

TOWN OF FREEPORT, MAINE

Annual Financial Report

**For the Year Ended
June 30, 2016**

TOWN OF FREEPORT, MAINE
Annual Financial Report
For the year ended June 30, 2016

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Independent Auditor's Report

Town Council
Town of Freeport, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Freeport, Maine, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Freeport, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the Town of Freeport, Maine'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* in considering the Town of Freeport, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remyn Kristen Ouellette". The signature is written in a cursive, flowing style.

September 30, 2016
South Portland, Maine

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis
June 30, 2016

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, 2016. 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.

FINANCIAL HIGHLIGHTS

The governmental activities assets and deferred outflows of resources of the Town of Freeport exceeded its liabilities and deferred inflows of resources as of June 30, 2016 by \$38,071,868 (net position). Of this amount, \$17,048,213 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

The Town of Freeport's governmental funds reported combined fund balances of \$19,629,322 (Statement 4) which is an increase of \$252,948 from FY 2015.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,222,248.

The Town of Freeport's total outstanding long-term debt decreased by \$715,000 during the course of the fiscal year; the June 30, 2016 outstanding debt totaled \$3,200,000.

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 position* presents information on all of the Town's assets and deferred outflows of resources; and liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

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*.

ENTITY-WIDE CONDENSED PRESENTATION OF NET POSITION

Net position will serve as a useful indicator of a government's financial position. The following information is condensed from Statement 1, Statement of Net Position for Fiscal Year 2016. It distinguishes between capital and other assets, includes the Town's general liabilities and long-term debt obligations, and shows the Town's net position by restricted and unrestricted amounts.

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

This information is for the Town's Governmental Activities and Business-type Activities as of June 30:

		Governmental Activities		Business-type Activities		Total	
		2016	2015	2016	2015	2016	2015
Cash and cash equivalents	\$	14,559,338	12,959,294	-	-	14,559,338	12,959,294
Investments		4,806,929	6,441,888	-	-	4,806,929	6,441,888
Receivables		907,836	1,312,587	85,036	200,328	992,872	1,512,915
Receivable from RSU #5		2,439,659	2,875,113	-	-	2,439,659	2,875,113
Prepaid Items			-	-	8,537	-	8,537
Internal balances		382,582	67,418	(382,582)	(67,418)	-	-
Inventory		16,629	9,576	-	-	16,629	9,576
Capital assets, net		21,104,992	19,964,303	54,917	69,052	21,159,909	20,033,355
Total assets		44,217,965	43,630,179	(242,629)	210,499	43,975,336	43,840,678
Deferred outflows related to pensions		916,547	262,344	-	-	916,547	262,344
Current liabilities		584,343	629,128	13,992	6,781	598,335	635,909
Noncurrent liabilities		6,219,284	6,211,314	-	-	6,219,284	6,211,314
Total liabilities		6,803,627	6,840,442	13,992	6,781	6,817,619	6,847,223
Deferred inflows related to pensions		259,017	837,135	-	-	259,017	837,135
Net investment in capital assets		17,904,992	16,049,303	54,917	69,052	17,959,909	16,118,355
Restricted		3,118,663	3,036,385	-	-	3,118,663	3,036,385
Unrestricted		17,048,213	17,129,258	(311,538)	134,666	16,736,675	17,263,924
Total net position	\$	38,071,868	36,214,946	(256,621)	203,718	37,815,247	36,418,664

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

ENTITY-WIDE CONDENSED PRESENTATION OF CHANGES IN NET POSITION

Our next analysis focuses on changes in net position of the Town's governmental and business-type activities. Governmental activities increased the Town of Freeport's net position by \$1,856,922 during the year ended June 30, 2016. The following analysis provides the key elements of the increases.

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 2,566,402	1,962,156	256,294	631,822	2,822,696	2,593,978
Operating grants and contributions	307,808	267,992	-	-	307,808	267,992
Capital grants and contributions	312	16,388	-	-	312	16,388
General revenues:						
Property taxes	24,546,970	22,746,875	-	-	24,546,970	22,746,875
Motor vehicle excise tax	1,760,389	1,625,735	-	-	1,760,389	1,625,735
Interest and penalties	131,655	51,011	-	-	131,655	51,011
Homestead exemption	147,564	137,501	-	-	147,564	137,501
BETE reimbursements	608,200	407,330	-	-	608,200	407,330
State Revenue Sharing	359,623	352,856	-	-	359,623	352,856
Other state aid	85,309	133,347	-	-	85,309	133,347
Investment earnings	88,378	155,198	-	-	88,378	155,198
Miscellaneous revenues	147,287	203,606	-	-	147,287	203,606
Total revenues	30,749,897	28,059,995	256,294	631,822	31,006,191	28,691,817
Program expenses:						
General government	2,532,040	2,488,989	-	-	2,532,040	2,488,989
Public safety	3,274,230	3,132,424	-	-	3,274,230	3,132,424
Public works	2,994,782	3,238,348	-	-	2,994,782	3,238,348
Community services	1,359,454	1,384,280	-	-	1,359,454	1,384,280
Community development	1,358,923	1,307,761	-	-	1,358,923	1,307,761
Education	16,548,807	15,076,758	-	-	16,548,807	15,076,758
Unclassified	844,542	570,017	-	-	844,542	570,017
Interest	30,197	39,625	-	-	30,197	39,625
Nonemergency transportation	-	-	666,633	657,358	666,633	657,358
Total expenses	28,942,975	27,238,202	666,633	657,358	29,609,608	27,895,560
Excess (deficiency) of revenues over (under) expenses	1,806,922	821,793	(410,339)	(25,536)	1,396,583	796,257
Transfers	50,000	50,000	(50,000)	(50,000)	-	-
Change in net position	1,856,922	871,793	(460,339)	(75,536)	1,396,583	796,257
Net position - July 1	36,214,946	35,343,153	203,718	279,254	36,418,664	35,622,407
Net position - June 30	\$ 38,071,868	36,214,946	(256,621)	203,718	37,815,247	36,418,664

It should be noted that this presentation is prepared on an entity-wide condensed net position 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 managed over the past several years to build its unassigned General Fund balance (the equivalent of a savings account) to \$4.22 million. The Town Council established a figure of approximately \$3.5 million (one and-one-half months of the annual budgets for the Town, RSU #5 Town portion, and County tax) as a minimum level of fund balance to maintain. The Town Council budgeted to use \$700,000 to offset taxes in the FY 2017 budget; that is an assigned fund balance. Under the Town's fund balance policy, amounts in excess of one and one-half months 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 approximately ten 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 2016 and the account remained at \$1 million at June 30, 2016.

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

In Statement No. 54, the Governmental Accounting Standards Board (GASB) required Stabilization funds to be used only in situations meeting two criteria: specific and non-routine. The Council defined the need to use the stabilization fund in Freeport as a five percent increase in the combined budgets of the Town, RSU (Town portion) and County tax (Town portion) or a five percent increase in the Town's overall mil rate. In these cases, up to fifty (50) percent of the Tax Rate Stabilization Account may be used annually to offset the property tax rate.

The Town's General Fund operations showed revenues over expenditures of \$1,165,722 before other financing sources and uses (transfers from and to other funds in this case). After transfers in-and-out of other funds, the general fund showed a \$1,072,292 increase in fund balance. This is due in part to the unanticipated BETE increase of \$200,000, as well as other revenues exceeding expectations. As of June 30, 2016, the Town's fund balance policy required the Town to hold just over \$3.3 million in fund balance (one and-a-half months of Town, RSU, and County budgets), and the unassigned fund balance was \$4.22 million. The Town's policy allows fund balance to be higher than the minimum by five percent, so the amount above that minimum plus the allowance is approximately \$3.55 million. Each year, staff presents the fund balance to the Town Council and recommends uses for any amount over the policy guideline. During the FY 2017 presentation, staff will recommend that the Town Council transfer a portion of the excess fund balance to Capital Reserves and leave the remaining funds, as the Town is just over the maximum level of its policy and expects budgetary impacts next year. In addition, in fiscal year 2017, the Town decreased its transfer from fund balance from \$675,000 to \$550,000 to begin the process of removing the Town's dependency on the use of fund balance as this is not a sustainable method of offsetting revenue cuts. Going forward the Town Council is likely to make a decision to further cut expenditures or levy taxes to continue to help offset this.

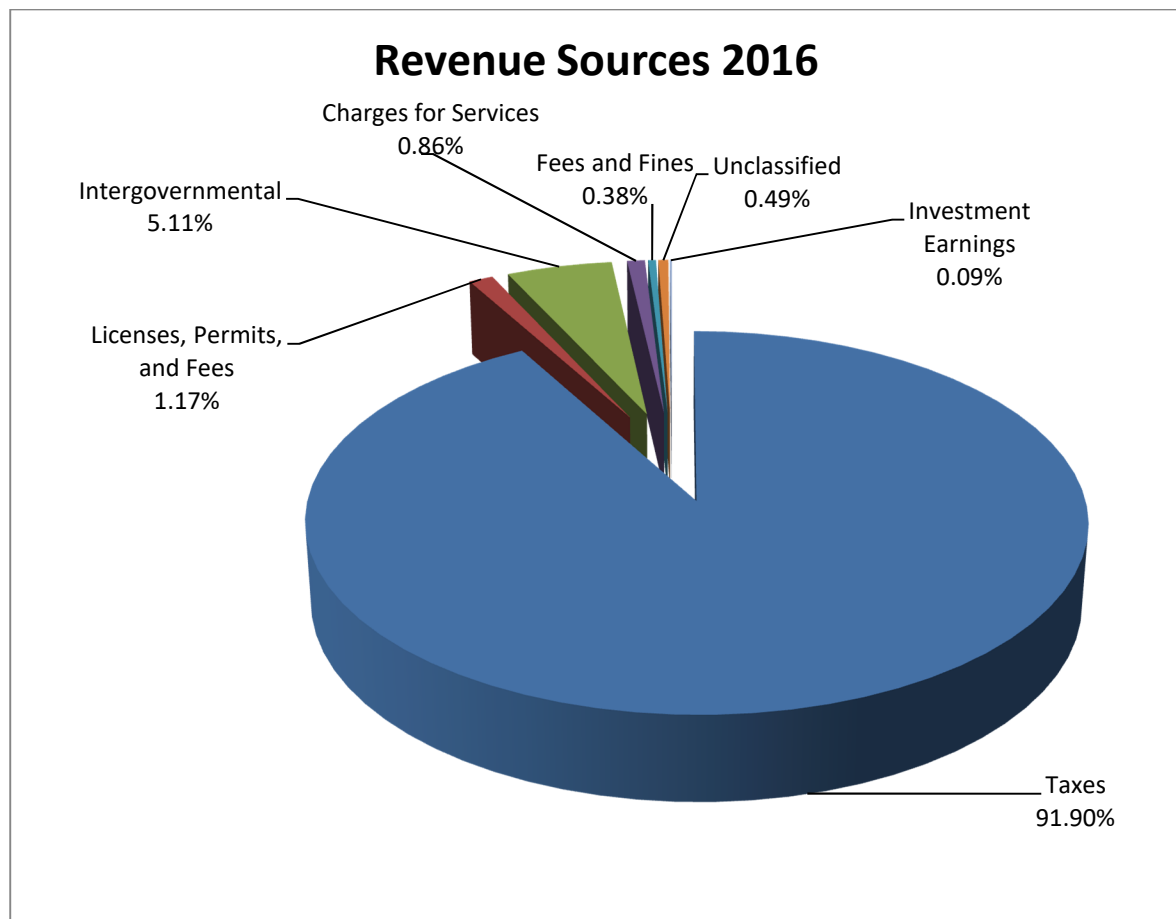
General Fund Revenues Budget to Actual Summary

For fiscal year 2016, revenues exceeded expenditures by \$1,165,722, before other financing sources and uses. The Town budgeted its expenditures to be \$1.3 million more than revenues; the difference was budgeted to be made up by transfers into the General Fund from fund balance (\$675,000), Bartol Building and Tower lease fund transfers (\$175,000 and \$200,000, respectively), emergency and non-emergency rescue revenues (\$50,000), and miscellaneous transfers in (\$155,000). The property tax collection rate for the year increased slightly to 98.07% from the previous year's collection rate of 97.20%.

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

General Fund Revenues Budget to Actual Summary
Budget and Actual – General Fund
For the Year Ended June 30, 2016

		<u>Budgeted Amounts</u>			
		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:					
Taxes		\$23,945,025	23,945,025	25,086,213	1,141,188
Licenses, Permits, and Fees		235,200	235,200	320,646	85,446
Intergovernmental		1,067,500	1,067,500	1,395,444	327,944
Charges for Services		198,500	198,500	233,993	35,493
Fees and Fines		100,400	100,400	103,457	3,057
Unclassified		26,250	26,250	133,011	106,761
Investment Earnings		15,000	15,000	24,700	9,700
Total Revenues		\$25,587,875	25,587,875	27,297,464	1,709,589



TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

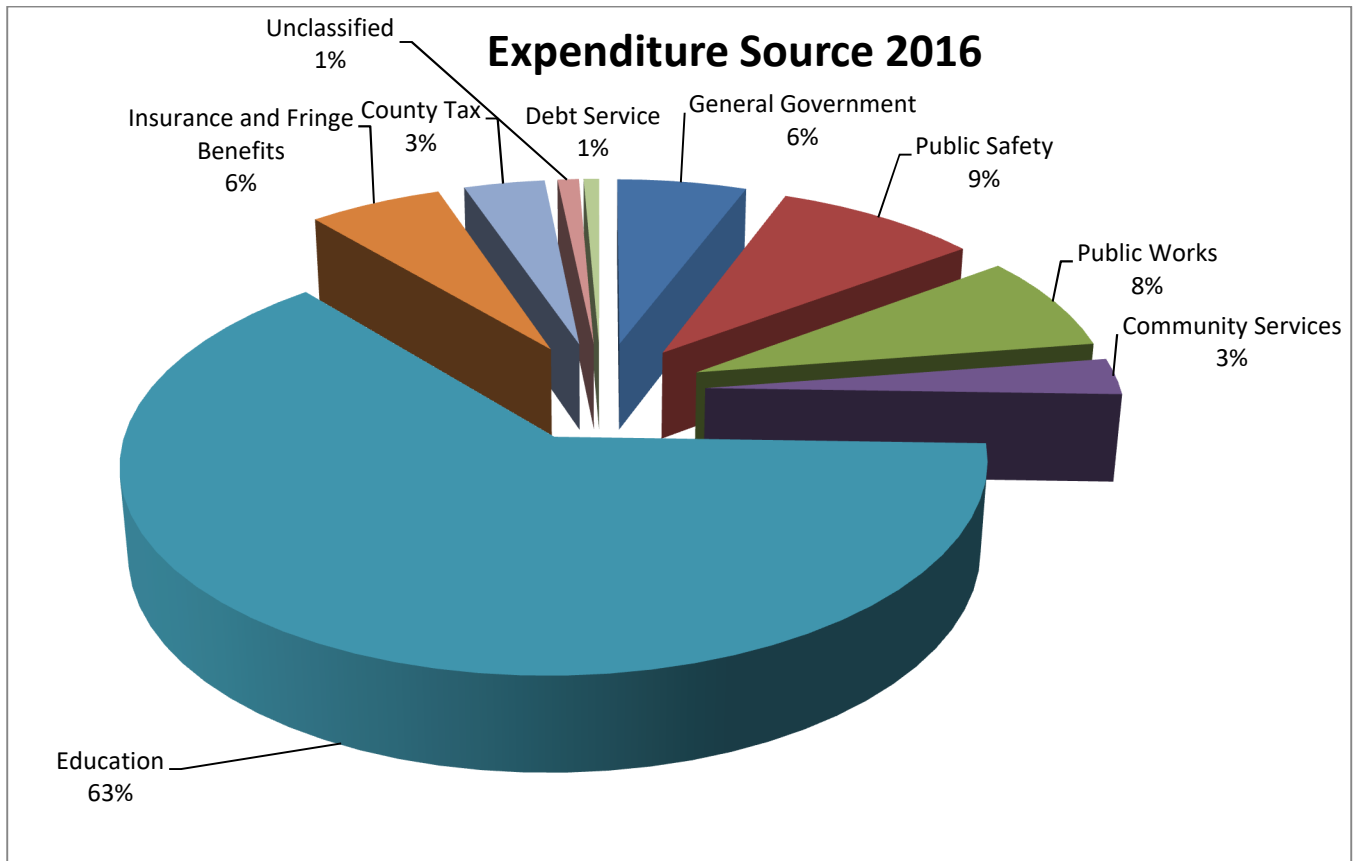
General Fund Expenditures Budget-to-Actual Summary

General Fund expenditure budgets are approved by the Town Council at the departmental level, with charter budgetary limits at the function level. 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 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, 2016 (see Exhibit A-2 for a more detailed presentation):

General Fund Expenditures Budget-to-Actual Summary
Budget and Actual – General Fund
For the Year Ended June 30, 2016

		<u>Budgeted Amounts</u>			
		Original	Final	Actual	Variance
Expenditures					
Current					
	General Government	\$1,660,391	1,660,391	1,505,434	154,957
	Public Safety	2,504,933	2,504,933	2,368,731	136,202
	Public Works	2,237,430	2,237,430	2,023,399	214,031
	Community Services	850,095	850,095	763,311	86,784
	Education	16,548,807	16,548,807	16,548,807	-
	Insurance and Fringe Benefits	1,691,200	1,691,200	1,552,037	139,163
	County Tax	941,811	941,811	941,811	-
	Unclassified	228,550	228,550	248,555	(20,005)
	Debt Service	179,658	179,658	179,657	1
	Total Expenditures	\$26,842,875	26,842,875	26,131,742	711,133

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued



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 department budget for ongoing street paving.

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

The Town's fiscal year 2017 capital budget that was approved in June of 2016 included the following:

Summary of Funding Sources
FY 2017 Capital Program

	FY 2016	FY 2017			Funding Source	
	Council Approved	Manager Proposed	Council Approved	Council Appropriated	Reserve	TIF
Police	\$ 88,000	152,400	155,400	155,400	155,400	-
Fire	750,000	115,000	95,000	95,000	95,000	-
Rescue	196,000	110,000	110,000	110,000	110,000	-
Public Works	295,000	221,000	221,000	221,000	221,000	-
Solid Waste	170,000	90,000	-	-	-	-
Comprehensive Town Imp.	681,000	600,000	570,000	570,000	570,000	-
Municipal Facilities (1)	165,500	258,000	221,200	221,200	221,200	-
Cable	3,000	35,000	35,000	35,000	35,000	-
Other (2)	35,000	-	5,000	5,000	5,000	-
Destination Freeport TIF	166,000	271,000	181,000	181,000	-	181,000
Total	\$ 2,549,500	1,852,400	1,593,600	1,593,600	1,412,600	181,000

It is notable that the FY 2017 capital improvement plan is funded by June 30, 2016. This is the reason the Town reflects the FY 2017 plan in the MD&A section of the financial statements.

A summary of the Town's capital assets at June 30, 2016 and 2015 are as follows:

	2016	2015
General capital assets:		
Land	\$ 2,204,884	2,204,884
Land improvements	3,502,741	3,502,741
Buildings and improvements	8,515,572	8,484,229
Machinery, equipment and other	5,585,089	5,447,486
Vehicles	4,936,803	4,016,395
Infrastructure	11,594,042	11,405,796
Construction in process	1,710,526	741,688
	\$ 38,049,657	35,803,219

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

LONG-TERM DEBT

The State law allows municipalities to borrow up to 15% of their total valuation. Since the Town's State Valuation was \$1,462,950,000 for 2016, the debt limit was more than \$215 million. The Town's current debt is \$3,200,000, or less than 0.5% of State Valuation or approximately 1.5% of the Town's debt limit.

Another measure of a municipality's debt load is debt-per-capita. As of June 30, 2016, the Town of Freeport's debt per capita was \$395 as compared to the prior year of \$483 (based upon a population of 8,100).

The following is a summary of bond transactions of the Town for the year ended June 30, 2016:

Bonds payable at June 30, 2015	\$ 3,915,000
Principal payments	(715,000)
<u>Bonds payable at June 30, 2016</u>	<u>\$ 3,200,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

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, on average, the Town permits 37 new single-family dwelling units per year. At the peak permitting year in 2004, 60 permits were issued for new single family homes. The Town then saw a steady decline the next few years, but luckily, Freeport was ahead of the trend with a sharp increase up in 2014 and 2015 with 44 single family permits being issued each year, and increasing slightly at 46 for 2016.

New commercial/industrial development projects approved by the Town in previous years became fully taxable in FY 2015. Most notable are the Maine Beer Company production facility at 525 U.S. Route 1, and Hughes Arbor and Land Management storage and garage facility at 284 U.S. Route 1. The calendar year 2015 had continued to see a number of investments designed at revitalizing commercial properties rather than constructing new space for businesses. Freeport continues to be a place that attracts a variety of investments.

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 15-18%; Freeport's vacancy rate as of June 30, 2016 was only 10.4% of total storefront space. This has remained steady from 10.5% in the fourth quarter from 2014.

New Fiscal Year Budget

In adopting the budget for the ensuing fiscal year 2017, 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 steady. The Town Council focused on the tax rate during the FY 2017 budgeting process.

The budget for the fiscal year starting July 1, 2016 was approved by the Town Council with a tax rate of 15.60 mills, which is a \$1.20 decrease per \$1,000 of valuation from FY 2016 to FY 2017. The tax bills are sent out twice each year, and during FY 2017 are due on November 15, 2016 and May 15, 2017.

TOWN OF FREEPORT, MAINE
Management's Discussion and Analysis, Continued

The following summarizes the major components of the FY 2016 and FY 2017 budgets:

	FY 2016	FY 2017	Increase
	<u>Appropriation</u>	<u>Appropriation</u>	<u>(Decrease)</u>
REVENUES			
Town Non-Property Tax	\$ 3,629,150	3,762,750	133,600
Property Tax	22,538,725	22,736,122	197,397
Fund Balance	675,000	550,000	(125,000)
TOTALS	\$ 26,842,875	27,048,872	205,997
EXPENDITURES			
Municipal	9,172,599	9,274,388	101,789
School	16,548,807	16,610,407	61,600
County Tax	941,811	991,074	49,263
Debt Service	179,658	173,003	(6,655)
TOTALS	\$ 26,842,875	27,048,872	205,997
Mill Rate	16.80	15.60	

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,

Peter Joseph
Town Manager

Jessica L. Maloy
Finance Director

BASIC FINANCIAL STATEMENTS

TOWN OF FREEPORT, MAINE
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total	Component Unit FEDC
ASSETS				
Cash and cash equivalents	\$ 14,559,338	-	14,559,338	46,571
Investments	4,806,929	-	4,806,929	-
Receivables:				
Accounts, net	112,934	85,036	197,970	-
Due from other governments	47,508	-	47,508	23,750
Taxes receivable	539,826	-	539,826	-
Tax liens	207,568	-	207,568	-
Prepaid items	-	-	-	2,488
Internal balances	382,582	(382,582)	-	-
Inventory	16,629	-	16,629	-
Receivable - RSU #5 debt service payments	2,439,659	-	2,439,659	-
Capital assets, not being depreciated	3,915,410	-	3,915,410	-
Capital assets, net of accumulated depreciation	17,189,582	54,917	17,244,499	-
Total assets	44,217,965	(242,629)	43,975,336	72,809
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	916,547	-	916,547	-
Total deferred outflows of resources	916,547	-	916,547	-
LIABILITIES				
Accounts payable and other current liabilities	496,951	56	497,007	1,236
Accrued wages and benefits payable	66,108	13,936	80,044	923
Accrued interest	21,284	-	21,284	-
Noncurrent liabilities:				
Liabilities due in one year	726,000	-	726,000	-
Other long-term liabilities	2,321,525	-	2,321,525	-
Other postemployment benefits liability	681,759	-	681,759	-
Bonds due in more than one year	2,490,000	-	2,490,000	-
Total liabilities	6,803,627	13,992	6,817,619	2,159
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	259,017	-	259,017	-
Total deferred inflows of resources	259,017	-	259,017	-
NET POSITION				
Net investment in capital assets	17,904,992	54,917	17,959,909	-
Restricted for:				
Grants and other programs	1,730,497	-	1,730,497	-
Nonexpendable trust principal	1,334,260	-	1,334,260	-
Expendable trust - income portion	53,906	-	53,906	-
Unrestricted	17,048,213	(311,538)	16,736,675	70,650
Total net position	\$ 38,071,868	(256,621)	37,815,247	70,650

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Activities
For the year ended June 30, 2016

		Program Revenues			Net (expense) revenue and changes in net position			Component Unit
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total	FEDC
					Governmental activities	Business-type activities		
Primary government:								
Governmental activities:								
General government	\$ 2,532,040	966,982	18,862	-	(1,546,196)	-	(1,546,196)	-
Public safety	3,274,230	411,635	76,006	-	(2,786,589)	-	(2,786,589)	-
Public works	2,994,782	716,510	136,048	-	(2,142,224)	-	(2,142,224)	-
Community services	1,359,454	471,275	17,819	312	(870,048)	-	(870,048)	-
Community development	1,358,923	-	-	-	(1,358,923)	-	(1,358,923)	-
Education	16,548,807	-	-	-	(16,548,807)	-	(16,548,807)	-
Unclassified	844,542	-	59,073	-	(785,469)	-	(785,469)	-
Interest on debt	30,197	-	-	-	(30,197)	-	(30,197)	-
Total governmental activities	28,942,975	2,566,402	307,808	312	(26,068,453)	-	(26,068,453)	-
Business-type activities:								
Nonemergency Transportation	666,633	256,294	-	-	-	(410,339)	(410,339)	-
Total business-type activities	666,633	256,294	-	-	-	(410,339)	(410,339)	-
Total primary government	\$ 29,609,608	2,822,696	307,808	312	(26,068,453)	(410,339)	(26,478,792)	-
Component Unit:								
Freeport Economic Development Corporation	95,224	-	95,000	-	-	-	-	(224)
General revenues:								
Property taxes, levied for general purposes					\$ 24,546,970	-	24,546,970	-
Motor vehicle excise taxes					1,760,389	-	1,760,389	-
Interest and lien costs					131,655	-	131,655	-
Grants and contributions not restricted to specific programs:								
Homestead exemption					147,564	-	147,564	-
BETE reimbursements					608,200	-	608,200	-
State Revenue Sharing					359,623	-	359,623	-
Other State aid					85,309	-	85,309	-
Unrestricted investment earnings					88,378	-	88,378	-
Miscellaneous revenues					147,287	-	147,287	-
Transfers					50,000	(50,000)	-	-
Total general revenues and transfers					27,925,375	(50,000)	27,875,375	-
Change in net position					1,856,922	(460,339)	1,396,583	(224)
Net position - beginning					36,214,946	203,718	36,418,664	70,874
Net position - ending					38,071,868	(256,621)	37,815,247	70,650

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Balance Sheet
Governmental Funds
June 30, 2016

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 11,618,318	2,223,235	717,785	14,559,338
Investments	326,480	3,111,793	1,368,656	4,806,929
Receivables:				
Accounts (net of allowance of \$78,115)	9,146	103,788	-	112,934
Due from other governments	47,508	-	-	47,508
Taxes receivable	539,826	-	-	539,826
Tax liens	207,568	-	-	207,568
Interfund loans receivable	-	3,448,291	2,409,665	5,857,956
Inventory	16,629	-	-	16,629
Receivable - RSU #5 debt service payments	2,439,659	-	-	2,439,659
Total assets	\$ 15,205,134	8,887,107	4,496,106	28,588,347
LIABILITIES				
Accounts payable	379,546	3,791	5,739	389,076
Accrued wages and benefits	63,932	-	2,176	66,108
Interfund loans payable	4,878,269	429,018	168,087	5,475,374
Development escrows	107,875	-	-	107,875
Total liabilities	5,429,622	432,809	176,002	6,038,433
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	459,650	-	-	459,650
Unavailable revenue - ambulance receivables	-	21,283	-	21,283
Unavailable revenue - RSU #5 debt service payments	2,439,659	-	-	2,439,659
Total deferred inflows of resources	2,899,309	21,283	-	2,920,592
FUND BALANCES				
Nonspendable	16,629	-	1,334,260	1,350,889
Restricted	-	-	1,784,403	1,784,403
Committed	1,937,326	8,433,015	1,232,550	11,602,891
Assigned	700,000	-	-	700,000
Unassigned	4,222,248	-	(31,109)	4,191,139
Total fund balances	6,876,203	8,433,015	4,320,104	19,629,322
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,205,134	8,887,107	4,496,106	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				21,104,992
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				
Unavailable revenue - property taxes				459,650
Unavailable revenue - ambulance billings				21,283
Unavailable revenue - RSU #5 debt service payments				2,439,659
Deferred inflows/(outflows) related to pensions				657,530
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(6,240,568)
Net position of governmental activities				\$ 38,071,868

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, 2016

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 25,086,213	-	1,687,753	26,773,966
Licenses, permits and fees	320,646	-	-	320,646
Intergovernmental	1,395,444	-	59,880	1,455,324
Charges for services	233,993	889,655	1,023,451	2,147,099
Fees and fines	103,457	-	-	103,457
Unclassified	133,330	-	59,073	192,403
Investment earnings	28,190	34,238	25,950	88,378
Total revenues	27,301,273	923,893	2,856,107	31,081,273
Expenditures:				
Current:				
General government	1,505,434	-	-	1,505,434
Public safety	2,368,731	-	-	2,368,731
Public works	2,023,399	-	-	2,023,399
Community services	763,311	-	229,647	992,958
Community development	-	-	1,358,923	1,358,923
Education	16,548,807	-	-	16,548,807
Insurance and fringe benefits	1,552,037	-	-	1,552,037
County tax	941,811	-	-	941,811
Unclassified	253,498	-	124,169	377,667
Capital outlay	-	2,762,296	130,755	2,893,051
Debt service	179,657	-	135,850	315,507
Total expenditures	26,136,685	2,762,296	1,979,344	30,878,325
Excess (deficiency) of revenues over (under) expenditures	1,164,588	(1,838,403)	876,763	202,948
Other financing sources (uses):				
Transfers from other funds	581,570	1,402,602	-	1,984,172
Transfers to other funds	(675,000)	(545,335)	(713,837)	(1,934,172)
Total other financing sources (uses)	(93,430)	857,267	(713,837)	50,000
Net change in fund balances	1,071,158	(981,136)	162,926	252,948
Fund balances, beginning of year	5,805,045	9,414,151	4,157,178	19,376,374
Fund balances, end of year	\$ 6,876,203	8,433,015	4,320,104	19,629,322

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, 2016

Net change in fund balances - total governmental funds (from Statement 4)	\$ 252,948
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.	1,140,689
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(331,376)
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.	515,115
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments.	715,000
The Town has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #5 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$2,439,659 with principal amounts paid off during the year totaling \$435,454.	(435,454)
Change in net position of governmental activities (see Statement 2)	\$ 1,856,922

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the year ended June 30, 2016

For the year ended June 30, 2010					Variance with Final Budget
		Budgeted amounts		Actual	Positive (Negative)
		Original	Final		
Revenues:					
Taxes	\$	23,945,025	23,945,025	25,086,213	1,141,188
Licenses, permits and fees		235,200	235,200	320,646	85,444
Intergovernmental		1,067,500	1,067,500	1,395,444	327,944
Charges for services		198,500	198,500	233,993	35,493
Fees and fines		100,400	100,400	103,457	3,057
Unclassified		26,250	26,250	133,011	106,761
Investment earnings		15,000	15,000	24,700	9,700
Total revenues		25,587,875	25,587,875	27,297,464	1,709,589
Expenditures:					
Current:					
General government		1,660,391	1,660,391	1,505,434	154,957
Public safety		2,504,933	2,504,933	2,368,731	136,202
Public works		2,237,430	2,237,430	2,023,399	214,031
Community services		850,095	850,095	763,311	86,784
Education		16,548,807	16,548,807	16,548,807	-
Insurance and fringe benefits		1,691,200	1,691,200	1,552,037	139,163
County tax		941,811	941,811	941,811	-
Unclassified		228,550	228,550	248,555	(20,005)
Debt service		179,658	179,658	179,657	1
Total expenditures		26,842,875	26,842,875	26,131,742	711,133
Excess (deficiency) of revenues over (under) expenditures		(1,255,000)	(1,255,000)	1,165,722	2,420,722
Other financing sources (uses):					
Use of unassigned fund balance		675,000	675,000	-	(675,000)
Transfers from other funds		580,000	580,000	581,570	1,570
Transfers to other funds		-	-	(675,000)	(675,000)
Total other financing sources (uses)		1,255,000	1,255,000	(93,430)	(1,348,430)
Net change in fund balance - budgetary basis		-	-	1,072,292	1,072,292
Fund balance, beginning of year - budgetary basis				5,298,779	
Fund balance, end of year - budgetary basis				6,371,071	
Reconciliation to GAAP basis:					
Committed reserve funds fund balance				505,132	
Fund balance, end of year - GAAP basis		\$		6,876,203	

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2016

Business-type Activities - Enterprise Funds	
	Nonemergency Transportation Program
ASSETS	
Current assets:	
Accounts receivable less allowance for uncollectibles of \$51,000	\$ 85,036
Total current assets	85,036
Noncurrent assets:	
Property, plant, and equipment	151,194
Less accumulated depreciation	(96,277)
Total noncurrent assets	54,917
Total assets	\$ 139,953
LIABILITIES	
Current liabilities:	
Interfund loans payable	382,582
Accounts payable	56
Accrued wages and benefits payable	13,936
Total current liabilities	396,574
Total liabilities	\$ 396,574
NET POSITION	
Net investment in capital assets	54,917
Unrestricted	(311,538)
Total net position	\$ (256,621)

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
Operating revenues:		
Charges for services	\$	256,294
Total operating revenues		256,294
Operating expenses:		
Wages and benefits		609,782
Operational costs		42,716
Depreciation		14,135
Total operating expenses		666,633
Operating loss		(410,339)
Transfers in/(out)		(50,000)
Change in net position		(460,339)
Net position, beginning of year		203,718
Net position, end of year	\$	(256,621)

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2016

Business-type Activities - Enterprise Funds		
		Nonemergency Transportation Program
Cash flows from operating activities:		
Receipts from customers and users	\$	371,585
Payments to suppliers		(34,300)
Payments to employees		(602,450)
Net cash used in operating activities		(265,165)
Cash flows from noncapital financing activities:		
Interfund borrowing		315,165
Transfers out		(50,000)
Net cash provided by noncapital financing activities		265,165
Change in cash		-
Cash, beginning of year		-
Cash, end of year	\$	-
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$	(410,339)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		14,135
(Increase) decrease in operating assets:		
Accounts receivable		115,291
Prepaid items		8,537
Increase (decrease) in operating liabilities:		
Accounts payable		(121)
Accrued wages and benefits payable		7,332
Net cash used in operating activities		(265,165)

See accompanying notes to financial statements.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Freeport conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such 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.

Component Unit

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 Governmental Accounting Standards Board (GASB) 61 "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 fiscal dependence upon the primary government in addition to financial benefits or burden relationship. It is notable that the use of TIF increment financing as a source of revenue for a component unit demonstrates a financial burden as it uses the government's taxing authority. 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:

Freeport Economic Development Corporation (FEDC) is a component unit of the Town. Although it is legally separate from the Town, the FEDC is reported as a component unit 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 discretely presented component unit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement activities) 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 and proprietary funds. Major individual governmental funds, other 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 is the proprietary 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.

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 Capital Projects Fund holds the Town's funds that are associated with capital and non-routine projects. As the Town Council appropriates funds from reserves (or other sources) for capital projects, these funds are transferred into the capital fund for expenditure on the project.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town reports the following proprietary fund:

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

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.

D. Receivables

Accounts receivable for the business-type activities include an allowance for doubtful accounts in the amount of \$51,000 as of June 30, 2016. 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 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 GASB Statement No. 34 for reporting.

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 has accrued accumulated vacation leave and vested sick leave. The liability is 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 position. Bond premiums and discounts, if material to the basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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.

It is notable that while several debt service payments are the responsibility of and budgeted by RSU #5, the Town must continue to book these long-term liabilities because the Town is responsible for paying the bondholders.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represents a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds report three deferred inflows of resources: unavailable revenue from property taxes, unavailable revenue from Regional School Unit #5 debt service payments, and unavailable revenue from long-term ambulance receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between the Town's contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

K. Inventory

Inventory in the General Fund consists of vehicle fuel and is recorded at the lower of cost or market on the first-in, first-out basis.

L. 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 transfers to/from other funds.

M. 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, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. Fund Equity

The Town uses the following fund balance classifications.

Nonspendable	Nonspendable fund balance represents fund balance amounts that are not in spendable form, such as inventories or resources that must be maintained intact pursuant to legal or contractual requirements.
Restricted	Restricted fund balance represents amounts that are restricted by State or Federal statute or by external third parties, such as TIF fund commitments or private or public grants. Any matching amounts are also considered restricted as they cannot be withdrawn due to the outside parties' involvement and commitment.
Committed	Committed is that portion of fund balance that has been approved by the highest level of formal action of the Town Council and does not lapse at year-end. Committed fund balance requires action by the Town Council to remove them. Examples of committed funds are amounts for Town-initiated projects or activities in the recreation and capital funds.
Assigned	Assigned is the portion of fund balance that does not meet the definition of restricted or committed. The amounts are not for a highly specified purpose and their use has some discretion by the administration.
Unassigned	Fund balance that has not been reported in any other classification. Note that in all governmental funds other than the General Fund, amounts expended in excess of resources that do not meet the above categories are classified here (i.e., residual deficits).

The Town's fund balance policy establishes that an amount equal to at least one and-one-half months of the Town's most recent approved operating budget shall be established as a minimum unassigned fund balance. Annually, following completion of the Town's audit, the Town Manager shall review the unassigned fund balance and propose to utilize, through the annual budget process, surplus funds above the minimum, if any. Use of those unassigned fund balances should be dedicated to projects in the capital improvement program or other unanticipated one-time expenditures. The Council may vote to establish certain reserve accounts from the unassigned fund balance for the purpose of funding specific capital improvement needs in the future and may decide to expend or to reserve amounts greater than that listed above based on the immediate or long-term needs of the Town.

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

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In 2011, the Town Council revised its “Tax Rate Policy” to continue to ensure the financial well being of the Town. Under the Policy, a portion of the General Fund fund balance is committed for stabilization arrangements, entitled “Tax Rate Stabilization Account”, to lower future year tax rates.

- Revenues generated by new valuation may be used to fund operating budgets, capital reserves or used for tax rate stabilization.
- Once operating budgets are passed, fund balance and reserves are funded in accordance with Town policies; excess funds may be used to lower the current year tax rate, or may be placed in a Tax Rate Stabilization Account to lower future year tax rates.
- During periods of low revenues, 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.
- The need for tax rate stabilization is defined as: a predicted five percent increase in the combination of the Town, RSU, and County budgets, or a predicted five percent increase in the Town’s total mil rate.

O. 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 appropriation. Budgets are adopted for the General Fund, Winslow Park Fund and Nonemergency Transportation Fund only, and are adopted on a basis consistent with accounting principles Generally Accepted in the United States of America (GAAP), except for amounts held in reserves. The respective balances for the reserves (e.g., investments) are reported on Statement 3 and the revenues and expenditures for the reserves have been reported on Statement 4. These amounts have been excluded from Exhibit A-2 and Statement 6 for budgetary purposes.

P. Recent Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, “Accounting and Financial Reporting for Pensions” – an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local governments for pensions. The statement is effective for periods beginning after June 15, 2014. The Town has assessed the impact of this statement on its financial statements and has reflected accordingly beginning in FY 2015.

In February 2015, the GASB issued GASB Statement No. 72, “Fair Value Measurement and Application”. This statement establishes a hierarchy of inputs to valuation techniques used to measure the fair value of investments. The statement is effective for periods beginning after June 15, 2015. The Town has assessed the impact of this statement on its financial statements and has reflected the required changes accordingly beginning in FY 2016.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

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, but requires all deposit accounts to hold collateral either at an outside bank in the Town's name or through an irrevocable letter of credit to the Town in any amounts above the FDIC insurance limits. 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, 2016, the Town reported deposits of \$14,559,338, with a bank balance of \$15,029,340. Of the Town's bank balances of \$15,029,340, none was subject to custodial credit risk as it was either insured by FDIC or covered by additional collateral.

As of June 30, 2016, the Freeport Economic Development Corporation reported deposits of \$46,571, with a bank balance of \$48,106. Of the FEDC's bank balance of \$48,106, none was subject to custodial credit risk as it was insured by FDIC.

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.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2016, the Town had the following investments and maturities:

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
U. S. Government securities	\$ 2,154,072	2,154,072	-
Money markets	169,655	N/A	-
Mutual funds	2,483,202	N/A	-
Total investments	\$ 4,806,929	2,154,072	-

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

CASH AND INVESTMENTS, CONTINUED

The Town has the following recurring fair value measurements as of June 30, 2016:

	Fair <u>value</u>	Level 1 <u>inputs</u>	Level 2 <u>inputs</u>	Level 3 <u>inputs</u>
U. S. Government securities	\$ 2,154,072	2,154,072	-	-
Money markets	169,655	169,655	-	-
Mutual funds	2,483,202	2,483,202	-	-
Total investments	\$ 4,806,929	4,806,929	-	-

Credit Risk and Concentration of 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.

The Town's investments in debt securities that require disclosure of credit risk were rated by Standard & Poor's as follows: Money market funds \$169,655 – AAA, fixed income government securities \$2,154,072 – AA.

The government securities include United States Treasury Notes, Federal Farm Credit Bank, Federal Home Loan Bank, and Federal National Mortgage Association (Fannie Mae) bonds with fair values of \$651,772, \$500,345, \$500,215, and \$501,740, respectively.

The Town's investment portfolio is comprised of a mix of money market, equity mutual funds and bond mutual funds.

At June 30, 2016, the Town had investments exceeding five percent of the total portfolio as follows:

	Value <u>6/30/16</u>	S & P <u>Rating</u>	<u>% of Total</u>
Federal Farm Credit Bank	\$ 500,345	AA	10.41%
Federal Home Loan bank	500,215	AA	10.41%
Federal National Mortgage Assoc.	501,740	AA	10.44%
United States Treasury Notes	651,772	AA	13.56%

Interest Rate Risk: The Town does not have a formal policy related to investment rate risk. To the extent possible, the Town 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.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX

Property taxes for the current period were committed on September 15, 2015, on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. For real property, payment of taxes was due in equal installments on November 16, 2015 and May 16, 2016. Personal property taxes were due in full on November 16, 2015. Interest at the rate of 7% 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 2016 assessed value was 100% of the estimated market value and 99.71% of the 2016 state valuation of \$1,462,950,000.

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 \$279,025 for the period ended June 30, 2016.

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 inflows of resources.

The following summarizes the periods ended June 30, 2016 and 2015 levies:

	<u>2016</u>	<u>2015</u>
Assessed value	\$ 1,458,660,900	1,439,675,582
Tax rate (per \$1,000)	16.80	15.80
Commitment	24,505,503	22,746,874
Supplemental taxes assessed	39,185	4,295
Total assessments	24,544,688	22,751,169
Less:		
Collections and abatements	24,071,271	22,115,224
Receivable at June 30	\$ 473,417	635,945
Collection rate	98.07%	97.20%

SIGNIFICANT TAXPAYER

For the year ended June 30, 2016, the Town of Freeport committed and collected \$3,339,610 in real estate and personal property tax revenue from L.L. Bean, Inc. This commitment represents approximately 13.63% of total property taxes assessed.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 741,688	1,077,209	108,371	1,710,526
Land	2,204,884	-	-	2,204,884
<u>Total capital assets, not being depreciated</u>	<u>2,946,572</u>	<u>1,077,209</u>	<u>108,371</u>	<u>3,915,410</u>
Capital assets, being depreciated:				
Land improvements	3,502,741	-	-	3,502,741
Buildings and building improvements	8,484,229	31,343	-	8,515,572
Machinery, equipment and other	5,447,486	152,603	15,000	5,585,089
Vehicles	4,016,395	1,096,608	176,200	4,936,803
Infrastructure	11,405,796	188,246	-	11,594,042
<u>Total capital assets being depreciated</u>	<u>32,856,647</u>	<u>1,468,800</u>	<u>191,200</u>	<u>34,134,247</u>
<u>Less accumulated depreciation</u>	<u>15,838,916</u>	<u>1,296,949</u>	<u>191,200</u>	<u>16,944,665</u>
<u>Total capital assets being depreciated, net</u>	<u>17,017,731</u>	<u>171,851</u>	<u>-</u>	<u>17,189,582</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 19,964,303</u>	<u>1,249,060</u>	<u>108,371</u>	<u>21,104,992</u>

Depreciation expense was charged to functions/programs of the primary government for the year ended June 30, 2016 as follows:

Governmental activities:	
General government	\$ 98,121
Public safety	367,902
Public works, including depreciation of general infrastructure assets	728,061
Community services	91,404
Unclassified	11,461
<u>Total depreciation expense – governmental activities</u>	<u>\$ 1,296,949</u>

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

	Balance July 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2016</u>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 85,066	-	-	85,066
Vehicles	66,128	-	-	66,128
Total capital assets being depreciated	151,194	-	-	151,194
Less accumulated depreciation	82,142	14,135	-	96,277
Total capital assets being depreciated, net	69,052	14,135	-	54,917
<u>Business-type activities capital assets, net</u>	<u>\$ 69,052</u>	<u>14,135</u>	<u>-</u>	<u>54,917</u>

Depreciation expense of \$14,135 for business-type activities was all charged to the Nonemergency Transportation (NET) enterprise fund.

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, 2016 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General Fund	\$ -	4,878,269	(93,430)
Capital project funds	3,448,291	429,018	857,267
Nonmajor governmental funds:			
Special revenue funds:			
Winslow Park	-	156,488	-
TIF funds	388,119	-	-
Bartol building lease	506,089	-	(350,000)
Tower lease	483,883	-	(200,000)
Other town grants and programs	900,597	-	(163,837)
Leon Gorman Park	130,977	-	-
Permanent funds	-	11,599	-
Proprietary Funds:			
Nonemergency Transportation Services	-	382,582	(50,000)
Totals	\$ 5,857,956	5,857,956	-

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

FUND BALANCE

The General Fund unassigned fund balance total of \$4,222,248 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. As of June 30, 2016, other fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Inventory	\$ 16,629	-	-	-
Accrued compensation	-	-	432,194	-
Tax Rate Stabilization	-	-	1,000,000	-
Unemployment Fund compensation	-	-	409,652	-
Other	-	-	95,480	-
Subsequent year budget	-	-	-	700,000
Capital Projects Funds	-	-	8,433,015	-
Nonmajor Governmental Funds:				
Special Revenue Funds:				
Winslow Park Fund	-	554,567	-	-
TIF Funds	-	388,119	-	-
Leon Gorman Park Fund	-	130,722	-	-
Bartol Building Lease Fund	-	-	506,089	-
Tower Lease Fund	-	-	483,883	-
Other Town Grants and Programs	-	657,089	242,578	-
Permanent Funds:				
Principal	1,334,260	-	-	-
Unexpended Income	-	53,906	-	-
Totals	\$ 1,350,889	1,784,403	11,602,891	700,000

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 3,915,000	-	715,000	3,200,000	710,000
Accrued compensated absences	411,827	20,367	-	432,194	-
Other post employment benefits	604,417	105,350	28,008	681,759	-
Net pension liability	896,070	792,261	-	1,688,331	-
Landfill closure and post closure care costs	384,000	-	167,000	217,000	16,000
Total governmental activity					
long-term liabilities	\$ 6,211,314	917,978	910,008	6,219,284	726,000

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

LONG-TERM DEBT

Bonds payable at June 30, 2016 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, 2016</u>
Governmental activities:					
2008 refunding	2/1/2008	\$ 4,275,000	2017	2.91%	150,000
2008 School improvements	2/1/2008	655,000	2018	2.92%	110,000
2009 MMBB	3/11/2009	300,000	2019	variable	90,000
2011 refunding	4/19/2011	5,635,000	2023	4.0-5.0%	2,850,000
Total bonds payable					\$ 3,200,000

As of July 1, 2009, the Freeport School Department joined Regional School Unit (RSU) #5. RSU #5 will reimburse the Town of Freeport for all of Freeport School Department bonds payable when the debt service payments are due. The Town has recorded a receivable for \$2,439,659, which is the outstanding amount of bonds payable related to the School Department.

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 \$3,200,000 at June 30, 2016 was within the statutory limit.

The annual requirements to amortize all debt outstanding at June 30, 2016 are as follows. Such amounts exclude overlapping debt requirements, but include school debt requirements to be reimbursed by the State of Maine.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 710,000	132,385	842,385
2018	560,000	106,486	666,486
2019	505,000	81,287	586,287
2020	475,000	57,225	532,225
2021	470,000	33,600	503,600
2022-2023	480,000	19,525	499,525
Totals	\$ 3,200,000	430,508	3,630,508

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

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, 2016, the Town's share of the expenditure was \$1,281,123 (3.59%) of Cumberland County's outstanding debt of \$35,735,000.

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, 2016:

	<u>Years remaining</u>	<u>Cost per year</u>	<u>Total cost</u>
Post closure monitoring:			
Section closed in 1995 - 30 years of monitoring	9	\$ 5,000	45,000
Post closure monitoring:			
Section closed in 1992 - 30 years of monitoring	6	7,000	42,000
Section closed in 2016:			
First ten-year period of post closure monitoring	10	4,000	40,000
Subsequent 20-year period of post-closure monitoring	20	3,000	60,000
<u>Demo debris closure cost</u>			<u>30,000</u>
<u>Total landfill liability</u>			<u>\$ 217,000</u>

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 1992 and 1995. 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 began its closing process in FY 2016. The Town has set aside funds totaling \$30,000 for future closing costs. The Town has estimated that there will be post closure care costs for the various landfills approximating \$187,000 over the next 30 years. As such, the Town has recognized a liability of \$30,000 for closure and an estimate for post closure monitoring and maintenance costs of \$187,000 for a total of \$217,000 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, Continued

JOINTLY GOVERNED ORGANIZATIONS

The Town of Freeport participates in a jointly governed organization, which is not part of the Town's reporting entity. ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine.

Selected balance sheet information for ecomaine for the year ended June 30, 2016 includes total assets of \$62,510,802, total liabilities of \$18,994,187 and unrestricted net position of \$14,477,555. The liabilities include an accrual for landfill closure and postclosure care amounting to \$16,746,994. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2012 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions.

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations.

Employees are required to contribute 7.5% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2016, was 8.9% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$246,263 for the year ended June 30, 2016.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of \$1,688,331 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2016, the Town's proportion was 0.5292%.

For the year ended June 30, 2016, the Town recognized pension expense (gain) of (\$193,797). At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	\$ 216,838
Changes of assumptions	149,203	-
Net difference between projected and actual earnings on pension plan investments	521,081	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	42,179
Town contributions subsequent to the measurement date	246,263	-
Total	\$ 916,547	\$ 259,017

An amount of \$246,263 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (93,666)
2018	(93,666)
2019	(93,665)
2020	(130,270)

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary Increases	3.5% to 9.5% per year
Investment return	7.125% per annum, compounded annually
Cost of living benefit increases	2.55% per annum

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.2%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.7%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.125%.

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.125%) or 1 percentage point higher (8.125%) than the current rate:

	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
Town's proportionate share of the net pension liability	\$ 3,363,656	\$ 1,688,331	\$ 100,020

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2016.

PENSION PLANS

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, 2016, the Town's contribution to the plan totaled \$93,504.

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's contribution to Social Security (including Medicare) was approximately \$340,527 for the year ended June 30, 2016.

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

OTHER POST-EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, 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, which is an agent multiple-employer plan. 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 August, 2014. GASB 45 rules allow employers with less than 200 employees to use the same actuarial study for three years.

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 years ending June 30, 2016, 2015 and 2014 and the annual required contribution:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal Cost	\$ 53,217	53,217	53,217
Amortization of Unfunded	60,655	60,655	60,655
Adjustment to ARC	(34,954)	(29,515)	(24,081)
Interest	26,432	22,670	18,911
Annual Required Contribution	\$ 105,350	107,027	108,702

Net OPEB Obligation – The Town's net OPEB obligation was calculated as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPEB liability, July 1, 2015	\$ 604,417	510,365	416,405
Annual required contributions	105,350	107,027	108,702
Less: Actual contributions	(28,008)	(12,975)	(14,742)
OPEB liability, June 30, 2016	\$ 681,759	604,417	510,365

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

OTHER POST-EMPLOYMENT BENEFITS, CONTINUED

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 years ending June 30, 2016, 2015, and 2014 were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 105,350	107,027	108,702
Actual contribution	28,008	12,975	14,742
Percent contributed	26.59%	12.12%	13.56%
Actuarial accrued liability	1,090,803	1,090,803	1,090,803
Plan assets	-	-	-
Unfunded actuarial accrued liability	1,090,803	1,090,803	1,090,803
Covered payroll	\$ 3,555,677	3,386,911	3,313,590
Unfunded actuarial accrued liability as a percentage of covered payroll	30.68%	32.21%	32.92%

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 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	January 1, 2014
Actuarial cost method	Projected unit cost
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.0%
Healthcare cost trends	4.0% - 8.7%

TOWN OF FREEPORT, MAINE
Notes to Financial Statements, Continued

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.

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, 2016.

COMMITMENTS

Construction in progress of \$1,710,526 as of June 30, 2016 consists primarily the Wardtown Road reconstruction for \$1,279,502, the Litchfield Road reconstruction for \$257,852, and the Pownal Road Athletic Complex of \$123,201. These projects are under contract and are expected to be completed during FY 2017.

TOWN OF FREEPORT, MAINE
Required Supplementary Information

Schedule of Funding Progress
Retiree Healthcare Plan

Fiscal Year	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]
2010	1/1/09	\$ -	979,479	979,479	0.00%	3,045,472	32.16%
2011	1/1/11	-	1,024,703	1,024,703	0.00%	3,034,313	33.77%
2012	1/1/11	-	1,024,703	1,024,703	0.00%	3,046,864	33.63%
2013	1/1/11	-	1,024,703	1,024,703	0.00%	3,204,254	31.98%
2014	1/1/14	-	1,090,803	1,090,803	0.00%	3,313,590	32.92%
2015	1/1/14	-	1,090,803	1,090,803	0.00%	3,386,911	32.21%
2016	1/1/14	-	1,090,803	1,090,803	0.00%	3,555,677	30.68%

TOWN OF FREEPORT, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.5292%	0.5823%
Town's proportionate share of the net pension liability \$1,688,331		896,070
Town's covered-employee payroll	2,767,003	2,608,145
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	61.02%	34.36%
Plan fiduciary net position as a percentage of of the total pension liability	88.27%	94.10%

** The amounts presented for each fiscal year were determined as of the prior fiscal year.*

***Only two years of information available.*

TOWN OF FREEPORT, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 246,263	187,331
Contributions in relation to the contractually required contribution	(246,263)	(187,331)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>
Town's covered-employee payroll	\$2,767,003	2,608,145
Contributions as a percentage of covered- employee payroll	8.09%	7.00%

**Only two years of information available.*

TOWN OF FREEPORT, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - In FY 2016, the discount rate was decreased from 7.25% to 7.125% and the cost of living benefit increase assumption was changed from 3.12% to 2.55%.

GENERAL FUND

TOWN OF FREEPORT, MAINE
Comparative Balance Sheets - General Fund
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 11,618,318	10,573,126
Investments	326,480	463,744
Accounts receivable	9,146	33,380
Due from other governments	47,508	197,402
Taxes receivable	539,826	696,212
Tax liens	207,568	295,768
Inventory	16,629	9,576
Receivable - RSU #5 debt service payments	2,439,659	2,875,113
Total assets	\$ 15,205,134	15,144,321
LIABILITIES		
Accounts payable	379,546	375,558
Accrued wages and benefits	63,932	49,101
Interfund loans payable	4,878,269	5,116,653
Development escrows	107,875	94,990
Other unearned revenues	-	33,259
Total liabilities	5,429,622	5,669,561
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	459,650	794,602
Unavailable revenue - RSU #5 debt service payments	2,439,659	2,875,113
Total deferred inflows of resources	2,899,309	3,669,715
FUND BALANCE		
Nonspendable	16,629	9,576
Committed - stabilization fund	1,000,000	1,000,000
Committed - other	432,194	411,827
Committed - reserves	505,132	506,266
Assigned	700,000	825,000
Unassigned	4,222,248	3,052,376
Total fund balance	6,876,203	5,805,045
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,205,134	15,144,321

TOWN OF FREEPORT, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2016
(with comparative actual amounts for the year ended June 30, 2015)

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 22,538,725	23,194,169	655,444	21,032,192
Excise taxes and registration fees	1,341,300	1,760,389	419,089	1,625,735
Interest and lien costs	65,000	131,655	66,655	51,011
Total taxes	23,945,025	25,086,213	1,141,188	22,708,938
Licenses, permits and fees:				
Building, plumbing and electrical permits	92,000	148,571	56,571	123,654
Town clerk licenses and fees	28,500	47,445	18,945	44,467
Moorings and other harbor fees	70,000	73,870	3,870	70,643
Solid waste permits	2,200	1,650	(550)	1,100
Shellfish licenses	12,500	12,683	183	13,009
Alarm permits	30,000	36,427	6,427	35,590
Total licenses, permits and fees	235,200	320,646	85,446	288,463
Intergovernmental:				
State tree growth reimbursement	65,000	66,720	1,720	66,349
State general assistance	15,000	17,819	2,819	7,762
State revenue sharing	325,000	359,623	34,623	352,856
State homestead exemption reimbursement	142,000	147,564	5,564	137,501
State BETE reimbursement	325,000	608,200	283,200	407,330
State road assistance	129,000	131,248	2,248	129,912
Public safety contributions	45,300	45,681	381	43,880
Other intergovernmental	21,200	18,589	(2,611)	66,998
Total intergovernmental	1,067,500	1,395,444	327,944	1,212,588
Charges for services:				
Planning	8,500	30,160	21,660	16,125
Transfer station and recycling	140,000	149,035	9,035	160,989
Parking lot	37,500	37,500	-	37,500
Vehicle maintenance	5,000	4,728	(272)	4,620
Engineering	4,000	7,770	3,770	4,280
Hunter Road Fields	3,500	4,800	1,300	2,500
Total charges for services	198,500	233,993	35,493	226,014
Fees and fines:				
Police parking and other fines	86,000	83,881	(2,119)	104,606
Library fines and fees	11,000	13,551	2,551	13,362
Alarm and other fire fees	3,400	6,025	2,625	3,975
Total fees and fines	100,400	103,457	3,057	121,943

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

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Revenues, continued:				
Unclassified	\$ 26,250	133,011	106,761	201,920
Investment earnings	15,000	24,700	9,700	18,092
Total revenues	25,587,875	27,297,464	1,709,589	24,777,958
Expenditures:				
Current:				
General government:				
Town council	121,500	100,628	20,872	103,266
Town manager	111,500	107,449	4,051	104,239
Finance and treasury	374,150	354,020	20,130	357,792
Assessing	166,000	156,594	9,406	149,639
Code enforcement	80,530	78,646	1,884	77,839
Town clerk and elections	110,550	100,550	10,000	97,625
General administration	162,000	132,434	29,566	133,084
Municipal buildings	383,286	334,284	49,002	265,912
Planning	150,875	140,829	10,046	136,050
Total general government	1,660,391	1,505,434	154,957	1,425,446
Public safety:				
Police department	1,151,840	1,135,931	15,909	1,124,371
Special enforcement	53,670	50,132	3,538	39,209
Fire department	516,105	441,291	74,814	432,714
Rescue	388,955	354,191	34,764	356,069
Reception	189,363	182,679	6,684	177,113
Hydrant rental	160,000	157,350	2,650	153,153
Street lights	45,000	47,157	(2,157)	46,416
Total public safety	2,504,933	2,368,731	136,202	2,329,045
Public works:				
General road operations	791,450	730,813	60,637	805,318
Summer roads	596,500	539,187	57,313	577,740
Winter roads	169,000	113,556	55,444	169,937
Tree program	15,500	16,020	(520)	6,188
Solid waste	425,500	396,188	29,312	408,062
Engineering	121,600	114,726	6,874	115,754
Hunter Road Fields Maintenance	117,880	112,909	4,971	125,962
Total public works	2,237,430	2,023,399	214,031	2,208,961

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

	2016		Variance positive (negative)	2015 Actual
	Budget	Actual		
Expenditures, continued:				
Current, continued:				
Community services:				
Human services agencies	\$ 38,300	37,912	388	31,500
General assistance	103,240	82,809	20,431	87,153
Public library	454,700	425,654	29,046	413,938
Cable TV	78,640	72,784	5,856	71,847
Promotions	7,200	5,807	1,393	4,141
Coastal waters	69,640	65,282	4,358	56,537
Shellfish commission	4,100	3,808	292	7,586
Amtrak station operations	89,050	65,943	23,107	83,572
Other	5,225	3,312	1,913	4,204
Total community services	850,095	763,311	86,784	760,478
Education	16,548,807	16,548,807	-	15,076,758
Insurance and fringe benefits:				
Employee benefits	1,589,200	1,455,158	134,042	1,303,995
Insurances	102,000	96,879	5,121	97,294
Total insurance and fringe benefits	1,691,200	1,552,037	139,163	1,401,289
County tax	941,811	941,811	-	879,073
Unclassified:				
Bustin's Island Corporation	180,000	176,091	3,909	178,706
Miscellaneous and contingency	23,550	31,607	(8,057)	18,708
Abatements	25,000	40,857	(15,857)	23,969
Total unclassified	228,550	248,555	(20,005)	221,383
Debt service	179,658	179,657	1	184,863
Total expenditures	26,842,875	26,131,742	711,133	24,487,296
Excess (deficiency) of revenues over (under) expenditures	(1,255,000)	1,165,722	2,420,722	290,662

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

	2016			2015 Actual
	Budget	Actual	Variance positive (negative)	
Other financing sources (uses):				
Budgeted utilization of surplus	\$ 675,000	-	(675,000)	-
Transfers in	580,000	581,570	1,570	385,000
Transfers out	-	(675,000)	(675,000)	(675,000)
Total other financing sources (uses)	1,255,000	(93,430)	(1,348,430)	(290,000)
Net change in fund balance - budgetary basis	-	1,072,292	1,072,292	662
Fund balance, beginning of year - budgetary basis		5,298,779		5,298,117
Fund balance, end of year - budgetary basis		6,371,071		5,298,779
Reconciliation of fund balance to GAAP basis:				
Committed reserve funds fund balance		505,132		506,266
Fund balance, end of year - GAAP basis	\$	6,876,203		5,805,045

OTHER GOVERNMENTAL FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Other Governmental Funds
June 30, 2016

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash	\$ 717,785	-	717,785
Investments	-	1,368,656	1,368,656
Interfund loans receivable	2,409,665	-	2,409,665
Total assets	\$ 3,127,450	1,368,656	4,496,106
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	5,739	-	5,739
Accrued wages and benefits	2,176	-	2,176
Interfund loans payable	156,488	11,599	168,087
Total liabilities	164,403	11,599	176,002
Fund balances:			
Nonspendable	-	1,334,260	1,334,260
Restricted	1,730,497	53,906	1,784,403
Committed	1,232,550	-	1,232,550
Unassigned	-	(31,109)	(31,109)
Total fund balances	2,963,047	1,357,057	4,320,104
Total liabilities and fund balances	\$ 3,127,450	1,368,656	4,496,106

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the year ended June 30, 2016

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
Revenues:			
Property taxes	\$ 1,687,753	-	1,687,753
Charges for services	1,023,451	-	1,023,451
Gifts and donations	59,073	-	59,073
Intergovernmental	59,880	-	59,880
Investment income	2,582	23,368	25,950
Total revenues	2,832,739	23,368	2,856,107
Expenditures:			
Current:			
Community services	221,024	8,623	229,647
Community development	1,358,923	-	1,358,923
Unclassified	118,478	5,691	124,169
Capital outlay	130,755	-	130,755
Debt service	135,850	-	135,850
Total expenditures	1,965,030	14,314	1,979,344
Excess of revenues over expenditures	867,709	9,054	876,763
Other financing uses:			
Transfers to other funds	(713,837)	-	(713,837)
Total other financing uses	(713,837)	-	(713,837)
Net change in fund balance	153,872	9,054	162,926
Fund balances, beginning of year	2,809,175	1,348,003	4,157,178
Fund balances, end of year	\$ 2,963,047	1,357,057	4,320,104

NONMAJOR SPECIAL REVENUE FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

		Tax Increment Financing Funds					Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Leon Gorman Park	Totals
		Winslow Park	TIF II Desert Road Phase II	TIF IV Destination	TIF V Hotel	TIF VI Housing					2016
ASSETS											
Cash	\$	717,785	-	-	-	-	-	-	-	-	717,785
Interfund loans receivable		-	56,388	326,069	-	5,662	506,089	483,883	900,597	130,977	2,409,665
Total assets	\$	717,785	56,388	326,069	-	5,662	506,089	483,883	900,597	130,977	3,127,450
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable		4,554	-	-	-	-	-	-	930	255	5,739
Accrued wages and benefits		2,176	-	-	-	-	-	-	-	-	2,176
Interfund loans payable		156,488	-	-	-	-	-	-	-	-	156,488
Total liabilities		163,218	-	-	-	-	-	-	930	255	164,403
Fund balances:											
Restricted		554,567	56,388	326,069	-	5,662	-	-	657,089	130,722	1,730,497
Committed		-	-	-	-	-	506,089	483,883	242,578	-	1,232,550
Total fund balances		554,567	56,388	326,069	-	5,662	506,089	483,883	899,667	130,722	2,963,047
Total liabilities and fund balances	\$	717,785	56,388	326,069	-	5,662	506,089	483,883	900,597	130,977	3,127,450

TOWN OF FREEPORT, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2016

	Tax Increment Financing Funds					Bartol Building Lease Fund	Tower Lease Fund	Other Town Grants & Programs	Leon Gorman Park	Totals 2016
	Winslow Park	TIF II Desert Road Phase II	TIF IV Destination	TIF V Hotel	TIF VI Housing					
Revenues:										
Property taxes	\$ -	1,292,968	307,980	73,604	13,201	-	-	-	-	1,687,753
Charges for services	283,187	-	-	-	-	367,753	245,846	126,665	-	1,023,451
Gifts and donations	-	-	-	-	-	-	-	59,073	-	59,073
Intergovernmental	-	-	-	-	-	-	-	59,880	-	59,880
Investment income	1,674	-	-	-	-	-	-	-	908	2,582
Total revenues	284,861	1,292,968	307,980	73,604	13,201	367,753	245,846	245,618	908	2,832,739
Expenditures:										
Current:										
Community services	193,682	-	-	-	-	4,399	-	19,221	3,722	221,024
Community development	-	1,157,118	115,000	73,604	13,201	-	-	-	-	1,358,923
Unclassified	-	-	-	-	-	-	-	118,478	-	118,478
Debt service	-	135,850	-	-	-	-	-	-	-	135,850
Capital	61,638	-	69,117	-	-	-	-	-	-	130,755
Total expenditures	255,320	1,292,968	184,117	73,604	13,201	4,399	-	137,699	3,722	1,965,030
Excess (deficiency) of revenues over (under) expenditures	29,541	-	123,863	-	-	363,354	245,846	107,919	(2,814)	867,709
Other financing uses:										
Transfer to other funds	-	-	-	-	-	(350,000)	(200,000)	(163,837)	-	(713,837)
Total other financing uses	-	-	-	-	-	(350,000)	(200,000)	(163,837)	-	(713,837)
Net change in fund balances	29,541	-	123,863	-	-	13,354	45,846	(55,918)	(2,814)	153,872
Fund balances, beginning of year	525,026	56,388	202,206	-	5,662	492,735	438,037	955,585	133,536	2,809,175
Fund balances, end of year	\$ 554,567	56,388	326,069	-	5,662	506,089	483,883	899,667	130,722	2,963,047

TOWN OF FREEPORT, MAINE
Other Town Grants and Programs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Fund Balance (deficit) June 30, 2015	Inter- governmental	Revenues Gifts and donations	Charges for services	Expenditures	Revenues over (under) expenditures	Other sources and (uses)	Fund Balance June 30, 2016
Town Grants and Programs:								
Road Impact Fees	\$ 355,711	-	-	97,203	-	97,203	(150,000)	302,914
Stormwater Connection Fees	48,642	-	-	1,678	-	1,678	-	50,320
Sandy Beach Stairs/SHIP Grant	31,591	30,325	-	-	60,650	(30,325)	-	1,266
Jump start program	306	-	-	-	-	-	(306)	-
Maine Arts Commission	1,907	-	-	-	-	-	-	1,907
Project Canopy Grant	8,657	-	-	-	-	-	-	8,657
CDBG-Elders Bus	3,027	312	-	-	1,000	(688)	-	2,339
Regional Efficiency grant	1,249	-	-	-	-	-	-	1,249
CDBG-Habitat for Humanity	10,455	-	-	-	10,000	(10,000)	-	455
Village Open Spaces	12,457	-	-	4,800	-	4,800	-	17,257
Green Crab Eradication Grant-State of Maine	(130)	-	-	-	-	-	130	-
FEMA	61,085	-	-	-	-	-	-	61,085
Shellfish Water Testing	19,867	-	-	2,120	-	2,120	-	21,987
Shellfish Grant-State of Maine	521	-	-	-	-	-	(521)	-
Winslow Park-State of Maine	535	-	-	-	-	-	(535)	-
Fuel Assistance Fund-Freeport	14,214	-	8,015	-	12,913	(4,898)	-	9,316
Fuel Assistance Fund-Yarmouth	2,436	-	4,876	-	6,308	(1,432)	-	1,004
Freeport Housing Trust Rental Assistance Grant	7,815	-	5,000	-	1,670	3,330	-	11,145
Fire and Rescue Annual Appeal Donations	43,972	-	10,425	-	14,530	(4,105)	-	39,867
Library Donations	36,233	-	8,585	-	-	8,585	-	44,818
Fire Department Burn Building Donations	1,320	-	910	-	-	910	-	2,230
Police Donations	3,041	-	-	-	-	-	-	3,041
Library Book Donations	8,635	-	16,407	-	10,093	6,314	-	14,949
Public Works Donations	2,804	-	1,565	-	1,180	385	-	3,189
Dunning Boat Yard Lease	87,666	-	-	5,936	-	5,936	-	93,602
Soule School Lease	134,048	-	-	14,928	-	14,928	-	148,976
Police Speed Enforcement/Seat Belt	19,360	10,381	-	-	-	10,381	-	29,741
Rescue Donations	578	-	-	-	-	-	-	578
Dollars for Scholars	1,779	-	-	-	-	-	-	1,779
Other	35,804	18,862	3,290	-	19,355	2,797	(12,605)	25,996
Total Town Grants and Programs	\$ 955,585	59,880	59,073	126,665	137,699	107,919	(163,837)	899,667

CAPITAL PROJECT FUNDS

TOWN OF FREEPORT, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
For the year ended June 30, 2016

	Fund Balance (deficit)	Revenues			Transfers in (out)	Fund Balance (deficit)
	June 30, 2015	Charges for Services	Interest	Expenditures		June 30, 2016
Police Department Capital Project Funds:						
Communication upgrade	\$ 55,674	-	-	19,712	57,000	92,962
Bullet proof vests & protective equipment	(6,749)	-	-	-	46,149	39,400
Building enhancements	20,000	-	-	19,892	-	108
In-Car cameras	457	-	-	-	-	457
Boat and motor replacement	(755)	-	-	-	755	-
Vehicle replacement	72,228	-	-	71,406	58,245	59,067
Total police department	140,855	-	-	111,010	162,149	191,994
Fire Department Capital Project Funds:						
Protective clothing	8,866	-	-	-	(762)	8,104
Engine Five	10,059	-	-	-	-	10,059
Engine Three	745,173	15,000	-	708,223	(3,756)	48,194
Air packs & compressor	(474)	-	-	-	474	-
Communication upgrade	15,013	-	-	8,912	55,000	61,101
Service vehicle	(3,756)	-	-	-	3,756	-
Thermal imaging cameras	-	-	-	-	40,000	40,000
Total fire department	774,881	15,000	-	717,135	94,712	167,458
Rescue Department Capital Project Funds:						
Protective clothing	(764)	-	-	-	764	-
Ambulance replacement	215,590	-	-	179,204	-	36,386
Communication upgrade	(1,694)	-	-	1,919	110,000	106,387
Rescue equipment	(4,796)	15,250	-	-	-	10,454
Other-SCBA replacement	(791)	-	-	-	791	-
Total rescue department	207,545	15,250	-	181,123	111,555	153,227
Public Works Capital Project Funds:						
Grader repair	2,579	-	-	-	-	2,579
Dump truck replacement, sander & plow	139,583	-	-	104,999	175,944	210,528
Wood chipper refurbishment	10,000	-	-	7,994	-	2,006
Building and grounds mower attachment	20,000	-	-	16,062	-	3,938
Sidewalk plow-Shared with TIF	667	-	-	-	-	667
Fuel depot	1,792	-	-	-	-	1,792
Pick-up truck replacement	68,737	-	-	52,000	45,000	61,737
One Ton Truck Replacement	5,082	-	-	-	-	5,082
Dump truck body sand blast and paint	(56)	-	-	-	56	-
Total public works	248,384	-	-	181,055	221,000	288,329
Recycling Capital Project Funds:						
Landfill closing	266,436	-	-	77,497	-	188,939
Paving	1,758	-	-	-	(1,758)	-
Other	111,339	-	-	42,747	331	68,923
Total recycling	379,533	-	-	120,244	(1,427)	257,862

TOWN OF FREEPORT, MAINE
Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
For the year ended June 30, 2016

		Revenues			Transfers	
	Fund Balance	Charges for	Interest	Expenditures	in	Fund Balance
	June 30, 2015	Services			(out)	June 30, 2016
Comprehensive Town Improvement Funds:						
Litchfield road reconstruction	\$ 430,000	-	-	257,852	-	172,148
South Freeport Village project	166,000	-	-	49,971	310,000	426,029
Wardtown road reconstruction and shoulders	220,836	500,000	-	700,337	-	20,499
Public Works paving	930	-	-	-	(930)	-
Main St. paving and drainage match	28,494	-	-	-	-	28,494
Flying Point Road-2011 reconstruction	23,044	-	-	-	-	23,044
Flying Point Road-Pleasant Hill to Wolfe's Neck	19,531	-	-	-	(19,531)	-
North Main Street sidewalks	(10,690)	-	-	-	10,690	-
Upper Mast Landing partial reconstruction	(6,232)	-	-	-	6,232	-
South Street project	162,293	-	-	848	-	161,445
Desert Road match	19,393	-	-	-	-	19,393
Burnett Road Bridge	11,048	-	-	-	-	11,048
US Route 1 North (PACTS)	134,991	-	-	-	-	134,991
South Freeport Road (PACTS)	-	-	-	70	260,000	259,930
Prout Road culvert	9,316	-	-	-	-	9,316
West Street-Depot Street to South Street reconstruction	10,728	-	-	1,890	-	8,838
Desert Road Business Park	235,000	-	-	-	-	235,000
Torrey Hill Range Road reconstruction	41,629	-	-	43,152	1,523	-
Freeport Fields and Trails Project	137,364	-	-	69,048	-	68,316
Culvert replacement	85,000	-	-	35,200	-	49,800
Other	18,845	-	-	1,754	(9,257)	7,834
Total comprehensive Town improvement	1,737,520	500,000	-	1,160,122	558,727	1,636,125
Municipal Buildings and Other Improvement Funds:						
Computer system upgrade/Connectivity Town-wide	130,125	-	-	44,263	29,200	115,062
Dunning boat yard	26,445	-	-	-	-	26,445
Cable TV	53,042	-	-	37,167	35,000	50,875
Valuation update	40,450	-	-	-	5,000	45,450
Building winterization	55,390	-	-	-	12,000	67,390
Public Safety renovation (Sallyport, Flooring, etc.)	(2,791)	-	-	1,500	4,304	13
Town Hall exterior	40,000	-	-	-	-	40,000
Public works roofing projects	1,684	-	-	-	-	1,684
Cemetery vault roofing projects	5,365	-	-	4,950	(415)	-
Copier replacement	11,700	-	-	4,487	-	7,213
Library building exterior	20,000	-	-	-	-	20,000
Vehicle replacement	18,841	-	-	-	30,000	48,841
Other	268,087	-	-	134,844	145,933	279,176
Total municipal buildings and other	668,338	-	-	227,211	261,022	702,149
Boards and Committees Improvement Funds:						
Recreation fund	5,131	-	-	-	-	5,131
Harbor fund	24,531	-	-	-	-	24,531
Citizens survey & performance measures	1,288	-	-	-	-	1,288
Historic society archiving	1,345	42	-	-	-	1,387
Village parking study	174	-	-	-	(174)	-
Florida lake bridge replacement	-	-	-	-	5,000	5,000
Quiet zone study	5,108	-	-	-	-	5,108
Hedgehog Mountain bridge replacement	25,000	-	-	24,000	-	1,000
Withdrawal committee	7,827	-	-	-	-	7,827
Other	30,102	-	-	24,056	(9,962)	(3,916)
Total boards and committees	100,506	42	-	48,056	(5,136)	47,356
Capital Reserves - See Exhibit E for Details	5,156,589	359,363	34,238	16,340	(545,335)	4,988,515
Total capital project funds	9,414,151	889,655	34,238	2,762,296	857,267	8,433,015

RESERVE FUNDS

TOWN OF FREEPORT, MAINE
Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
For the year ended June 30, 2016

		Fund Balance June 30, 2015	Revenues			Transfers in (out)	Fund Balance June 30, 2016
			Charges for Services	Interest	Other	Expenditures	
Capital Project Reserves:							
Administration - general	\$	309,606	-	2,161	-	358	237,031
Boards and commissions		31,359	-	267	-	56	36,436
Building maintenance		824,254	-	5,744	-	957	687,041
Cable TV equipment		516,067	87,984	3,593	-	601	497,043
Energy Savings		18,908	500	127	-	24	31,776
Fire equipment		508,408	-	3,101	-	763	485,458
Hedgehog mountain		19,239	-	133	-	23	19,349
Land purchase		142,236	-	136	-	-	142,372
Land trust		22,346	-	154	-	27	22,473
Municipal parking lot		391,866	15,827	2,698	-	10,470	399,921
Police equipment		392,310	-	2,746	-	451	425,954
Public infrastructure		739,070	-	4,789	-	999	611,585
Public works equipment		584,498	-	3,890	-	750	641,638
Recycling equipment		127,079	-	792	-	184	176,260
Rescue equipment		529,343	255,052	3,907	-	677	574,178
Total capital project reserves		5,156,589	359,363	34,238	-	16,340	4,988,515
General Fund Reserves:							
Unemployment compensation fund		411,327	-	2,836	319	4,830	409,652
Other		94,939	-	654	-	113	95,480
Total general fund reserves		506,266	-	3,490	319	4,943	505,132
Total Reserve Funds	\$	5,662,855	359,363	37,728	319	21,283	5,493,647

NONMAJOR PERMANENT FUNDS

TOWN OF FREEPORT, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2016

	Cemetery Care	Library Funds	School Scholarship Funds	Benevolent Funds	Totals
ASSETS					
Investments	\$ 302,998	279,425	281,687	504,546	1,368,656
Total assets	302,998	279,425	281,687	504,546	1,368,656
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund loans payable	5,092	1,737	1,445	3,325	11,599
Total liabilities	5,092	1,737	1,445	3,325	11,599
Fund balances:					
Nonspendable-Principal	329,015	263,198	263,576	478,471	1,334,260
Restricted-Unexpended income	-	14,490	16,666	22,750	53,906
Unassigned	(31,109)	-	-	-	(31,109)
Total fund balances	297,906	277,688	280,242	501,221	1,357,057
Total liabilities and fund balances	\$ 302,998	279,425	281,687	504,546	1,368,656

TOWN OF FREEPORT, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Individual Funds
For the year ended June 30, 2016

		Principal				Unexpended Income				
		Revenues								
		Fund	Unrealized/		Fund	Fund	Interest		Fund	Total
		Balance	Realized	Other	Balance	Balance	Income	Expenditures	Balance	
		June 30, 2015	Gains (Losses)		June 30, 2016	(deficit)			(deficit)	June 30, 2016
						June 30, 2015			June 30, 2016	June 30, 2016
Cemetery Care:										
Perpetual Care:										
850	Burr	\$ 151,409	24	-	151,433	(17,493)	2,833	2,857	(17,517)	133,916
851	Grove	58,718	21	-	58,739	(6,291)	1,105	1,019	(6,205)	52,534
852	Webster	16,180	(1)	-	16,179	(1,468)	313	290	(1,445)	14,734
853	Woodlawn	23,594	(5)	-	23,589	(3,660)	425	394	(3,629)	19,960
854	South Freeport	54,144	22	-	54,166	(4,822)	1,038	957	(4,741)	49,425
855	Flying Point	8,600	2	-	8,602	(1,111)	158	146	(1,099)	7,503
856	Town maintained	2,704	4	-	2,708	260	61	(44)	365	3,073
802	Davis Mausoleum	965	1	-	966	661	34	31	664	1,630
803	Carrie Thomas	590	-	-	590	149	16	14	151	741
804	A.O. Woodard	12,025	18	-	12,043	2,082	292	27	2,347	14,390
Total Cemetery Funds		328,929	86	-	329,015	(31,693)	6,275	5,691	(31,109)	297,906
Library Funds:										
710	Albert Conley	37,533	(254)	-	37,279	13,298	1,088	99	14,287	51,566
711	Paul and Emma Bennett	19,258	(87)	-	19,171	(1,959)	370	34	(1,623)	17,548
712	Eleanor Brewer	8,151	(48)	-	8,103	1,408	205	19	1,594	9,697
713	Bartol Association	44,842	(494)	-	44,348	(2,670)	1,007	507	(2,170)	42,178
714	Grace Ritchie	3,123	(13)	-	3,110	(459)	57	5	(407)	2,703
757	Jane Hall	151,974	(787)	-	151,187	1,143	3,285	1,619	2,809	153,996
Total Library Funds		264,881	(1,683)	-	263,198	10,761	6,012	2,283	14,490	277,688
School Scholarship Funds:										
720	Fitts Award	3,064	(16)	-	3,048	54	67	6	115	3,163
721	Salomon Plummer	10,384	(48)	-	10,336	(716)	207	19	(528)	9,808
722	Wallace True	6,172	(33)	-	6,139	368	140	13	495	6,634
723	Millard and Enid Crooker	30,628	(182)	-	30,446	(126)	719	60	533	30,979
724	Alice Pollock	13,119	(69)	-	13,050	736	297	207	826	13,876
725	Auldis Foster	2,324	(13)	-	2,311	185	54	5	234	2,545
726	Kenneth Thompson	9,355	(66)	-	9,289	557	218	20	755	10,044
742	Christine Small Cushing	189,993	(1,036)	-	188,957	11,624	4,326	1,714	14,236	203,193
Total School Scholarship Funds		265,039	(1,463)	-	263,576	12,682	6,028	2,044	16,666	280,242
Benevolent Funds:										
740	George Davis	13,468	(73)	-	13,395	1,119	312	28	1,403	14,798
710	Arthur L. Gould	467,564	(2,488)	-	465,076	15,253	10,362	4,268	21,347	486,423
Total Benevolent Funds		481,032	(2,561)	-	478,471	16,372	10,674	4,296	22,750	501,221
Total		\$ 1,339,881	(5,621)	-	1,334,260	8,122	28,989	14,314	22,797	1,357,057