,684,505	1,116,057	1,149,187	13,949,749
Investments	16,417	4,875,250	1,226,656	6,118,323
Receivables:				
Accounts	80,250	-	-	80,250
Intergovernmental	366,737	-	91,611	458,348
Taxes receivable	676,713	-	-	676,713
Tax liens	229,468	-	-	229,468
Interfund loans receivable	382,187	472,727	3,613,289	4,468,203
Inventory	19,986	-	25,106	45,092
Total assets	\$ 13,456,263	6,464,034	6,105,849	26,026,146
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 938,193	(441)	248,376	1,186,128
Accrued wages and benefits	65,723	-	-	65,723
Compensated absences payable	220,612	-	-	220,612
Taxes collected in advance	-	-	-	-
Interfund loans	4,416,388	-	17,298	4,433,686
Development escrows	248,928	-	-	248,928
Deferred tax revenues	621,701	-	-	621,701
Other deferred revenues	370,473	-	-	370,473
Total liabilities	6,882,018	(441)	265,674	7,147,251
Fund balances:				
Reserved for:				
Encumbrances	114,024	-	-	114,024
Nonexpendable trust funds	-	-	861,515	861,515
Future retirement pay	173,750	-	-	173,750
Inventory	19,986	-	25,106	45,092
Unreserved, reported in:				
Designated	1,469,125	-	167,652	1,636,777
Undesignated:				
General fund	4,797,360	-	-	4,797,360
Special revenue funds	-	6,464,475	2,888,619	9,353,093
Capital project funds	-	-	1,897,284	1,897,284
Total fund balances	6,574,245	6,464,475	5,840,176	18,878,896
Total liabilities and fund balances	\$ 13,456,263	6,464,034	6,105,849	26,026,146
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.				32,219,548
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.				621,701
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.				(11,789,907)
Net assets of governmental activities				39,930,238

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	General	Town Reserve Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 20,370,596	-	1,069,918	21,440,514
Licenses, permits and fees	244,848	83,839	-	328,687
Intergovernmental	2,758,820	-	1,220,523	3,979,343
Inter-governmental on behalf payments	1,482,000	-	-	1,482,000
Tuition and other charges for services - education	990,954	-	-	990,954
Charges for services	238,422	292,854	1,083,281	1,614,557
Fees and fines	97,248	-	-	97,248
Unclassified	291,175	443,751	469,868	1,204,794
Investment earnings (losses)	392,676	(359,782)	(194,343)	(161,449)
Total revenues	26,866,739	460,662	3,649,247	30,976,648
Expenditures:				
Current:				
General government	1,223,855	-	-	1,223,855
Public safety	1,885,749	-	-	1,885,749
Public works	1,914,312	-	367,966	2,282,278
Community services	601,664	-	-	601,664
Education	15,860,556	-	660,084	16,520,640
Maine State Retirement on behalf payments	1,482,000	-	-	1,482,000
Insurance and fringe benefits	1,140,224	-	-	1,140,224
County tax	788,142	-	-	788,142
Food services	-	-	517,999	517,999
Unclassified	293,405	64,077	649,814	1,007,296
Capital outlay	-	-	2,393,722	2,393,722
Debt service	702,467	-	333,967	1,036,434
Total expenditures	25,892,374	64,077	4,923,552	30,880,003
Excess (deficiency) of revenues over (under) expenditures	974,365	396,585	(1,274,305)	96,645
Other financing sources (uses):				
Bond proceeds	-	-	555,538	555,538
Refunding bonds issued	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-
Operating transfers from other funds	358,000	963,345	651,032	1,972,377
Operating transfers to other funds	(463,352)	(947,377)	(516,648)	(1,927,377)
Total other financing sources (uses)	(105,352)	15,968	689,922	600,538
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	869,013	412,553	(584,383)	697,183
Fund balances, beginning of year	5,705,232	6,051,922	6,424,559	18,181,713
Fund balances, end of year	\$ 6,574,245	6,464,475	5,840,176	18,878,896

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, 2009

Net change in fund balances - total governmental funds (from Statement 4)	\$	697,183
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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 and the loss from disposal of capital assets in the current period.

(156,635)

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

(56,299)

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.

(203,102)

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.

893,246

Change in net assets of governmental activities (see Statement 2)	\$	1,174,393
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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, 2009

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 19,750,430	19,750,430	20,370,596	620,166
Licenses, permits and fees	230,465	230,465	244,848	14,383
Intergovernmental	2,902,492	2,716,276	2,758,820	42,544
Tuition and other charges for services - education	947,917	947,917	990,954	43,037
Charges for services	248,800	248,800	238,422	(10,378)
Fees and fines	80,300	85,300	97,248	11,948
Unclassified	92,750	92,750	291,175	198,425
Investment earnings	150,000	150,000	392,676	242,676
Total revenues	24,403,154	24,221,938	25,384,739	1,162,801
Expenditures:				
Current:				
General government	1,382,800	1,377,800	1,204,986	172,814
Public safety	2,004,280	1,982,280	1,885,941	96,339
Public works	2,053,428	2,053,428	1,949,665	103,763
Community services	650,519	649,603	602,589	47,014
Education	15,948,911	15,852,434	15,860,556	(8,122)
Insurance and fringe benefits	1,330,600	1,330,600	1,130,224	200,376
County tax	788,142	788,142	788,142	-
Unclassified	380,550	380,550	308,886	71,664
Debt service	721,601	717,601	702,467	15,134
Total expenditures	25,260,831	25,132,438	24,433,456	698,982
Excess (deficiency) of revenues over expenditures	(857,677)	(910,500)	951,283	1,861,783
Other financing sources (uses):				
Use of undesignated fund balance - Town	550,000	550,000	-	(550,000)
Use of undesignated fund balance - School	35,500	35,500	-	(35,500)
Use of undesignated fund balance - Reserves	-	-	(455,000)	(455,000)
Refunding bonds issued	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-
Operating transfers from other funds	297,177	325,000	358,000	33,000
Operating transfers to other funds	725,000	-	(8,352)	(8,352)
Total other financing sources (uses)	1,607,677	910,500	(105,352)	(1,015,852)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	750,000	-	845,931	845,931
Reconciliation to GAAP basis:				
Encumbrances			23,082	
Excess (deficiency) of revenues and other financing sources over (under) expenditures - GAAP basis			869,013	
Fund balance, beginning of year			5,705,232	
Fund balance, end of year	\$		6,574,245	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2009

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
ASSETS		
Current assets:		
Accounts receivable less allowance for uncollectibles of \$113,000	\$	129,396
Total current assets		129,396
Non-current assets:		
Property, plant, and equipment		150,309
Less accumulated depreciation		(119,475)
Total noncurrent assets		30,834
Total assets	\$	160,230
LIABILITIES		
Current liabilities:		
Accounts payable		1,031
Interfund loans		34,517
Accrued wages and benefits payable		6,100
Total current liabilities		41,648
Total liabilities	\$	41,648
NET ASSETS		
Invested in capital assets, net of related debt		30,834
Unrestricted		87,748
Total net assets	\$	118,582

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, 2009

Business-type Activities - Enterprise Funds	
	Nonemergency Transportation Program
Operating revenues:	
Charges for services	\$ 510,196
Total operating revenues	510,196
Operating expenses:	
Wages and benefits	347,392
Operational costs	47,572
Depreciation and amortization	16,107
Total operating expenses	411,071
Operating income	99,125
Transfer to Ambulance Reserves	(45,000)
Change in net assets	54,125
Total net assets, beginning of year	64,457
Total net assets, end of year	\$ 118,582

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2009

Business-type Activities - Enterprise Funds			Nonemergency Transportation Program
Cash flows from operating activities:			
Receipts from customers and users		\$	553,771
Payments to suppliers			(46,569)
Payments to employees			(345,959)
Net cash provided by (used in) operating activities			161,243
Cash flows from capital and related financing activities:			
Purchase of fixed assets			-
Transfer to Ambulance reserve			(45,000)
Interfund borrowing			(116,243)
Net cash provided by (used in) financing activities			(161,243)
Inrease in cash			-
Cash, beginning of year			-
Cash, end of year		\$	-

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

Operating income (loss)		\$	99,125
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization			16,107
(Increase) decrease in operating assets:			
Accounts receivable			43,575
Increase (decrease) in operating liabilities:			
Accounts payable			1,003
Accrued wages and benefits payable			1,433
Net cash provided by (used in) operating activities			161,243

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Agency Fund</u>
	<u>School Activity</u>
	<u>Fund</u>
<hr/>	
ASSETS	
Cash	\$ 195,513
<hr/>	
Total assets	195,513
<hr/>	
LIABILITIES AND	
FUND BALANCES	
Liabilities:	
Due to student groups	195,513
Total liabilities	195,513
<hr/>	
Net assets:	
Held in trust	\$ -
<hr/>	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

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 15 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.

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. Maine Vocational Region No. 10 had total net assets of \$1,274,694 as of June 30, 2009 (unaudited). The financial statement of Maine Vocational Region No. 10 for the year ended June 30, 2008 is available from the Region in Topsham, Maine.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

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, 2009

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.

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, 2009

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 \$113,000 as of June 30, 2009 . 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 and infrastructure for the fiscal year 2007. 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

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, 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

M. 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 \$1,482,000. 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 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 Town 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, 2009, the Town reported deposits of \$13,949,749 with a bank balance of \$14,151,306. None of the Town's bank balances are 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, 2009

CASH AND INVESTMENTS, CONTINUED

At June 30, 2009, the Town had the following investments and maturities:

	<u>Fair Value</u>	<u>Not Applicable</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
Money market funds	\$1,032,488	-	\$1,032,488	-
US Agency Notes	2,000,124	-	2,000,124	-
US Agency Strips	-	-	-	-
Commercial paper	-	-	-	-
Mutual Funds	3,085,711	\$3,085,711	-	-
Investment Pool	-	-	-	-
Total investments	\$6,118,323	\$3,085,711	\$3,032,612	-

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, 2009 the Town had individual investments that exceeded 5 percent of the Town's investments as follows:

	<u>Fair Value June 30, 2009</u>	<u>Percent</u>	<u>Credit Risk Rating</u>
TD Bank Money Market	\$277,615	5.00%	AAA
Federated Prime Obligation Fund	549,000	9.00%	AAA
Evergreen Adjustable Rate Fund	1,900,343	31.00%	AAA
Mutual Funds:			
American Funds –Growth Fund of America	1,001,745	16.00%	N/A
American Funds –Fundamental Investors	965,891	16.00%	N/A
American Funds-Capital World Bond Fund	350,000	6.00%	N/A

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

PROPERTY TAX

Property taxes for the current period were committed on September 15, 2008, on the assessed value listed as of April 1, 2008, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 17, 2008 and May 14, 2009. Personal property taxes were due in whole on November 17, 2008. Interest at the rate of 11% 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. The FY 2009 assessed value was 100% of the estimated market value and 102.07% of the 2008 state valuation of \$1,515,400,000.

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 \$204,510 for the period ended June 30, 2009.

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>2009</u>	<u>2008</u>
Assessed value	\$1,546,890,745	1,543,012,203
<u>Tax rate (per \$1,000)</u>	<u>12.75</u>	<u>12.56</u>
Commitment	19,722,857	19,380,233
<u>Supplemental taxes assessed</u>	<u>466</u>	<u>2,370</u>
	19,723,323	19,382,603
Less:		
<u>Collections and abatements</u>	<u>19,057,526</u>	<u>18,766,172</u>
<u>Receivable at end of period (Current year)</u>	<u>\$ 665,797</u>	<u>606,431</u>
Collection rate	96.62%	96.87%

SIGNIFICANT TAXPAYER

For the year ended June 30, 2009, the Town of Freeport committed and collected \$3,372,981 in real estate and personal property tax revenue from L.L. Bean Inc. This commitment represents approximately 17.10% of total property taxes assessed.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Land	\$ 1,849,869	-	-	\$1,849,869
Total capital assets, not being depreciated	1,849,869	-	-	1,849,869
Capital assets, being depreciated:				
Land improvements	1,487,909	248,998	-	1,736,907
Buildings and building improvements	29,491,143	485,824	-	29,976,967
Machinery, equipment and other	5,032,266	239,740	52,940	5,219,066
Vehicles	4,265,358	623,738	217,429	4,671,667
Construction work in process	738,365	627,646	738,365	627,646
Infrastructure	6,946,193	23,329	-	6,969,522
Total capital assets being depreciated	47,961,234	2,249,275	1,008,734	49,201,775
Less accumulated depreciation	17,434,922	1,649,119	251,945	18,832,096
Total capital assets being depreciated, net	30,526,312	600,156	756,789	30,369,679
Governmental activities capital assets, net	\$32,376,181	600,156	756,789	32,219,548

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities:				
Equipment	\$ 10,772	-	-	\$ 10,772
Vehicles	139,537	-	-	139,537
Total capital assets being depreciated	150,309	-	-	150,309
Less accumulated depreciation	103,368	16,107	-	119,476
Business-type activities capital assets, net	\$46,941	(16,107)	-	\$ 30,833

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2009 as follows:

Governmental activities:

General government	\$ 80,873
Public Safety	274,927
Public Works	409,571
Community services	239,382
Education	593,235
Unclassified	51,131
Total depreciation expense – governmental activities	\$ 1,649,119

Business-type activities:

Nonemergency Transportation Program	16,107
Total depreciation expense – business activities	\$ 16,107

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

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, 2009 arising from these transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 382,187	\$4,416,388
Special Revenue Fund:		
Town reserve funds	472,727	-
School reserve funds	67,652	
Winslow Park		11,021
TIF funds	428,537	-
Bartol building lease fund	488,544	-
Tower lease fund	242,561	-
Other Town grants & programs	370,989	-
School categorical funds	272,766	-
Capital Project Funds:		
School capital projects	39,574	-
Fire department projects	20,765	-
Rescue department projects	70,145	-
Public Works projects	285,310	-
Police department projects	10,386	-
Recycling projects	155,520	-
Comprehensive Town projects	844,891	-
Municipal buildings and other	228,141	-
Boards and committees	93,211	-
Undesignated interest	-	6,277
Enterprise NET Program	-	34,517
Permanent Funds	-	5,703
<u>Totals</u>	<u>\$4,473,906</u>	<u>\$4,473,906</u>

FUND BALANCE

At June 30, 2009, the General Fund's fund balance was comprised of the following:

Reservations:	
Encumbrances	\$ 114,024
Inventory	19,986
Future retirement pay	173,750
<u>Total</u>	<u>\$ 307,760</u>
Designated fund balances:	
Town FY 2010 budgeted use of Fund Balance	\$ 469,125
Tax rate stabilization account	1,000,000
<u>Total</u>	<u>\$ 1,469,125</u>
Undesignated fund balance:	
General education undesignated	\$ 277,098
Town undesignated	4,520,262
<u>Total</u>	<u>\$ 4,797,360</u>

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

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, 2009 totaled \$628,525. The School Department's payroll for employees covered by this group, for the fiscal year ended June 30, 2009, was \$8,103,693. The State of Maine Department of Education is required, by state statute, to contribute the employer contribution, which amounts to 18.76% of compensation. Contributions paid by the State (on-behalf payments) totaled approximately \$1,482,000 for the year ended June 30, 2009. There is no contribution required by the School Department except for federally funded teachers for which the School Department contributes 18.76% of their compensation. This cost amounted to \$204,770 for the year ended June 30, 2009, 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, 2008 were as follows:

	<u>Special #2C</u>
Employer payroll rate(s):	
Normal cost	9.6%
Pooled UAL	-5.6%
<hr/> Total payroll rate	<hr/> 4.0%
Monthly IUUAL available (7/1/07-6/30/08):	
Payment/(Credit)	(\$ 3,489)
<hr/> Member contribution rate(s)	<hr/> 6.5%

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

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 12 years starting with the fiscal year 2008. Employer contributions for the year ended June 30, 2009 were \$22,531 net of 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 year ended June 30, 2009, employee contributions to the plan totaled \$105,195.

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, 2009, the Town's contribution to the plan totaled \$166,595.

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 \$534,884 for the year ended June 30, 2009.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 11,230,850	\$ 555,538	\$ 1,448,783	\$ 10,337,605	\$ 1,422,983
Compensated absences	782,833	81,472		864,305	
Landfill post-closure care costs	373,500	48,500		422,000	
Governmental activity					
Long-term liabilities	<u>\$ 12,387,183</u>	<u>\$ 685,510</u>	<u>\$ 1,448,783</u>	<u>\$ 11,623,910</u>	<u>\$ 1,422,983</u>

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standard Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post-employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, was implemented, as required, by the Town of Freeport for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other post-employment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009.

Plan Descriptions – In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of post-employment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide post-employment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 44,082
Amortization of unfunded	52,797
Interest	1,938
Annual Required Contribution	<u>\$98,817</u>

Funding Status and Funding Progress – The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2008 was as follows:

Annual required contribution	\$ 98,817
Actual contribution	0
Percent contributed	0.00%
Actuarial accrued liability	\$949,479
Plan assets	<u>0</u>
Unfunded actuarial accrued liability	\$949,479
Covered payroll	\$3,510,086
Unfunded actuarial accrued liability as a percentage of covered payroll	27%

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Early age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2009	\$ -	\$ 949,479	\$ 949,479	\$ -	\$ 3,510,086	27%

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, 2009

LANDFILL CLOSURE AND POST CLOSURE COSTS

The following is a summary of the estimated cost of current landfill and post-closure operations for the Town's landfill for the year ended June 30, 2009:

	Years Remaining	Cost Per-Year	Total Cost
Post Closure Monitoring			
1996 Landfill-Total 30 Year Requirement	12	5,000	60,000
Post Closure Monitoring			
1990 Landfill-Total 30 Year Requirement	11	7,000	77,000
Current Activities in Open Portion			
Next Ten Years	10	4,000	40,000
Last 20 Years	20	3,000	60,000
Demo Debris Closure Cost			\$ 185,000
Total Landfill Liability			\$ 422,000

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 is 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 \$237,000 over the next 30 years. As such, the Town has recognized a liability of \$185,000 for closure and an estimate for post closure monitoring and maintenance costs of \$237,000 for a total of \$422,000 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

LONG-TERM DEBT

Bonds and notes payable at June 30, 2009 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, 2009</u>
Governmental activities:					
1990 Capital improvements	9/01/90	6,175,000	2010	7.244%	\$550,000
1992 Capital improvements	12/15/98(1)	3,274,000	2012	4.206%	590,000
1997 Capital improvements	1/23/97 (2)	4,275,000	2016	2.908%	1,275,000
1998 Capital improvements	10/29/98	508,000	2008	4.034%	0
1999 Capital improvements	11/01/99	960,000	2009	5.000%	50,000
2000 School improvements	2/08/01	4,888,000	2021	4.578%	2,690,000
2001 Capital improvements	10/25/01	517,000	2011	4.401%	143,100
2001 Capital improvements	2/14/02	1,000,000	2022	4.598%	650,000
2002 Capital improvements	10/30/02	540,500	2012	2.983%	171,400
2002 School improvements	11/07/02	4,491,000	2012	4.319%	3,140,000
2008 School improvements	2/1/08	655,000	2008	2.915%	575,000
2008 MMBB	10/30/08	262,165	2013	0.00	203,105
2009 MMBB	3/11/09	300,000	2019	variable	300,000
Total bonds and notes payable					\$ 10,337,605

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

(2) Bonds were originally issued in 1997 but were refinanced in 2008 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 \$10,337,605 at June 30, 2009 was within the statutory limit.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding at June 30, 2009 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>
2010	\$1,422,983	405,200	1,828,183
2011	1,367,983	346,059	1,714,042
2012	1,062,983	297,199	1,360,182
2013	978,656	260,390	1,239,046
2014	730,000	228,054	958,054
2015-2019	3,295,000	718,414	4,013,414
2020-2024	1,480,000	132,508	1,612,508
Totals	\$10,337,605	\$2,387,824	\$12,725,429

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. For the year ended June 30, 2009, the Town's share of the expenditure was \$222,253 (3.65%) of Cumberland County's outstanding debt of \$6,095,000.

Other Contingencies

ECOMAINÉ (formerly Regional Waste Systems, Inc.), a Maine corporation with over 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 ECOMAINÉ payable from and secured by a pledge of ECOMAINÉ 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. ECOMAINÉ 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 ECOMAINÉ 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, 2009, outstanding "Incinerator Debt" of ECOMAINÉ totaled \$18,759,000 and "Material Recycling Facility Debt" of ECOMAINÉ totaled \$2,881,000 of which the Town of Freeport's share, based on estimated tonnage to be delivered, amounted to \$594,831 and \$75,482, respectively. Additionally, the Town's share of the projected landfill closure and post closure cost relating to ECOMAINÉ is estimated to be \$461,834.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements
June 30, 2009

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 were 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 were 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 was to be paid over a twenty-year term at an interest rate of 7.75%. The bonds were scheduled to mature in June 2010, but the Town paid them off early in April of 2009 in advance of the expiration of this TIF district. The Town paid \$142,000 in principal and \$1,835 in interest payments in order to retire the bonds one year early. This allowed the Town to pay them solely from TIF increment generated by the value of the Desert Road project before the TIF expired.

As of June 30, 2009, the Desert Road TIF has expired, and all value associated with this TIF will be considered taxable value for general Town purposes. As of June 30, 2009, this figure was \$8.4 million; when multiplied by the current tax rate of \$12.75 per \$1,000 of assessed value, the new general fund revenue is \$107,000 before loss of state aid to education, revenue sharing, and increased County taxes due to the new valuation. These are estimated to reduce the revenue by approximately 65%, thus the net would be approximately \$42,000 to the general fund.

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, 2009.

SUBSEQUENT EVENT

On July 1, 2009 Freeport Public Schools became part of Regional School Unit No. 5 (RSU No. 5), a legally separate entity from the Town of Freeport. During the year ending June 30, 2010 the Town will be transferring the net assets of Freeport Public Schools to the new RSU No. 5. The effect of the transaction is not expected to have a material impact on the financial position or operations of the Town of Freeport.

GENERAL FUND

TOWN OF FREEPORT, MAINE
Comparative Balance Sheets - General Fund
June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash	\$ 11,684,505	9,691,693
Investments	16,417	1,757,434
Accounts receivables	80,250	49,897
Intergovernmental receivables	366,737	
Taxes receivable	676,713	615,575
Tax liens	229,468	267,817
Inventory	19,986	21,134
Interfund loans	382,187	177,788
Total assets	\$ 13,456,263	12,581,339
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	938,193	584,769
Accrued wages and benefits	65,723	52,495
Compensated absences payable	220,612	202,200
Taxes collected in advance		16,874
Interfund loans	4,416,388	4,230,256
Development escrows	248,928	764,656
Deferred tax revenues	621,701	678,000
Other deferred revenues	370,473	346,857
Total liabilities	6,882,018	6,876,107
Fund balance:		
Reserved for:		
Encumbrances	114,024	183,204
Inventory	19,986	21,134
Future retirement pay	173,750	173,750
Designated	1,469,125	1,585,500
Undesignated - School	277,098	8,352
Undesignated - Town	4,520,262	3,733,292
Total fund balance	6,574,245	5,705,232
Total liabilities and fund balance	\$ 13,456,263	12,581,339

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, 2009
(with comparative actual amounts for the year ended June 30, 2008)

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 18,451,430	18,920,192	468,762	18,348,581
Excise taxes and registration fees	1,239,000	1,342,755	103,755	1,376,574
Interest and lien costs	60,000	107,649	47,649	81,027
Total taxes	19,750,430	20,370,596	620,166	19,806,182
Licenses, permits and fees:				
Building, plumbing and electrical permits	83,400	98,191	14,791	207,898
Town clerk licenses and fees	41,825	42,241	416	42,647
Moorings and other harbor fees	89,400	84,042	(5,358)	77,801
Solid waste permits	2,640	2,725	85	4,990
Shellfish licenses	13,200	17,649	4,449	12,925
Total licenses, permits and fees	230,465	244,848	14,383	346,261
Intergovernmental:				
Education subsidies	1,623,241	1,623,241	-	1,422,068
Adult education subsidy	48,000	48,578	578	49,219
State tree growth reimbursement	30,000	43,206	13,206	33,069
State general assistance	17,785	21,693	3,908	10,449
State revenue sharing	625,000	657,168	32,168	690,964
State homestead exemption reimbursement	153,000	155,092	2,092	153,236
State road assistance	156,000	147,340	(8,660)	159,940
Public safety contributions	32,950	32,950	-	41,720
Other intergovernmental	30,300	29,552	(748)	28,855
Total intergovernmental	2,716,276	2,758,820	42,544	2,589,519
Tuition and other charges for services - education	947,917	990,954	43,037	999,303
Charges for services:				
Planning	30,800	26,035	(4,765)	68,749
Transfer station and recycling	133,500	144,646	11,146	147,973
Parking lot	37,500	37,500	-	37,500
Vehicle maintenance	12,000	6,668	(5,332)	6,627
Engineering	35,000	23,573	(11,427)	18,845
Total charges for services	248,800	238,422	(10,378)	279,694
Fees and fines:				
Police parking and other fines	58,100	62,287	4,187	52,152
Library fines and fees	13,300	10,686	(2,614)	11,544
Alarm and other fire fees	13,900	24,275	10,375	14,855
Total fees and fines	85,300	97,248	11,948	78,551

See accompanying independent auditors' report.

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

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	92,750	291,175	198,425	31,879
Investment earnings	150,000	392,676	242,676	396,085
Total revenues	24,221,938	25,384,739	1,162,801	24,527,473
Expenditures:				
Current:				
General government:				
Town council	106,509	65,300	41,209	97,818
Town manager	127,107	126,782	325	121,212
Finance and treasury	292,697	272,082	20,615	272,085
Assessing	131,696	123,999	7,697	127,312
Code enforcement	73,845	72,570	1,275	72,325
Town clerk and elections	91,461	84,197	7,264	83,269
General administration	131,768	96,408	35,360	117,708
Municipal buildings	303,841	254,471	49,370	251,410
Planning	118,876	109,177	9,699	116,696
Total general government	1,377,800	1,204,986	172,814	1,259,835
Public Safety:				
Police department	867,112	858,288	8,824	842,218
Special enforcement	45,627	43,978	1,649	40,910
Fire department	345,821	329,482	16,339	330,084
Rescue	286,171	266,663	19,508	279,148
Dispatch	216,049	201,173	14,876	200,069
Hydrant rental	170,000	145,628	24,372	157,912
Street lights	51,500	40,729	10,771	47,631
Total public safety	1,982,280	1,885,941	96,339	1,897,972
Public Works:				
General road operations	720,766	685,032	35,734	684,799
Summer roads	612,000	597,587	14,413	416,117
Winter roads	121,900	148,145	(26,245)	146,020
Tree program	14,050	12,785	1,265	12,905
Solid waste	492,093	420,472	71,621	466,372
Engineering	92,619	85,644	6,975	89,127
Total public works	2,053,428	1,949,665	103,763	1,815,341

See accompanying independent auditors' report.

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

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	45,700	45,600	100	45,900
Public library	377,175	350,070	27,105	364,075
Cable TV	61,003	60,703	300	59,821
Promotions	7,550	3,913	3,637	12,033
General assistance	92,035	88,617	3,418	83,430
Coastal waters	56,490	48,648	7,842	53,574
Shellfish commission	4,100	2,211	1,889	413
Other	5,550	2,827	2,723	4,347
Total community services	649,603	602,589	47,014	623,593
Education:				
Elementary -Morse Street	2,196,438	2,209,280	(12,842)	2,064,009
Elementary -Mast Landing	2,195,681	2,116,064	79,617	2,128,691
Middle School	3,220,975	3,095,106	125,869	3,064,318
High School	4,825,140	4,800,505	24,635	4,528,933
Debt service	1,189,353	1,168,864	20,489	344,781
Administration and Central Services	1,667,930	1,743,116	(75,186)	1,462,936
Community services and recreation	556,917	727,621	(170,704)	657,092
Total education	15,852,434	15,860,556	(8,122)	14,250,762
Insurance and fringe benefits:				
Employee benefits	1,238,600	1,052,811	185,789	1,070,131
Insurances	92,000	77,413	14,587	82,824
Total insurance and fringe benefits	1,330,600	1,130,224	200,376	1,152,955
Unclassified:				
County tax	788,142	788,142	-	761,800
Bustin's Island Corporation	168,000	156,897	11,103	160,698
Miscellaneous & contingency	187,550	137,593	49,957	39,335
Abatements	25,000	14,396	10,604	20,815
Total unclassified	1,168,692	1,097,028	71,664	982,648
Debt service	717,601	702,467	15,134	1,537,170
Total expenditures	25,132,438	24,433,456	698,982	23,520,275
Excess (deficiency) of revenues over (under)				
expenditures	(910,500)	951,283	1,861,783	1,007,198

See accompanying independent auditors' report.

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

	2009		Variance positive (negative)	2008 Actual
	Budget	Actual		
Other financing sources (uses):				
Budgeted utilization of surplus - Town	550,000		(550,000)	-
Budgeted utilization of surplus - School	35,500		(35,500)	-
Budgeted utilization of surplus - Reserves		(455,000)	(455,000)	-
Refunding bonds issued			-	1,450,000
Payment to refunded bonds escrow agent			-	(1,495,546)
Operating transfers in	325,000	358,000	33,000	307,700
Operating transfers out		(8,352)	(8,352)	(1,041,358)
Total other financing sources (uses)	910,500	(105,352)	(1,015,852)	(779,204)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	-	845,931	845,931	227,994
Reconciliation to GAAP basis:				
Encumbrances		23,082		(1,556)
Future retirement and vacation pay		-		-
Excess of revenues and other financing sources over expenditures - GAAP basis		869,013		226,438
Fund balance, beginning of year		5,705,232		5,478,795
Fund balance, end of year	\$	6,574,245		5,705,232

See accompanying independent auditors' report.

OTHER GOVERNMENTAL FUNDS

TOWN OF FREEPORT
Combining Balance Sheet
All Other Governmental Funds
June 30, 2009

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash	\$ 1,132,324	16,863	-	1,149,187
Investments	81,825	277,613	867,218	1,226,656
Due from other governments	91,611	-	-	91,611
Accounts receivable	-	-	-	-
Inventory	25,106	-	-	25,106
Interfund loans	1,871,049	1,747,943	(5,703)	3,613,289
Total assets	\$ 3,201,915	2,042,419	861,515	6,105,849
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	109,518	138,858	-	248,376
Interfund loans	11,021	6,277	-	17,298
Total liabilities	120,539	145,135	-	265,674
Fund balances:				
Reserved for:				
Inventory	25,106	-	-	25,106
Encumbrances	-	-	-	-
Nonexpendable trust funds	-	-	861,515	861,515
Unreserved				
Designated	167,652	-	-	167,652
Undesignated, reported in:				
Special revenue funds	2,888,619	-	-	2,888,619
Capital project funds	-	1,897,284	-	1,897,284
Total fund balance	3,081,376	1,897,284	861,515	5,840,176
Total liabilities and fund balances	\$ 3,201,915	2,042,419	861,515	6,105,849

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, 2009

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes	\$ 1,069,918	-	-	1,069,918
Charges for services	1,083,281	-	-	1,083,281
Gifts and donations	52,790	-	2,993	55,783
Intergovernmental	1,220,523	-	-	1,220,523
Unclassified	248,501	165,584	-	414,085
Investment income	(16,342)	2,758	(180,759)	(194,343)
Total revenues	3,658,671	168,342	(177,766)	3,649,247
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	367,966	-	-	367,966
Education	660,084	-	-	660,084
Unclassified	617,141	-	32,674	649,815
Capital outlay	102,299	2,291,423	-	2,393,722
Debt service	333,967	-	-	333,967
Food services	517,999	-	-	517,999
Total expenditures	2,599,456	2,291,423	32,674	4,923,553
Excess of revenues over expenditures	1,059,215	(2,123,081)	(210,440)	(1,274,306)
Other financing sources (uses):				
Bond proceeds	-	555,538	-	555,538
Transfers (to) from other funds	(516,648)	651,032	-	134,384
Total other financing sources (uses)	(516,648)	1,206,570	-	689,922
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)				
	542,567	(916,511)	(210,440)	(584,384)
Fund balances, beginning of year	2,538,809	2,813,795	1,071,954	6,424,558
Fund balances, end of year	\$ 3,081,376	1,897,284	861,514	5,840,174

See accompanying independent auditors' report.

SPECIAL REVENUE FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	School Reserve Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	School Categorical Programs	School Lunch	Totals 2009
ASSETS											
Cash			\$ 656,697								
Investments		459,149					744		10,525	5,209	1,132,324
Due from other governments							81,825				81,825
Accounts receivable		2,315					-		80,792	8,504	91,611
Inventory											-
Interfund loans receivable	67,652		428,537	488,544	242,561	204,473		166,516	272,766	25,106	25,106
Total assets	\$ 67,652	461,464	1,085,234	488,544	242,561	204,473	82,569	166,516	364,083	38,819	3,201,915
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	6,800	48,376			655		998	52,689		109,518
Accrued wages	-										-
Interfund loans payable	-	11,021									11,021
Total liabilities	-	17,821	48,376	-	-	655	-	998	52,689	-	120,539
Fund balances:											
Reserved for inventory										25,106	25,106
Reserved for encumbrances											-
Unreserved:											
Designated											
Undesignated	67,652	443,643	1,036,858	100,000	242,561	203,819	82,569	165,518	311,394	13,713	167,652
Total fund balances	67,652	443,643	1,036,858	488,544	242,561	203,819	82,569	165,518	311,394	38,819	2,888,619
Total liabilities and fund balances	\$ 67,652	461,464	1,085,234	488,544	242,561	204,474	82,569	166,516	364,083	38,819	3,201,915

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, 2009

	School Reserve Funds	Winslow Park	Tax Increment Financing Funds	Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Freeport Economic Development Corporation	Leon Gorman Park	School Categorical Programs	School Lunch	Totals 2009
Revenues:											
Property taxes	-	-	1,069,918	-	-	-	-	-	-	-	1,069,918
Charges for services	-	256,870	-	348,792	198,723	-	-	-	-	278,896	1,083,281
Gifts and donations	-	-	-	-	-	36,426	-	-	16,364	-	52,790
Intergovernmental	-	-	-	-	-	484,875	-	-	473,229	262,419	1,220,523
Investment income	(10,258)	4,021	2,325	-	-	-	232	(12,870)	49	159	(16,342)
Unclassified	-	-	-	-	-	7,626	2,791	-	237,568	516	248,501
Total revenues	(10,258)	260,891	1,072,243	348,792	198,723	528,927	3,023	(12,870)	727,210	541,990	3,658,671
Expenditures:											
Current:											
Public safety	-	-	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	367,966	-	-	-	-	367,966
Education	-	-	-	-	-	-	-	-	660,084	-	660,084
Unclassified	138	187,300	357,598	-	-	38,265	22,711	11,129	-	-	617,141
Debt service	-	-	333,967	-	-	-	-	-	-	-	333,967
Food services	-	-	-	-	-	-	-	-	-	517,999	517,999
Capital	-	-	102,299	-	-	-	-	-	-	-	102,299
Total expenditures	138	187,300	793,864	-	-	406,231	22,711	11,129	660,084	517,999	2,599,456
Excess (deficiency) of revenues over (under) expenditures	(10,396)	73,591	278,379	348,792	198,723	122,696	(19,688)	(23,999)	67,126	23,991	1,059,215
Other financing sources (uses):											
Transfer to (from) other funds	8,352	-	-	(350,000)	(175,000)	-	-	-	-	-	(516,648)
Total other financing sources (uses)	8,352	-	-	(350,000)	(175,000)	-	-	-	-	-	(516,648)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,044)	73,591	278,379	(1,208)	23,723	122,696	(19,688)	(23,999)	67,126	23,991	542,567
Fund balances, beginning of year	69,696	370,052	758,479	489,752	218,838	81,122	102,257	189,517	244,268	14,828	2,538,809
Fund balances, end of year	\$ 67,652	\$ 443,643	\$ 1,036,858	\$ 488,544	\$ 242,561	\$ 203,819	\$ 82,569	\$ 165,518	\$ 311,394	\$ 38,819	\$ 3,081,376

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, 2009

	Fund Balance (deficit) June 30, 2008	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2009
		Inter- governmental	Other				
Town Reserve Funds (Major Fund):							
Unemployment compensation fund	\$ 318,669	-	(16,281)	690	(16,971)		301,698
General administration reserve	393,100	-	(24,563)	858	(25,421)	40,000	407,679
Police equipment reserve	175,254	-	(8,515)	381	(8,896)	40,000	206,358
Cable TV equipment reserve	263,002	-	67,725	594	67,131	(57,100)	273,033
Public infrastructure reserve	1,310,463	-	325,335	32,118	293,217	84,809	1,688,489
Land Trust reserve	17,876	-	(1,225)	39	(1,264)		16,612
Public works equipment reserve	1,164,708	-	(73,999)	2,603	(76,602)	(143,500)	944,606
Ambulance equipment reserve	523,934	-	173,302	1,386	171,916	(153,000)	542,850
Building maintenance reserve	575,619	-	(33,731)	1,262	(34,993)	42,500	583,126
Fire equipment reserve	707,317	-	(46,853)	13,534	(60,387)	65,600	712,530
Municipal parking lot reserve	196,045	-	74,789	9,811	64,978		261,023
Hedgehog mountain reserve	23,017	-	(1,516)	127	(1,643)		21,374
Recycling equipment reserve	269,641	-	(15,390)	592	(15,982)	11,659	265,318
Road impact fee reserve	52,950	-	43,050		43,050		96,000
Community center reserve	22,055	-	(1,209)	49	(1,258)	5,000	25,797
Other	38,272	-	(257)	33	(290)	80,000	117,982
Total town reserve funds	6,051,922	-	460,662	64,077	396,585	15,968	6,464,475
School Reserve Funds:							
Building reserve	65,302	-	(10,258)	138	(10,396)	8,352	63,258
Technology reserve	1,278	-	-		-		1,278
Vehicle reserve	3,116	-	-		-		3,116
Total school reserve funds	69,696	-	(10,258)	138	(10,396)	8,352	67,652
Winslow Park fund	370,052	-	260,891	187,300	73,591	-	443,643
TIF Funds:							
TIF I - Desert road	91,157	-	107,115	143,834	(36,719)	-	54,438
TIF II - Desert road phase II	264,743	-	752,652	462,834	289,818	-	554,561
TIF III - Nursing home	137,867	-	18,554	-	18,554	-	156,421
TIF IV - Destination TIF	264,712	-	145,543	138,817	6,726	-	271,438
TIF V - Hotel TIF	-	-	48,379	48,379	-	-	-
Total TIF funds	758,479	-	1,072,243	793,864	278,379	-	1,036,858
Bartol Building Lease Fund	489,752	-	348,792		348,792	(350,000)	488,544
Tower Lease Fund	218,838	-	198,723	-	198,723	(175,000)	242,561
See accompanying independent auditors' report.							

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, 2009

	Fund Balance (deficit) June 30, 2008	Revenues		Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance (deficit) June 30, 2009
		Inter- governmental	Other				
Town Grants and Programs:							
Jump start program	\$ 381	-	-	-	-	-	381
FEMA	27,073	484,875	-	367,966	116,909	-	143,982
Regional Efficiency grant	(251)	-	-	-	-	-	(251)
Department of Marine Resource Audit	-	-	-	-	-	-	-
Other	53,919	-	44,052	38,265	5,787	-	59,706
Total Town Grants and Projects	81,122	484,875	44,052	406,231	122,696	-	203,818
Freeport Economic Development Corporation	102,257	-	3,023	22,711	(19,688)	-	82,569
Leon Gorman Park	189,517	-	(12,870)	11,129	(23,999)	-	165,518
School Categorical & Other Funds:							
ECIA Title I-A	-	97,376	-	121,598	(24,222)	-	(24,222)
Local entitlement	21,296	213,900	-	218,913	(5,013)	-	16,283
Local entitlement Sec 619	6,069	-	-	-	-	-	6,069
Teacher quality grant	15,599	69,415	-	36,523	32,892	-	48,491
Carl Perkins	4,502	-	-	-	-	-	4,502
Transition Pilot	8,522	-	-	-	-	-	8,522
Title V	-	-	-	2,439	(2,439)	-	(2,439)
Title II technology	1,340	1,222	-	1,222	-	-	1,340
Drug free schools	-	-	3,844	3,844	-	-	-
State agency clients	21,162	-	42,232	64,490	42,232	-	63,394
RSU Reorganization	1,448	-	-	20,226	20,226	-	21,674
Medicaid	36,600	84,716	-	73,842	73,842	-	110,442
Health Coordinator	5,679	-	82,859	9,017	(26,989)	-	(21,310)
SAMHA	2,610	-	30,997	57,986	(1,606)	-	1,004
Donations	25,048	-	1,250	2,856	(3,697)	-	21,351
Community education scholarship	26,143	-	16,364	20,061	-	-	26,143
Auditorium fund	18,076	-	-	10,067	(5,131)	-	12,945
Community education football	30,628	-	4,936	31,274	(13,785)	-	16,843
Aspirations	9,352	-	17,489	10,495	5,355	-	14,707
Teen center	(6,458)	-	15,850	61,987	(29,131)	-	(35,589)
Dollars for scholars	2,730	-	32,856	900	(851)	-	1,879
Other	13,922	6,600	49	6,412	5,443	-	19,365
Total school categorical funds	244,268	473,229	253,981	660,084	67,126	-	311,394
School Lunch Program	14,828	-	541,990	517,999	23,991	-	38,819
Total special revenue funds	\$ 8,590,731	958,104	3,161,229	2,663,533	1,455,800	(500,680)	9,545,851

See accompanying independent auditors' report.

CAPITAL PROJECT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2009

	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 2009
ASSETS											
Cash	\$ 16,863	-	-	-	-	-	-	-	-	-	16,863
Investments	-	-	-	-	-	-	-	-	153,702	123,911	277,613
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-	-
Interfund loans	39,574	20,765	70,145	285,310	10,386	155,520	844,891	228,141	93,211	-	1,747,943
Total assets	\$ 56,437	20,765	70,145	285,310	10,386	155,520	844,891	228,141	246,913	123,911	2,042,419
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	43,638	207	-	-	95,013	-	-	-	138,858
Interfund loans	-	-	-	-	-	-	-	-	-	6,277	6,277
Total liabilities	-	-	43,638	207	-	-	95,013	-	-	6,277	145,135
Fund balances:											
Unreserved, undesignated	56,437	20,765	26,507	285,103	10,386	155,520	749,878	228,141	246,913	117,634	1,897,284
Total fund balances	56,437	20,765	26,507	285,103	10,386	155,520	749,878	228,141	246,913	117,634	1,897,284
Total liabilities and fund balances	\$ 56,437	20,765	70,145	285,310	10,386	155,520	844,891	228,141	246,913	123,911	2,042,419

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, 2009

	School Department Projects	Fire Department Projects	Rescue Department Projects	Public Works Projects	Police Department Projects	Recycling Projects	Comprehensive Town Projects	Municipal Buildings and Other Committees	Boards and Committees	Undesignated Interest	Total 2009
Revenues:											
Interest earnings	\$ -	-	-	-	-	-	-	-	215	2,543	2,758
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Other revenue	109,516	-	-	-	1,068	-	-	-	55,000	-	165,584
Total revenues	109,516	-	-	-	1,068	-	-	-	55,215	2,543	168,342
Expenditures:											
Capital outlay	1,130,617	137,514	85,915	68,558	43,150	18,341	666,077	135,999	5,252	-	2,291,423
Total expenditures	1,130,617	137,514	85,915	68,558	43,150	18,341	666,077	135,999	5,252	-	2,291,423
Excess of revenues over expenditures	(1,021,101)	(137,514)	(85,915)	(68,558)	(42,082)	(18,341)	(666,077)	(135,999)	49,963	2,543	(2,123,081)
Other financing sources (uses):											
Bond proceeds	255,538	-	-	-	-	-	300,000	-	-	-	555,538
Transfer in (out)	-	14,400	48,000	263,500	-	28,341	106,000	190,791	-	-	651,032
Total other financing sources (uses)	255,538	14,400	48,000	263,500	-	28,341	406,000	190,791	-	-	1,206,570
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(765,563)	(123,114)	(37,915)	194,942	(42,082)	10,000	(260,077)	54,792	49,963	2,543	(916,511)
Fund balances, beginning of year	822,000	143,879	64,422	90,161	52,468	145,520	1,009,955	173,349	196,950	115,091	2,813,795
Fund balances, end of year	\$ 56,437	20,765	26,507	285,103	10,386	155,520	749,878	228,141	246,913	117,634	1,897,284

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, 2009

	Fund Balance (deficit) June 30, 2008	Revenues and Other Sources				Expenditures	Fund Balance (deficit) June 30, 2009
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers		
School Capital Project Funds:							
School buses & other vehicles	\$ 75,000	-	-	-	-	73,353	1,647
Technology upgrades	50,288	-	-	-	-	48,625	1,663
Mast Landing improvements	10,000	-	-	-	-	6,396	3,604
Morse School improvements	95,000	-	-	-	-	75,000	20,000
Middle School improvements	60,096	-	109,516	255,538	-	426,503	(1,353)
High School improvements	438,171	-	-	-	-	451,692	(13,521)
Other School projects	93,445	-	-	-	-	49,048	44,397
Total school capital projects	822,000	-	109,516	255,538	-	1,130,617	56,437
Fire Department Capital Project Funds							
Protective clothing	2,726	-	-	-	10,000	10,921	1,805
Engine Five	27,177	-	-	-	-	33,592	(6,415)
Engine Three repair	58,370	-	-	-	-	40,078	18,292
Air packs & compressor	-	-	-	-	-	474	(474)
Communication upgrade	50,000	-	-	-	-	52,449	(2,449)
Vehicle Exhaust and Ventilation System	-	-	-	-	4,400	-	4,400
Other	5,607	-	-	-	-	-	5,607
Total fire department	143,879	-	-	-	14,400	137,514	20,765
Rescue Department Capital Project Funds							
Protective clothing	19,422	-	-	-	-	4,214	15,208
Ambulance replacement	-	-	-	-	-	-	-
Communication upgrade	45,000	-	-	-	-	38,063	6,937
Rescue Equipment	-	-	-	-	48,000	43,638	4,362
Other	-	-	-	-	-	-	-
Total rescue department	64,422	-	-	-	48,000	85,915	26,507
Public Works Capital Project Funds							
Grader repair	21,601	-	-	-	-	-	21,601
Dump truck replacement, sander & plow	12,365	-	-	-	121,500	11,415	122,450
Bulldozer repair	-	-	-	-	-	-	-
Fuel Depot	24,000	-	-	-	72,000	-	96,000
Dump body repairs	26,000	-	-	-	40,000	26,000	40,000
Pick-Up Truck Replacement	-	-	-	-	30,000	28,217	1,783
Other	6,195	-	-	-	-	2,926	3,269
Total public works	90,161	-	-	-	263,500	68,558	285,103
Police Department Capital Project Funds							
Communication upgrade	47,000	-	-	-	-	43,150	3,850
Bullet proof vests	3,651	-	1,068	-	-	-	4,719
Other	1,817	-	-	-	-	-	1,817
Total police department	52,468	-	1,068	-	-	43,150	10,386

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, 2009

	Fund Balance June 30, 2008	Revenues and Other Sources				Fund Balance June 30, 2009
		Inter- governmental	Other Revenues	Bond Proceeds	Transfers	
Recycling Capital Project Funds:						
Landfill closing	\$ 116,436	-	-	-	-	116,436
Other	29,084	-	-	-	28,341	39,084
Total recycling capital projects	145,520	-	-	-	28,341	155,520
Comprehensive Town Improvement Funds:						
Pleasant Hill road projects	9,470	-	-	-	-	9,470
Mallet Drive paving match	35,250	-	-	-	-	30,888
Main St. paving and drainage match	74,123	-	-	-	-	37,020
Flying Point Road	267,000	-	-	-	-	267,000
North Main Street sidewalks	153,000	-	-	-	-	153,000
Cottage & Forest Street reconstruction	29,941	-	-	-	-	23,329
South Street project	40,000	-	-	-	-	17,582
Desert Road match	23,000	-	-	-	-	23,000
East Street reconstruction project	146,900	-	-	-	-	98,921
Park Street reconstruction project	150,000	-	-	-	-	91,506
Sequoia Drive project	65,000	-	-	-	-	61,907
Burnett Road Bridge	-	-	-	300,000	-	260,452
Varney Road-Partial Reconstruction	-	-	-	-	75,000	29,886
Bow Street Paving Main to Dennison (PACTS)	-	-	-	-	31,000	31,000
Other	16,271	-	-	-	-	280
Total comprehensive town improvement	1,009,955	-	-	300,000	106,000	666,077
Municipal Buildings and Other Improvement Funds:						
Computer system upgrade	49,985	-	-	-	20,000	19,334
Dunning boat yard	2,445	-	-	-	-	2,445
Cable TV	21,536	-	-	-	24,100	30,959
Valuation update	16,595	-	-	-	-	3,282
Building Winterization	10,000	-	-	-	129,191	81,874
Other	72,787	-	-	-	17,500	550
Total municipal buildings and other	173,349	-	-	-	190,791	135,999
Boards and Committees Improvement Funds:						
Recreation fund	5,131	-	-	-	-	5,131
Harbor fund	24,531	-	-	-	-	24,531
Land conservation fund	153,702	-	-	-	-	153,702
Citizens Survey & performance measures	11,926	-	215	-	-	5,252
Harbor Master boat	-	-	-	-	-	-
Community Center Building	-	-	55,000	-	-	55,000
Other	1,659	-	-	-	-	1,659
Total boards and committees	196,950	-	55,215	-	-	246,913
Undesignated Interest	115,091	-	2,543	-	-	117,634
Total capital project funds	2,813,795	-	168,342	555,538	651,032	2,291,423

See accompanying independent auditors' report.

NONMAJOR PERMANENT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2009

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
ASSETS					
Investments	\$ 220,562	171,527	168,781	306,348	867,218
Accounts receivable	-	-	-	-	-
Interfund loans	(5,703)	-	-	-	(5,703)
Total assets	214,859	171,527	168,781	306,348	861,515
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	-	-	-
Interfund loans	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances:					
Principal	239,583	152,627	162,990	296,104	851,305
Unexpended income	(24,726)	18,900	5,791	10,244	10,209
Total fund balances	214,858	171,527	168,781	306,348	861,514
Total liabilities and fund balances	\$ 214,858	171,527	168,781	306,348	861,514

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, 2009

		Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
Revenues:						
Investment income	\$	6,012	3,319	3,600	6,544	19,475
Realized & unrealized gains (loses) on investments		(40,423)	(39,234)	(42,759)	(77,818)	(200,234)
Donations		900	2,093	-	-	2,993
Total revenues		(33,511)	(33,822)	(39,159)	(71,275)	(177,766)
Expenditures:						
Current:						
Other miscellaneous		6,303	11,265	4,500	10,606	32,674
Total expenditures		6,303	11,265	4,500	10,606	32,674
Excess (deficiency) of revenues over (under) expenditures		(39,814)	(45,087)	(43,659)	(81,881)	(210,440)
Fund balances, beginning of year		254,672	216,614	212,440	388,229	1,071,954
Fund balances, end of year	\$	214,858	171,527	168,781	306,348	861,514

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, 2009

	Principal				Unexpended Income				Total
	Fund Balance (deficit) June 30, 2008	Revenues		Fund Balance (deficit) June 30, 2009	Fund Balance (deficit) June 30, 2008	Interest Income	Expenditures	Fund Balance (deficit) June 30, 2009	
		Unrealized/ Realized Gains (Losses)	Other						
Cemetery Care:									June 30, 2009
Perpetual Care:	\$								
Burr	130,544	(18,915)	-	111,629	(12,855)	2,810	3,170	(13,215)	98,415
Grove	46,608	(6,736)	900	40,772	(4,517)	1,008	1,054	(4,563)	36,209
Webster	13,887	(2,012)	-	11,875	(724)	299	313	(738)	11,137
Woodlawn	20,396	(2,955)	-	17,441	(2,434)	439	469	(2,464)	14,977
South Freeport	46,656	(6,760)	-	39,896	(4,152)	1,004	1,051	(4,199)	35,697
Flying Point	7,435	(1,078)	-	6,357	(886)	160	168	(894)	5,462
Town maintained	2,293	(332)	-	1,961	30	49	52	27	1,988
Davis Mausoleum	758	(110)	-	648	613	16	17	612	1,260
Carrie Thomas	395	(57)	-	338	133	9	9	133	471
A.O. Woodard	10,135	(1,468)	-	8,667	357	218	575	575	9,242
Total Cemetery Funds	279,106	(40,423)	900	239,583	(24,435)	6,012	6,303	(24,726)	214,858
Library Funds:									
Bartol Association	28,307	(5,891)	730	23,146	1,559	496		2,055	25,201
Paul and Emma Bennett	15,419	(3,209)		12,210	2,685	270	1,200.00	1,755	13,964
Eleanor Brewer	6,033	(1,256)		4,777	506	106		612	5,389
Albert Conley	27,806	(5,787)		22,019	10,002	487	869.00	9,620	31,639
Grace Ritchie	741	50	1,246	2,037	-	11	709.59	(699)	1,338
Jane Hall	111,463	(23,141)	117	88,439	12,095	1,949	8,486.44	5,557	93,996
Total Library Funds	189,768	(39,234)	2,093	152,627	26,846	3,319	11,265	18,900	171,527
School Scholarship Funds									
Fitts Award	2,401	(499)		1,902	(257)	42		(214)	1,687
Salomon Plummer	8,265	(1,720)		6,545	(1,734)	145		(1,589)	4,956
Wallace True	4,800	(999)		3,801	(262)	84		(178)	3,624
Millard and Enid Crooker	23,969	(4,988)		18,981	(2,316)	419		(1,897)	17,084
Alice Pollock	10,189	(2,121)		8,068	(211)	178		(32)	8,036
Audis Foster	1,801	(375)		1,426	(52)	31		(21)	1,405
Kenneth Thompson	7,205	(1,499)		5,706	84	126		210	5,916
Christine Small Cushing	147,118	(30,558)		116,560	11,438	2,574	4,500	9,512	126,072
Total School Scholarship Funds	205,749	(42,759)	-	162,990	6,691	3,600	4,500	5,791	168,781
Benevolent Funds:									
George Davis	10,423	(2,169)		8,253	(193)	182		(11)	8,242
Arthur L. Gould	363,500	(75,649)		287,851	14,499	6,361	10,606	10,255	298,106
Total Benevolent Funds	373,922	(77,818)	-	296,104	14,307	6,544	10,606	10,244	306,348
Total	1,048,546	(200,234)	2,993	851,305	23,408	19,475	32,674	10,209	861,514

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, 2009

General fixed assets:			
Land		\$	1,849,869
Land improvements			1,736,907
Buildings and improvements			29,976,967
Machinery, equipment and other			5,219,066
Vehicles			4,671,667
Infrastructure			6,969,522
Construction in process			627,646
Total governmental fund capital assets		\$	51,051,644

TOWN OF FREEPORT, MAINE
Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity
For the year ended June 30, 2009

Function and Activity	Balance 2008	Additions	Disposals	Balance 2009
General government	\$ 2,840,612	81,874	17,540	2,904,946
Community services		-		
Library	3,836,013	-		3,836,013
Cable TV	306,469	18,915	-	325,384
Coastal waters	313,593	-	-	313,593
Community center	2,349,015	-		2,349,015
Education	21,791,893	418,354		22,210,247
Public safety:		-		
Police	1,039,111	65,983	13,800	1,091,294
Fire and Rescue	4,300,710	168,286	219,029	4,249,967
Public works		-		
General	10,244,457	736,657		10,981,114
Solid waste	1,280,375	20,841	20,000	1,281,216
Recreation	870,702	-	-	870,702
Unclassified:		-		
Parking lots	203,154	-	-	203,154
School lunch	91,368	-	-	91,368
Winslow Park	343,631	-	-	343,631
	\$ 49,811,103	1,510,910	270,369	51,051,644

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, 2009

Function and Activity	Land	Land Improvements	Building and Improvements	Machinery and Equipment	Vehicles	Infrastructure	Construction Work in Process	Total
General government	\$ 710,566	-	1,528,445	584,061	-	-	81,874	2,904,946
Community Services								
Library	110,000	78,405	2,364,305	1,283,303	-	-	-	3,836,013
Cable TV	-	-	-	303,384	22,000	-	-	325,384
Coastal waters	-	19,555	5,000	245,513	43,525	-	-	313,593
Community center	-	28,725	2,293,446	26,844	-	-	-	2,349,015
Education	360,285	166,198	19,938,667	765,958	979,139	-	-	22,210,247
Public safety:								
Police	3,850	-	598,000	256,313	233,131	-	-	1,091,294
Fire and Rescue	40,000	-	1,289,370	912,566	2,008,031	-	-	4,249,967
Public works								
General	193,768	248,998	1,274,000	445,846	1,303,208	6,969,522	545,772	10,981,114
Solid waste	190,000	399,000	398,000	240,480	53,736	-	-	1,281,216
Recreation	238,400	595,872	-	36,430	-	-	-	870,702
Unclassified:								
Parking lots	3,000	200,154	-	-	-	-	-	203,154
School lunch	-	-	-	91,368	-	-	-	91,368
Winslow Park	-	-	287,734	27,000	28,897	-	-	343,631
Total capital assets	\$ 1,849,869	1,736,907	29,976,967	5,219,066	4,671,667	6,969,522	627,646	51,051,644

See accompanying independent auditors' report.

TOWN OF FREEPORT, MAINE
Schedule of Depreciation - By Function and Activity
Year Ended June 30, 2009

Function and Activity	Land Improvements	Building and Improvements	Machinery Equipment and Other	Vehicles	Infrastructure	Total
General government		36,109	44,764			80,873
Community services						
Library	3,270	59,108	59,786			122,164
Cable TV			37,128			37,128
Coastal waters	976	194	2,092	2,902	9,785	15,949
Community center	1,436	57,336	5,369			64,141
Education	3,635	434,527	109,291	43,154	2,628	593,235
Public safety:						
Police		14,950	25,340	22,344		62,634
Fire and Rescue		33,305	55,680	123,308		212,293
Public works						
General	3,735	31,850	32,763	76,760	227,353	372,461
Solid waste	15,960	9,950	11,200			37,110
Recreation	18,802		2,429			21,231
Unclassified:						
Parking lots	4,801					4,801
School lunch			7,250			7,250
Winslow Park		17,849				17,849
Total capital assets	\$ 52,615	695,178	393,092	268,468	239,766	1,649,119

See accompanying independent auditors' report.