TOWN OF FRYE ISLAND
FINANCIAL REPORT

DECEMBER 31, 2016
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INDEPENDENT AUDITOR’S REPORT

Board of Selectmen and Town Manager
Town of Frye Island
Frye Island, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Frye Island, Maine, as of and for the year ended December 31, 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, each major fund, and the aggregate remaining fund information of the Town of Frye Island, Maine, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3-7 and 31-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
December 20, 2017
Management’s Discussion and Analysis

As management of the Town of Frye Island, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2016. This is the Town’s tenth year after implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB) Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. This information in conjunction with the notes in the financial statements should be considered when reading the Town’s financial statements.

2016 Financial Highlights

The net position of the Town of Frye Island is divided into two basic groups. The “Governmental Funds” groups the activities that deal with the operation of the municipality. These include Administration, Public Works, Public Safety, Recreation, School, County and other activities approved by the Town. These activities are supported, primarily, from revenues received from property taxes and fees. The “Enterprise Fund” groups the business-type activities which includes the ferry service, the golf operation, and the marinas. These activities are supported primarily from the revenues they receive for the service they provide. Total Net Position for the governmental activities for the year ending December 31, 2016, was $4,071,102, an increase of $3,097 over 2015. Total Net Position for the business-type activities for the year ending December 31, 2016, was $3,780,174, an increase of $230,771.

The total fund balance for the general fund for the year ending December 31, 2016, was $1,096,919; an increase of $3,875 over the previous year. Of this balance, $6,819 is nonspendable; $549,968 is reserved for specific purposes, including ferry projects, water system renovations, island improvement projects, etc.; $45,577 is assigned to 2017 use of fund balance; and $494,555 is the unassigned fund balance.

Overview of Financial Statements

The Town of Frye Island’s basic financial statements are composed of three components:

1. Government-wide financial statements
2. Fund financial statements, and
3. Notes to the financial statements

Required and other supplemental information to the basic financial statements is also provided.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the Town of Frye Island’s finances. Financial information is presented in two statements - Statement of Net Position and Statement of Activities.

The Statement of Net Position presents information about the Town’s assets and liabilities with the difference between the two reported as net position. Over time, changes in net position (increases or decreases) may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information about how the Town’s net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying change or event occurs, regardless of the timing of the related cash flows. This means that revenues and expenses are reported in this statement even if the related cash movement does not occur until future fiscal periods (e.g. uncollected taxes and accounts payable).
In the government-wide financial statements, the Town’s basic services are reported as **Governmental Activities** as they are principally supported by taxes and intergovernmental revenues, rather than recovering all, or a significant portion of their costs through user fees and charges. Governmental activities include General Administration, Public Safety (Law Enforcement, Fire Protection, and Emergency Medical Services), Public Works (Roads, Water, and Waste Management), Recreation, Education, Debt Service, and Capital Planning expenses.

**Fund Financial Statements**

A fund can be described as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Frye Island, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements. The Town’s two kinds of funds - governmental, and enterprise (proprietary) - use different accounting methods:

**Governmental Funds** are used to report most of the Town’s basic operational services. Operating expenses and revenues are recorded and the cumulative leftover balance of these activities, which is available for spending in future years, is reported here. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information can help to determine what financial resources are available in the near future to finance the Town’s activities.

**Business-type Activities - Enterprise Funds** are used to account for the Town’s activities that are intended to recover all or a significant portion of their costs through user fees and charges. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. Activities in the Enterprise fund include the Ferry Service, the Golf Course and the Marina Operations.

**Statement of Net Position Information**

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

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Statement of Net Position</th>
<th>Year Ended December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Governmental Activities</strong></td>
<td><strong>Business-type Activities</strong></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current &amp; Other Assets</td>
<td>$ 2,179,300</td>
<td>$ 1,549,826</td>
</tr>
<tr>
<td>Capital Assets, net</td>
<td>3,277,365</td>
<td>2,301,205</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>5,456,665</td>
<td>3,851,031</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>76,198</td>
<td>70,857</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>336,490</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>412,688</td>
<td>70,857</td>
</tr>
<tr>
<td>Prepaid Property Taxes</td>
<td>972,875</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Deferred Inflows of Resources</strong></td>
<td>972,875</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
<td>2,939,592</td>
<td>2,301,205</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,131,510</td>
<td>1,478,969</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$ 4,071,102</td>
<td>$ 3,780,174</td>
</tr>
</tbody>
</table>
The total net position of the Town of Frye Island exceeded its liabilities at the close of the most recent fiscal year by $7,851,276 per Statement 1 (Statement of Net Position). Of this amount, $2,610,479 (unrestricted net position) may be used to meet the Town’s ongoing obligations to citizens and creditors. The total net position of the Town of Frye Island increased by $233,868 over the previous year.

As of December 31, 2016, the Town of Frye Island reported an ending fund balance in the governmental funds of $1,096,919, an increase of $3,875. Approximately 45% of this total amount, $494,555, is available for spending at the Town’s discretion (unassigned fund balance).

A large portion of the Town’s net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the Town investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also note that the Town has not recorded any infrastructure assets at this time. Such assets will be added to the Town’s presentation in future years. An additional portion of the Town’s net position represents resources that are subject to restrictions on how they may be expended. The remaining unrestricted balance of net position may be used to meet the government’s ongoing obligations to citizens and creditors.

### Table 2

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$ 105,076</td>
<td>$ 938,477</td>
<td>$ 1,043,553</td>
</tr>
<tr>
<td>Operating Grants and Contributions</td>
<td>20,394</td>
<td>-</td>
<td>20,394</td>
</tr>
<tr>
<td>General Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and Excise Taxes</td>
<td>2,689,614</td>
<td>-</td>
<td>2,689,614</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>1,566</td>
<td>-</td>
<td>1,566</td>
</tr>
<tr>
<td>Miscellaneous / Transfers</td>
<td>(74,490)</td>
<td>78,916</td>
<td>4,426</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>34,125</td>
<td>36,476</td>
<td>70,601</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>2,776,285</td>
<td>1,053,869</td>
<td>3,830,154</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>457,548</td>
<td>-</td>
<td>457,548</td>
</tr>
<tr>
<td>Public Works and Sanitation</td>
<td>346,425</td>
<td>-</td>
<td>346,425</td>
</tr>
<tr>
<td>Public Safety</td>
<td>185,377</td>
<td>-</td>
<td>185,377</td>
</tr>
<tr>
<td>Recreation</td>
<td>49,895</td>
<td>-</td>
<td>49,895</td>
</tr>
<tr>
<td>Education</td>
<td>1,509,597</td>
<td>-</td>
<td>1,509,597</td>
</tr>
<tr>
<td>Fixed Expenses</td>
<td>114,130</td>
<td>-</td>
<td>114,130</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>110,216</td>
<td>-</td>
<td>110,216</td>
</tr>
<tr>
<td>Program Expenditures</td>
<td>-</td>
<td>823,098</td>
<td>823,098</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>2,773,188</td>
<td>823,098</td>
<td>3,596,286</td>
</tr>
<tr>
<td><strong>Changes in Net Assets</strong></td>
<td>$ 3,097</td>
<td>$ 230,771</td>
<td>$ 233,868</td>
</tr>
</tbody>
</table>
Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this type of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies the amount each function draws from the general revenues or if it is self-financing through fees and grants.

Examples of activities that produce some level of revenue are:

- General Government
  - Excise Taxes, management fees, interest,
    - fees for building, plumbing and electrical permits
- Public Works and Sanitation
  - Local road assistance, recycling revenues
- Recreation
  - Fees for recreation programs and facility rental

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Table 3 shows the total cost of each of the Town's major functional activities.

<table>
<thead>
<tr>
<th>Function / Program</th>
<th>Total Cost of Services</th>
<th>Net Cost of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>$457,548</td>
<td>$(389,350)</td>
</tr>
<tr>
<td>Public Works and Sanitation</td>
<td>346,425</td>
<td>(325,979)</td>
</tr>
<tr>
<td>Public Safety</td>
<td>185,377</td>
<td>(185,217)</td>
</tr>
<tr>
<td>Recreation</td>
<td>49,895</td>
<td>(43,743)</td>
</tr>
<tr>
<td>Education</td>
<td>1,509,597</td>
<td>(1,509,597)</td>
</tr>
<tr>
<td>Fixed Expenses</td>
<td>114,130</td>
<td>(114,130)</td>
</tr>
<tr>
<td>Capital Reserve Activity</td>
<td>110,216</td>
<td>(79,702)</td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td><strong>$2,773,188</strong></td>
<td><strong>($2,647,718)</strong></td>
</tr>
</tbody>
</table>

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

The Unassigned fund balance increased from $466,132 to $494,555, an increase of $28,423. The Committed fund balance increased from $546,516 to $549,968, an increase of $3,452. The Nonspendable fund balance decreased by $6,077 and the Assigned fund balance decreased by $21,923. The general fund increased a total of $3,875.

Analysis of Significant General Fund Budget Variances

For the 2016 year, operating revenues came in above budget expectations by $24,753, a positive variance of 1.0%. Actual expenditures were $44,856 less than the budget, a 1.6% positive variance.

Significant Capital Asset and Long-Term Debt Activity

- Capital assets totaling $5,578,570 (Statement 1) are being reported as of December 31, 2016. This represents a decrease of $103,302 over the previous year.

By State law, the Town may have a debt service not to exceed 7.5% of the total State assessed valuation of the Town which was $151,000,000 in 2016. This creates a maximum allowed debt service of $11,325,000. The actual long-term debt, as of December 31, 2016, was $336,490, which are loans from the Maine Municipal Bond Bank for the improvements to the water treatment system and for the new Town Office building. Both loans have the final payments due on October 1, 2024.
Economic Factors and Next Year’s Budgets and Rates

The Town continues to operate on a stable basis. Tax rates have remained constant at $22.84, and are predicted to remain stable for at least the next year. Management is not aware of any factors that will significantly change the basis of operation going forward. Various capital projects funded by reserves including various IT upgrades have been undertaken to help insure stability of operations, and efforts to enhance efficiency and stability continue.

Contacting the Town’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Selectmen’s Office at One Sunset Road, Frye Island, ME 04071, or by phone at (207) 655-4551.
BASIC FINANCIAL STATEMENTS
## Statement of Net Position

**Town of Frye Island, Maine**  
**Statement of Net Position**  
**December 31, 2016**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash/Investments</td>
<td>$2,210,678</td>
<td>$1,453,821</td>
<td>$3,664,499</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>352</td>
<td></td>
<td>352</td>
</tr>
<tr>
<td>Liens</td>
<td>54,269</td>
<td></td>
<td>54,269</td>
</tr>
<tr>
<td>Accounts</td>
<td></td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td>3,159</td>
<td>3,159</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>6,819</td>
<td></td>
<td>6,819</td>
</tr>
<tr>
<td>Internal Balances</td>
<td></td>
<td>92,818</td>
<td></td>
</tr>
<tr>
<td>Capital Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and Construction in Progress</td>
<td>631,128</td>
<td>534,500</td>
<td>1,165,628</td>
</tr>
<tr>
<td>Other Capital Assets, Net of Depreciation</td>
<td>2,646,237</td>
<td>1,766,705</td>
<td>4,412,942</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>5,456,665</strong></td>
<td><strong>3,851,031</strong></td>
<td><strong>9,307,696</strong></td>
</tr>
</tbody>
</table>

| LIABILITIES | | | |
| Accounts Payable | 19,744 | 7,166 | 26,910 |
| Accrued Wages | 4,253 | 1,838 | 6,091 |
| Accrued Expenses | 42,498 | | 42,498 |
| Accrued Compensated Absences | 8,420 | | 8,420 |
| Accrued Interest Payable | 1,283 | | 1,283 |
| Unearned Revenues | | 61,853 | 61,853 |
| Long-Term Liabilities | | | |
| Due within One Year | 40,620 | | 40,620 |
| Due in More Than One Year | 295,870 | | 295,870 |
| **Total Liabilities** | **412,688** | **70,857** | **483,545** |

| Deferred Inflows of Resources | | |
| Prepaid Property Taxes | 972,875 | | 972,875 |

| Net Position | | |
| Net Investment in Capital Assets | 2,939,592 | 2,301,205 | 5,240,797 |
| Unrestricted | 1,131,510 | 1,478,969 | 2,610,479 |
| **Total Net Position** | **$4,071,102** | **$3,780,174** | **$7,851,276** |

*The Accompanying Notes are an Integral Part of these Financial Statements.*
TOWN OF FRYE ISLAND, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>FUNCTIONS/PROGRAMS</th>
<th>Operating Charges for Grants and Contributions</th>
<th>Governmental Activities</th>
<th>Primary Government</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Primary Government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Government</td>
<td>$ 457,548 $ 68,198 $ -</td>
<td>$ (389,350)</td>
<td>$ -</td>
<td>$ (389,350)</td>
<td></td>
</tr>
<tr>
<td>Public Works and Sanitation</td>
<td>346,425 11,838 8,608</td>
<td>(325,979)</td>
<td>-</td>
<td>(325,979)</td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td>185,377 - 160</td>
<td>(185,217)</td>
<td>-</td>
<td>(185,217)</td>
<td></td>
</tr>
<tr>
<td>Recreation</td>
<td>49,895 6,152 -</td>
<td>(43,743)</td>
<td>-</td>
<td>(43,743)</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>1,509,597 - -</td>
<td>(1,509,597)</td>
<td>-</td>
<td>(1,509,597)</td>
<td></td>
</tr>
<tr>
<td>Fixed Expenses</td>
<td>114,130 - -</td>
<td>(114,130)</td>
<td>-</td>
<td>(114,130)</td>
<td></td>
</tr>
<tr>
<td>Capital Reserve Activity</td>
<td>110,216 18,888 11,626</td>
<td>(79,702)</td>
<td>-</td>
<td>(79,702)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>2,773,188 105,076 20,394</td>
<td>(2,647,718)</td>
<td>-</td>
<td>(2,647,718)</td>
<td></td>
</tr>
<tr>
<td>Business-type activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferry</td>
<td>479,341 531,603 -</td>
<td>-</td>
<td>52,262</td>
<td>52,262</td>
<td></td>
</tr>
<tr>
<td>Golf Club</td>
<td>284,339 316,652 -</td>
<td>-</td>
<td>32,313</td>
<td>32,313</td>
<td></td>
</tr>
<tr>
<td>Yacht Club</td>
<td>59,418 90,222 -</td>
<td>-</td>
<td>30,804</td>
<td>30,804</td>
<td></td>
</tr>
<tr>
<td><strong>Total Business-type Activities</strong></td>
<td>823,098 938,477 -</td>
<td>-</td>
<td>115,379</td>
<td>115,379</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL PRIMARY GOVERNMENT</strong></td>
<td>$ 3,596,286 $ 1,043,553 $ 20,394</td>
<td>(2,647,718)</td>
<td>$ 115,379</td>
<td>$ (2,532,339)</td>
<td></td>
</tr>
</tbody>
</table>

General Revenues:
- Taxes - Property  $ 2,669,849
- Taxes - Excise   19,765
- Intergovernmental 1,566
- Investment Earnings 34,125 36,476 70,601
- Gain on Sale of Assets 4,426

Transfers (78,916) 78,916 -

**Total General Revenues, Transfers** 2,650,815 115,392 2,766,207

**Change in Net Position** 3,097 230,771 233,868

**Net Position - January 1, 2016** 4,068,005 3,549,403 7,617,408

**Net Position - December 31, 2016** $ 4,071,102 $ 3,780,174 $ 7,851,276

The Accompanying Notes are an Integral Part of these Financial Statements.
### Statement 3

**TOWN OF FRYE ISLAND, MAINE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**  

<table>
<thead>
<tr>
<th>Total Governmental Funds</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash/Investments</td>
<td>$ 2,210,678</td>
</tr>
<tr>
<td>Receivables (Net of Allowance for Uncollectibles):</td>
<td></td>
</tr>
<tr>
<td>Accounts</td>
<td>0</td>
</tr>
<tr>
<td>Taxes</td>
<td>352</td>
</tr>
<tr>
<td>Liens</td>
<td>54,269</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>6,819</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>2,272,118</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>19,744</td>
</tr>
<tr>
<td>Accrued Wages</td>
<td>4,253</td>
</tr>
<tr>
<td>Accrued Liabilities</td>
<td>42,498</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>92,818</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>159,313</td>
</tr>
<tr>
<td><strong>DEFERRED INFLOWS OF RESOURCES</strong></td>
<td></td>
</tr>
<tr>
<td>Unavailable Revenues - Property Taxes</td>
<td>43,011</td>
</tr>
<tr>
<td>Prepaid Property Taxes</td>
<td>972,875</td>
</tr>
<tr>
<td><strong>TOTAL DEFERRED INFLOWS OF RESOURCES</strong></td>
<td>1,015,886</td>
</tr>
<tr>
<td><strong>FUND BALANCES</strong></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>6,819</td>
</tr>
<tr>
<td>Committed for:</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>549,968</td>
</tr>
<tr>
<td>Assigned</td>
<td>45,577</td>
</tr>
<tr>
<td>Unassigned</td>
<td>494,555</td>
</tr>
<tr>
<td><strong>TOTAL FUND BALANCES</strong></td>
<td>1,096,919</td>
</tr>
</tbody>
</table>

Amounts reported for governmental activities in the Statement of Net Assets (Statement 1) are different because:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. $3,277,365
- Funds are not available to pay for current period expenditures and therefore are deferred in the funds. $43,011
- Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.
  - Bonds Payable $ (336,490)
  - Accrued Interest (1,283)
  - Accrued Compensated Absences (8,420) $346,193

**Net Position of Governmental Activities** $4,071,102

The Accompanying Notes are an Integral Part of these Financial Statements.
## Statement of Revenues, Expenditures and Changes in Fund Balances

**Governmental Funds**

**For the Year Ended December 31, 2016**

### Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$2,700,869</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>17,208</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>10,174</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>55,431</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>70,319</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>2,854,001</strong></td>
</tr>
</tbody>
</table>

### Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>447,910</td>
</tr>
<tr>
<td>Public Works and Sanitation</td>
<td>312,479</td>
</tr>
<tr>
<td>Public Safety</td>
<td>195,096</td>
</tr>
<tr>
<td>Recreation</td>
<td>43,830</td>
</tr>
<tr>
<td>Education</td>
<td>1,509,597</td>
</tr>
<tr>
<td>Fixed Expenses</td>
<td>156,508</td>
</tr>
<tr>
<td>Capital Reserve Activity</td>
<td>110,216</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>2,775,636</strong></td>
</tr>
</tbody>
</table>

### Excess of Revenues Over Expenditures

78,365

### Other Financing Sources (Uses)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to Enterprise Fund</td>
<td>(126,661)</td>
</tr>
<tr>
<td>Transfer from Enterprise Fund</td>
<td>47,745</td>
</tr>
<tr>
<td>Gain on Sale of Stocks</td>
<td>4,426</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td><strong>(74,490)</strong></td>
</tr>
</tbody>
</table>

### Net Change in Fund Balance

3,875

**Fund Balance - January 1, 2016**

1,093,044

**Fund Balance - December 31, 2016**

1,096,919

The reconciliation of the net change in fund balances of governmental funds to the change in net assets in the statement of activities is presented on a separate schedule on the next page.
TOWN OF FRYE ISLAND, MAINE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>Net Change in Fund Balances - Total Governmental Funds (from Statement 4)</th>
<th>$ 3,875</th>
</tr>
</thead>
</table>

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because (see Note 1, also):

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

- Capital Outlay $56,391
- Disposals $(1,092)
- Depreciation $(95,357) (40,058)

Bond, loan, and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of 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 by which proceeds exceeded repayments in the current period:

- Bond Repayments 40,261

Some expenses reported in the Statement of Activities, such as accrued compensated absences, do not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

- Change in Accrued Interest Expense 107
- Change in Accrued Compensated Absences 128

Revenues in the governmental funds, such as the change in the 60 day rule, do not provide current financial resources and, therefore, are not reported as revenues in the statement of activities.

- Change in Net Position of Governmental Activities (see Statement 2) $(1,216) $3,097

The Accompanying Notes are an Integral Part of these Financial Statements.
## TOWN OF FRYE ISLAND, MAINE

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>Enterprise Funds</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferry Service</td>
<td>Golf Course</td>
</tr>
</tbody>
</table>

### ASSETS

**Current Assets**

<table>
<thead>
<tr>
<th></th>
<th>Ferry Service</th>
<th>Golf Course</th>
<th>Marina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,278,978</td>
<td>$114,006</td>
<td>$60,837</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>-</td>
<td>28</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>-</td>
<td>3,159</td>
<td>-</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>98,493</td>
<td>14,719</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,377,471</td>
<td>131,912</td>
<td>60,837</td>
</tr>
</tbody>
</table>

**Noncurrent Assets**

| Capital Assets, Net of Depreciation | 815,861 | 833,501 | 651,843 | 2,301,205 |

**TOTAL ASSETS**

|                         | 2,193,332 | 965,413 | 712,680 | 3,871,425 |

### LIABILITIES

**Current Liabilities:**

<table>
<thead>
<tr>
<th></th>
<th>Ferry Service</th>
<th>Golf Course</th>
<th>Marina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>6,647</td>
<td>400</td>
<td>119</td>
</tr>
<tr>
<td>Accrued Wages</td>
<td>883</td>
<td>955</td>
<td>-</td>
</tr>
<tr>
<td>Unearned Revenues</td>
<td>60,053</td>
<td>-</td>
<td>1,800</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>-</td>
<td>-</td>
<td>20,394</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>67,583</td>
<td>1,355</td>
<td>22,313</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES**

|                         | 67,583 | 1,355 | 22,313 | 91,251 |

### NET POSITION

<table>
<thead>
<tr>
<th>Net Investment in Capital Assets</th>
<th>Ferry Service</th>
<th>Golf Course</th>
<th>Marina</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>815,861</td>
<td>833,501</td>
<td>651,843</td>
</tr>
</tbody>
</table>

| Unrestricted Net Assets        | 1,309,888     | 130,557     | 38,524 | 1,478,969|

**TOTAL NET POSITION**

|                         | $2,125,749    | $964,058    | $690,367| $3,780,174|

*The Accompanying Notes are an Integral Part of these Financial Statements.*
## TOWN OF FRYE ISLAND, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>Enterprise Fund</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferry Service</td>
<td>Golf Course</td>
</tr>
<tr>
<td>OPERATING REVENUES</td>
<td>$184,037</td>
</tr>
<tr>
<td>Memberships and Fees</td>
<td>$ -</td>
</tr>
<tr>
<td>Lounge and Pro Shop Sales</td>
<td>-</td>
</tr>
<tr>
<td>Equity Fees</td>
<td>-</td>
</tr>
<tr>
<td>Rental Fees</td>
<td>-</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$509,294</td>
</tr>
<tr>
<td>Contributions</td>
<td>$40,067</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$22,309</td>
</tr>
<tr>
<td></td>
<td>$531,603</td>
</tr>
<tr>
<td>OPERATING EXPENDITURES</td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$227,801</td>
</tr>
<tr>
<td>Supplies and Miscellaneous</td>
<td>$175,967</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$75,573</td>
</tr>
<tr>
<td></td>
<td>$479,341</td>
</tr>
<tr>
<td>OPERATING INCOME (LOSS)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$52,262</td>
</tr>
<tr>
<td>NON-OPERATING REVENUES (EXPENSES)</td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>$11,042</td>
</tr>
<tr>
<td>Net Increase in the Fair Value of Investment Earnings</td>
<td>$21,211</td>
</tr>
<tr>
<td></td>
<td>$32,253</td>
</tr>
<tr>
<td>INCOME BEFORE TRANSFERS</td>
<td>$84,515</td>
</tr>
<tr>
<td>OPERATING TRANSFERS IN (OUT)</td>
<td></td>
</tr>
<tr>
<td>Transfer from General Fund</td>
<td>$113,589</td>
</tr>
<tr>
<td>Transfer to General Fund Reserve</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$113,589</td>
</tr>
<tr>
<td>CHANGE IN NET POSITION</td>
<td>$198,104</td>
</tr>
<tr>
<td>NET POSITION - JANUARY 1, 2016</td>
<td>$1,927,645</td>
</tr>
<tr>
<td>NET POSITION - DECEMBER 31, 2016</td>
<td>$2,125,749</td>
</tr>
</tbody>
</table>

The Accompanying Notes are an Integral Part of these Financial Statements.
CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers $529,847 $317,608 $90,522 $937,977
Payments to Suppliers (168,785) (112,925) (41,303) (323,013)
Payments to Employees (227,801) (128,657) - (356,458)
Increase (Decrease) in Due from Other Funds 10,299 (3,459) - 6,840
Decrease in Due to Other Funds - - (419) (419)
Net Cash Provided by Operating Activities 143,560 72,567 48,800 264,927

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisitions of Operating Property - (70,764) - (70,764)
Transfer from General Fund 113,589 13,072 - 126,661
Transfers to General Fund Reserve - - (47,745) (47,745)
Net Cash Provided (Used) by Capital and Related Financing Activities 113,589 (57,692) (47,745) 8,152

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Earnings 11,042 698 615 12,355
Net Increase in the Fair Value of Investment Earnings 21,211 1,908 1,002 24,121
Net Cash Provided by Investing Activities 32,253 2,606 1,617 36,476

NET INCREASE IN CASH

289,402 17,481 2,672 309,555

CASH - AT BEGINNING OF YEAR

989,576 96,525 58,165 1,144,266

CASH - AT END OF YEAR

$1,278,978 $114,006 $60,837 $1,453,821

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss) $52,262 $32,313 $30,804 $115,379
Adjustments Not Affecting Cash:
Depreciation Expense 75,573 40,439 17,996 134,008
Change in Assets and Liabilities (Increase) Decrease in:
Accounts Receivable - 956 - 956
Inventory - 1,730 - 1,730
Due from Other Funds 10,299 (3,459) - 6,840
Increase (Decrease) in:
Accounts Payable 6,647 400 119 7,166
Accrued Liabilities 535 188 - 723
Deferred Revenues (1,756) - 300 (1,456)
Due to Other Funds - - (419) (419)
Net Cash Provided by Operating Activities $143,560 $72,567 $48,800 $264,927

The Accompanying Notes are an Integral Part of these Financial Statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Town of Frye Island (the Town) was incorporated in July 1, 1998, and operates under a Town Meeting-Board of Selectmen form of Government. The Board consists of three members elected by the registered voters for staggered three-year terms.

The financial statements of the Town conform to accounting principles generally accepted in the United States of America as applicable to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncement of the Financial Accounting Standards Board (FASB) (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

In evaluating the Town of Frye Island as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town’s financial statements. In accordance with the GASB, the Town (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town. The Town also is financially accountable for organizations that are fiscally dependent on it and if there is a financial benefit or burden relationship. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these financial statements.

Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities points out the extent to which the direct expenses of a given function are offset by program revenues. The Town does not allocate indirect costs among the programs and functions. Direct expenses are those that are specifically associated with a function, service, program, or department. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.
NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements report detailed information about the Town. Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds are aggregated and presented in the “Other Governmental Funds” column in the fund financial statements. Fiduciary funds are reported by fund type.

The Town's major governmental funds are the General Fund, Ferry Service, Golf Course, and Marina.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide statements and proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets, other non-current assets, and long-term liabilities. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flow takes place. Property taxes are recognized as revenues in the period for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus excludes from measurement resources such as fixed assets, other non-current assets, and long-term liabilities. Revenues are recognized (recorded) in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within 60 days after the end of the fiscal year. Revenue sources susceptible to accrual include intergovernmental revenues and investment earnings. Expenditures are recognized when the corresponding liabilities are incurred, except for principal and interest on general long-term debt, which are recognized when due, and compensated absences, which are recognized when paid to the employees. Capital asset acquisitions are reported as expenditures. Allocations of cost, such as depreciation, are not recognized in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

Governmental Funds

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

The General Fund is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)
Proprietary Funds are used to account for the Town’s ongoing activities, which are similar to those often found in the private sector. The following is the Town’s proprietary fund type:

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town’s enterprise funds are the ferry, golf course, and the marina.

Cash/Investments

The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the FDIC. The Town’s investment policy authorizes investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain corporate bonds, certain certificates of deposit and certain money market funds. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines as provided by the Town’s Investment Policy.

Investments are reported at fair market value.

Inventories of Supplies

The inventories at the golf pro shop are valued at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the combined balance sheet of the governmental funds and fiduciary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements.

Operating transfers are used to move unrestricted resources from various funds to finance programs that the Town must account for in other funds in accordance with budgetary authorizations.

Deferred Outflows/Inflows of Resources

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

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

Capital Assets

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

Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 for machinery and equipment, $10,000 for other assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets, other than land, is provided on the straight-line basis over their estimated useful lives. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

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

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

Compensated Absences

Under the terms of personnel policies, vacation and sick leave are granted in varying amounts according to length of service. The Town accrues accumulated sick leave and vacation time. As of December 31, 2016, the accrual for compensated absences was determined to be $8,420 which has been included in the government-wide financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, if material to the basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt and the premiums received are reported as other financing resources. Discounts on debt issuances are reported as other financing uses.
NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Net Position and Fund Equity Classifications

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

*Net Investment in Capital Assets* - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets</td>
<td>$ 8,066,015</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>$(2,487,445)</td>
</tr>
<tr>
<td>Bonds and Notes Payable</td>
<td>$(336,490)</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>$(1,283)</td>
</tr>
<tr>
<td><strong>Total Invested in Capital Assets</strong></td>
<td><strong>$ 5,240,797</strong></td>
</tr>
</tbody>
</table>

*Restricted* - This component consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

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

*Nonspendable* - includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

*Restricted* - represent those portions of fund equity that have externally enforceable legal restrictions, such as from creditors, grantors, contributors, laws, or enabling legislation.

*Committed* - describes the portion of the fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

*Assigned* - reflects the amounts constrained by the town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen and town manager have the authority to assign amounts to be used for specific purposes.

*Unassigned* - represents amounts that are available for any purpose.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town’s practice to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town’s intent to use committed or assigned resources first, and then unassigned resources as they are needed.
NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenue and expense.

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover the value of its deposits, investments, and/or collateralized securities that are in the possession of an outside party. The Town of Frye Island's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk.

Deposits

As of December 31, 2016, the Town reported deposits of $1,312,343 with a bank balance of $1,366,465. $500,619 of the Town’s bank balance was covered by FDIC insurance and $865,846 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, $857,466 was collateralized with securities and $8,380 was uninsured and uncollateralized.

Investments

The Town reported investments of $2,352,155 as of December 31, 2016. $1,878,941 of the Town’s investment balance was covered by FDIC insurance and $473,214 was exposed to custodial credit risk. At December 31, 2016, investments consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Fair Market Value</th>
<th>Not Applicable</th>
<th>&lt;1</th>
<th>1 - 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$582,716</td>
<td>$582,716</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Stocks</td>
<td>385,500</td>
<td>385,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>1,383,939</td>
<td></td>
<td>201,086</td>
<td>1,182,853</td>
</tr>
<tr>
<td>Total</td>
<td>$2,352,155</td>
<td>$968,216</td>
<td>$201,086</td>
<td>$1,182,853</td>
</tr>
</tbody>
</table>

Concentration of Credit Risk

As of December 31, 2016, the Town had individual investments that exceeded 5% of the Town's investments as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Market Value</th>
<th>Percent</th>
<th>Credit Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of Deposit</td>
<td>$458,558</td>
<td>19.5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Stocks</td>
<td>$385,500</td>
<td>16.4%</td>
<td>P-1</td>
</tr>
</tbody>
</table>

The Town places a limit of $250,000 on the amount invested in any one issuer. The Town is in compliance with this policy.
NOTE 3 - PROPERTY TAX

Town of Frye Island's property tax for the current year was levied on the assessed value listed as of April 1, 2015. Assessed values are periodically established by the assessor at the assumed market value. Each property must be reviewed no less than once every four years. The assessed value, upon which the levy for the year ended December 31, 2016 was based, was $116,893,600. Interest was charged at 7.00% on all unpaid taxes from January 1 and July 1, 2016.

The following summarizes the levy:

**VALUATION AND ASSESSMENT**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate</td>
<td>$116,888,400</td>
</tr>
<tr>
<td>Personal Property</td>
<td>5,200</td>
</tr>
<tr>
<td><strong>Total Valuation</strong></td>
<td><strong>116,893,600</strong></td>
</tr>
</tbody>
</table>

**TAX RATE PER THOUSAND**

22.84

**TAX COMMITMENT**

$2,669,850

**COLLECTION OF 2016 TAXES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Commitment</td>
<td>$2,669,850</td>
</tr>
<tr>
<td>Less: Collections in the Current Period</td>
<td>$2,631,711</td>
</tr>
<tr>
<td>Transferred to Liens</td>
<td>38,041</td>
</tr>
<tr>
<td><strong>2016 TAXES RECEIVABLE at December 31, 2016</strong></td>
<td><strong>$98</strong></td>
</tr>
</tbody>
</table>

Taxes receivable at December 31, 2016, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes - Current Year</td>
<td>$98</td>
</tr>
<tr>
<td>Taxes - Prior Years</td>
<td>254</td>
</tr>
<tr>
<td><strong>Total Taxes Receivable</strong></td>
<td><strong>$352</strong></td>
</tr>
</tbody>
</table>

The Town of Frye Island 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 $459 for the year ended December 31, 2016. Property taxes levied for the fiscal year are recorded as receivables at the time the levy is made. The receivables collected during the year and during the first sixty (60) days after December 31, 2016, are recognized as revenues. The remaining receivables estimated to be collectible subsequent to the sixty (60) day period are recorded as deferred revenues.

The 2016 property taxes were committed October 15, 2015, were due and payable on December 31, 2015, and June 30, 2016, and have been recorded as revenues. The 2017 property taxes were levied on October 19, 2016, and are due and payable on December 31, 2016, and June 30, 2017. The payments collected in 2016 have been recorded as prepaid property taxes. Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. In addition, the Town may bring a civil action for collection of unpaid personal property taxes.
NOTE 3 - PROPERTY TAX (Continued)

Property acquired by foreclosure for non-payment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until expiration of statutory time limits.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2016, the balances due from (receivables) and due to (payables) accounts were as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Interfund Receivables</th>
<th>Interfund Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$92,818</td>
<td>$113,212</td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferry</td>
<td>98,493</td>
<td>-</td>
</tr>
<tr>
<td>Golf Club</td>
<td>14,719</td>
<td>-</td>
</tr>
<tr>
<td>Marina</td>
<td>-</td>
<td>20,394</td>
</tr>
<tr>
<td></td>
<td>$113,212</td>
<td>$113,212</td>
</tr>
</tbody>
</table>

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

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2016, consisted of the following:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Transfers In</th>
<th>Transfers Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$47,745</td>
<td>$126,661</td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferry</td>
<td>113,589</td>
<td>-</td>
</tr>
<tr>
<td>Golf</td>
<td>13,072</td>
<td>-</td>
</tr>
<tr>
<td>Marina</td>
<td>-</td>
<td>47,745</td>
</tr>
<tr>
<td></td>
<td>$174,406</td>
<td>$174,406</td>
</tr>
</tbody>
</table>

Transfers are used to fund the Long-Term Transportation Reserve, to pay for the Club House windows and siding, and to transfer net income from slip rentals for the Marina into the Island Improvement Reserve.
NOTE 6 - FIXED ASSETS

Capital asset activity for the Town’s General Fund operations for the year ended December 31, 2016, was as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets Not Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$632,220</td>
<td>-</td>
<td>$(1,092)</td>
<td>$631,128</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>183,973</td>
<td>(183,973)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assets Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Improvements</td>
<td>95,166</td>
<td>-</td>
<td>-</td>
<td>95,166</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>1,000,222</td>
<td>183,973</td>
<td>-</td>
<td>1,184,195</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>84,081</td>
<td>-</td>
<td>-</td>
<td>84,081</td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>2,087,804</td>
<td>56,391</td>
<td>-</td>
<td>2,144,195</td>
</tr>
<tr>
<td>Total</td>
<td>4,083,466</td>
<td>56,391</td>
<td>(1,092)</td>
<td>4,138,765</td>
</tr>
</tbody>
</table>

Accumulated Depreciation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Land Improvements</td>
<td>10,699</td>
<td>2,485</td>
<td>-</td>
<td>13,184</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>178,621</td>
<td>20,412</td>
<td>-</td>
<td>199,033</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>9,933</td>
<td>2,700</td>
<td>-</td>
<td>12,633</td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>566,790</td>
<td>69,760</td>
<td>-</td>
<td>636,550</td>
</tr>
<tr>
<td>Total</td>
<td>766,043</td>
<td>95,357</td>
<td>-</td>
<td>861,400</td>
</tr>
</tbody>
</table>

Governmental Activities Capital

| Assets, Net              | $3,317,423                | $(38,966) | $(1,092)     | $3,277,365                |

Depreciation was charged to functions as follows:

<table>
<thead>
<tr>
<th>Function</th>
<th>Amount (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>8,673</td>
</tr>
<tr>
<td>Public Works and Sanitation</td>
<td>70,337</td>
</tr>
<tr>
<td>Public Safety</td>
<td>10,282</td>
</tr>
<tr>
<td>Recreation</td>
<td>6,065</td>
</tr>
<tr>
<td><strong>Total Depreciation</strong></td>
<td><strong>95,357</strong></td>
</tr>
</tbody>
</table>
NOTE 6 - FIXED ASSETS (Continued)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets Not Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$534,500</td>
<td>-</td>
<td>-</td>
<td>$534,500</td>
</tr>
<tr>
<td>Assets Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Improvements</td>
<td>906,923</td>
<td>57,692</td>
<td>-</td>
<td>964,615</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>369,881</td>
<td>13,072</td>
<td>-</td>
<td>382,953</td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>2,045,182</td>
<td>-</td>
<td>-</td>
<td>2,045,182</td>
</tr>
<tr>
<td>Total</td>
<td>3,856,486</td>
<td>70,764</td>
<td>-</td>
<td>3,927,250</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and Land Improvements</td>
<td>252,114</td>
<td>26,615</td>
<td>-</td>
<td>278,729</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>94,525</td>
<td>10,687</td>
<td>-</td>
<td>105,212</td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>1,145,398</td>
<td>96,706</td>
<td>-</td>
<td>1,242,104</td>
</tr>
<tr>
<td>Total</td>
<td>1,492,037</td>
<td>134,008</td>
<td>-</td>
<td>1,626,045</td>
</tr>
<tr>
<td>Business-Type Activities Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets, Net</td>
<td>$2,364,449</td>
<td>$(63,244)</td>
<td>$-</td>
<td>$2,301,205</td>
</tr>
</tbody>
</table>

Depreciation was charged to functions as follows:

Ferry                  $75,574
Golf Course            $40,439
Marina                 $17,995
Total Depreciation     $134,008
NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2016:

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Payments</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>$376,751</td>
<td></td>
<td>$(40,261)</td>
<td>$336,490</td>
<td>$40,620</td>
</tr>
</tbody>
</table>

Long-term debt outstanding at year end is as follows:

**Maine Municipal Bond Bank:**

2005 General Obligation Bond dated March 2005. Blended interest rate of 2.05%; Variable annual principal plus semi-annual interest payments to October 1, 2024; authorized $500,000 and issued $499,800 $216,490

2014 General Obligation Bond dated May 2014. Interest rates between 0.41% and 2.78%; Variable annual principal plus semi-annual interest payments to October 1, 2024; authorized and issued $150,000 120,000

$336,490

The annual requirements to amortize debt outstanding as of December 31, 2016, are as follows:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Principal</th>
<th>Interest</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$40,620</td>
<td>$5,938</td>
<td>$46,558</td>
</tr>
<tr>
<td>2018</td>
<td>40,997</td>
<td>5,410</td>
<td>46,407</td>
</tr>
<tr>
<td>2019</td>
<td>41,390</td>
<td>4,818</td>
<td>46,208</td>
</tr>
<tr>
<td>2020</td>
<td>41,800</td>
<td>4,161</td>
<td>45,961</td>
</tr>
<tr>
<td>2021</td>
<td>42,229</td>
<td>3,434</td>
<td>45,663</td>
</tr>
<tr>
<td>2022 - 2024</td>
<td>129,454</td>
<td>5,388</td>
<td>134,842</td>
</tr>
</tbody>
</table>

$336,490 $29,149 $365,639

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its stated assessed valuation. The Town's outstanding debt at December 31, 2016, of $336,490 was approximately $22,313,510 below the Town's statutory debt limit.

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

<table>
<thead>
<tr>
<th>Outstanding Bonds &amp; Notes</th>
<th>State Assessed Value of Municipal Purposes</th>
<th>Debt Limit</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>$336,490</td>
<td>$151,000,000</td>
<td>$22,650,000</td>
<td>$22,313,510</td>
</tr>
</tbody>
</table>

Total interest expended on long-term debt was $6,398 for the fiscal year.
NOTE 8 - CONTINGENT LIABILITIES AND OTHER DISCLOSURES

Litigation

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

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; and natural disasters for which the Town either carries commercial insurance, or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool, as well as coverage provided by purchased commercial insurance. The Town is not aware of any material actual or potential claim liabilities that should be recorded at December 31, 2016. Settled claims (if any) have not exceeded insurance coverage for any of the past three fiscal years.

State and Federal Grants

The Town participates in state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 9 - OVERLAPPING DEBT

The Town’s proportionate share of Cumberland County’s and Maine School Administrative District (MSAD) No.6’s bonded debt is not reported in the Town’s financial statements. Debt service is included in the annual County and School assessments to the Town. The Town’s share is 0.37% ($139,883) of Cumberland County’s outstanding debt of $37,802,500, and 6.27% ($1,049,423) of Maine School Administrative District No. 6's outstanding bonded debt of $16,736,520. In addition, the Town is contracted to pay subsidy to MSAD No. 6 until June 30, 2017, totaling $770,644.
NOTE 10 - SELECTED COMPONENTS OF FUND BALANCE

At December 31, 2016, fund balance components on Statement 3 - Balance Sheet - Governmental Funds consisted of the following:

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Nonspendable</th>
<th>Committed</th>
<th>Assigned</th>
<th>Unassigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable Expenses</td>
<td>$6,819</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Reserves for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Funds</td>
<td>-</td>
<td>29,996</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Water System Improvements</td>
<td>-</td>
<td>27,826</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recreation</td>
<td>-</td>
<td>17,188</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>36,568</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fire and Safety</td>
<td>-</td>
<td>97,812</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fire Department Operations</td>
<td>-</td>
<td>10,406</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Island Improvement</td>
<td>-</td>
<td>237,388</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>School Operations</td>
<td>-</td>
<td>92,784</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2017 Use of Fund Balance</td>
<td>-</td>
<td>-</td>
<td>45,577</td>
<td>-</td>
</tr>
<tr>
<td>Unassigned</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>494,555</td>
</tr>
<tr>
<td>Total</td>
<td>$6,819</td>
<td>$549,968</td>
<td>$45,577</td>
<td>$494,555</td>
</tr>
</tbody>
</table>

NOTE 11 - RETIREMENT

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salary and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The Town's computed contribution to this plan for the year ended December 31, 2016, was $10,013. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

The employees participate in the Social Security Retirement Program. The Town’s contribution was $61,953 for the year ended December 31, 2016.

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 20, 2017, the date the financial statements were available to be issued.
REQUIRED SUPPLEMENTARY INFORMATION
## TOWN OF FRYE ISLAND, MAINE

### BUDGETARY COMPARISON SCHEDULE

#### BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Initial Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>$2,669,849</td>
<td>$2,669,849</td>
<td>$2,669,849</td>
<td>$ -</td>
</tr>
<tr>
<td>Change in Deferred Property Revenues</td>
<td>-</td>
<td>-</td>
<td>3,226</td>
<td>3,226</td>
</tr>
<tr>
<td>Excise</td>
<td>14,000</td>
<td>14,500</td>
<td>17,802</td>
<td>3,302</td>
</tr>
<tr>
<td>Interest and Lien costs on Taxes</td>
<td>8,500</td>
<td>8,500</td>
<td>9,992</td>
<td>1,492</td>
</tr>
<tr>
<td>Licenses and Permits:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boat and Vehicle Registrations</td>
<td>1,400</td>
<td>1,600</td>
<td>1,963</td>
<td>363</td>
</tr>
<tr>
<td>Building Permits</td>
<td>12,000</td>
<td>10,000</td>
<td>13,451</td>
<td>3,451</td>
</tr>
<tr>
<td>Plumbing and Electrical Permits</td>
<td>1,000</td>
<td>1,000</td>
<td>1,303</td>
<td>303</td>
</tr>
<tr>
<td>Other Permits and Fines</td>
<td>325</td>
<td>225</td>
<td>379</td>
<td>154</td>
</tr>
<tr>
<td>Hunting/Fishing</td>
<td>250</td>
<td>250</td>
<td>112</td>
<td>(138)</td>
</tr>
<tr>
<td>Intergovernmental:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homestead Exemptions</td>
<td>731</td>
<td>250</td>
<td>1,305</td>
<td>1,055</td>
</tr>
<tr>
<td>Local Road Assistance</td>
<td>7,512</td>
<td>7,512</td>
<td>8,608</td>
<td>1,096</td>
</tr>
<tr>
<td>State Revenue Sharing</td>
<td>250</td>
<td>250</td>
<td>261</td>
<td>11</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>127</td>
<td>127</td>
<td>-</td>
<td>(127)</td>
</tr>
<tr>
<td>Charges for Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Hook-up Fees</td>
<td>1,000</td>
<td>1,500</td>
<td>2,000</td>
<td>500</td>
</tr>
<tr>
<td>Solid Waste Fee</td>
<td>5,000</td>
<td>7,000</td>
<td>8,838</td>
<td>1,838</td>
</tr>
<tr>
<td>Management Fee</td>
<td>24,000</td>
<td>41,800</td>
<td>41,400</td>
<td>(400)</td>
</tr>
<tr>
<td>Road Fees</td>
<td>800</td>
<td>800</td>
<td>1,000</td>
<td>200</td>
</tr>
<tr>
<td>Other Fees</td>
<td>1,000</td>
<td>1,000</td>
<td>2,193</td>
<td>1,193</td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>20,000</td>
<td>10,000</td>
<td>9,463</td>
<td>(537)</td>
</tr>
<tr>
<td>Lease</td>
<td>6,561</td>
<td>6,561</td>
<td>6,078</td>
<td>(483)</td>
</tr>
<tr>
<td>Recreation Fees/Special Events</td>
<td>250</td>
<td>1,000</td>
<td>3,959</td>
<td>2,959</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>595</td>
<td>340</td>
<td>5,635</td>
<td>5,295</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>2,775,150</td>
<td>2,784,064</td>
<td>2,808,817</td>
<td>24,753</td>
</tr>
</tbody>
</table>

See Notes to Required Supplementary Information.
<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>Initial Budget</th>
<th>Final Budget</th>
<th>Actual</th>
<th>Variance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>$398,579</td>
<td>$445,462</td>
<td>$447,910</td>
<td>$(2,448)</td>
</tr>
<tr>
<td><strong>Public Works and Sanitation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works</td>
<td>264,369</td>
<td>246,327</td>
<td>226,061</td>
<td>20,266</td>
</tr>
<tr>
<td>Roads</td>
<td>35,150</td>
<td>36,150</td>
<td>27,771</td>
<td>8,379</td>
</tr>
<tr>
<td>Water</td>
<td>40,019</td>
<td>21,130</td>
<td>19,240</td>
<td>1,890</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>43,492</td>
<td>44,417</td>
<td>39,408</td>
<td>5,009</td>
</tr>
<tr>
<td><strong>Total Public Works and Sanitation:</strong></td>
<td>383,030</td>
<td>348,024</td>
<td>312,480</td>
<td>35,544</td>
</tr>
<tr>
<td><strong>Public Safety:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire and Safety</td>
<td>29,633</td>
<td>26,959</td>
<td>16,844</td>
<td>10,115</td>
</tr>
<tr>
<td>Police</td>
<td>84,373</td>
<td>83,745</td>
<td>81,323</td>
<td>2,422</td>
</tr>
<tr>
<td>Emergency Medical</td>
<td>81,603</td>
<td>96,050</td>
<td>96,929</td>
<td>(879)</td>
</tr>
<tr>
<td><strong>Total Public Safety:</strong></td>
<td>195,609</td>
<td>206,754</td>
<td>195,096</td>
<td>11,658</td>
</tr>
<tr>
<td><strong>Recreation:</strong></td>
<td>43,341</td>
<td>43,869</td>
<td>43,830</td>
<td>39</td>
</tr>
<tr>
<td><strong>Education:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Administrative District 6</td>
<td>1,473,348</td>
<td>1,509,597</td>
<td>1,509,597</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fixed Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County Tax</td>
<td>112,931</td>
<td>102,295</td>
<td>102,295</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>30,601</td>
<td>48,178</td>
<td>48,116</td>
<td>62</td>
</tr>
<tr>
<td>Overlay</td>
<td>463</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Fixed Expenses:</strong></td>
<td>143,995</td>
<td>150,473</td>
<td>150,411</td>
<td>62</td>
</tr>
<tr>
<td><strong>Capital Reserve Accounts:</strong></td>
<td>98,524</td>
<td>33,812</td>
<td>33,811</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>2,736,426</td>
<td>2,737,991</td>
<td>2,693,135</td>
<td>44,856</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</strong></td>
<td>38,724</td>
<td>46,073</td>
<td>115,682</td>
<td>69,609</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to Enterprise Fund</td>
<td>(105,724)</td>
<td>(113,589)</td>
<td>(126,661)</td>
<td>(13,072)</td>
</tr>
<tr>
<td>Transfer from Enterprise Fund</td>
<td>-</td>
<td>-</td>
<td>47,745</td>
<td>47,745</td>
</tr>
<tr>
<td>Sale of Stocks</td>
<td>-</td>
<td>-</td>
<td>4,426</td>
<td>4,426</td>
</tr>
<tr>
<td>Loan Proceeds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>(105,724)</td>
<td>(113,589)</td>
<td>(74,490)</td>
<td>39,099</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES</strong></td>
<td>$(67,000)</td>
<td>$(67,516)</td>
<td>$41,192</td>
<td>$108,708</td>
</tr>
</tbody>
</table>

See Notes to Required Supplementary Information.
General Fund

The general fund accounts for all revenues and expenditures which are not accounted for in other funds. Most governmental services are provided by the general fund including public works and sanitation, public safety, recreation, education, and general administrative services.

NOTE 1 - BUDGETARY ACCOUNTING

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

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

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

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

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

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

NOTE 2 - BUDGET VS GAAP BASIS OF ACCOUNTING

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of Revenues and Other Sources Over Expenditures and Other Uses</td>
<td>$41,192</td>
</tr>
<tr>
<td>Transfers to Reserves</td>
<td>$(76,405)</td>
</tr>
<tr>
<td>Interest and Other Income from Reserves</td>
<td>$45,184</td>
</tr>
<tr>
<td>Tax Acquired Property not written off in the Budgetary Basis Schedules</td>
<td>$(6,096)</td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>$3,875</td>
</tr>
</tbody>
</table>
OTHER SUPPLEMENTARY INFORMATION
## TOWN OF FRYE ISLAND, MAINE

### STATEMENT OF CHANGES IN FUND BALANCE - GENERAL FUND

YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>Nonspendable</th>
<th>Committed</th>
<th>Assigned</th>
<th>Unassigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid Expenses</td>
<td>Specific Purpose (Schedule 3)</td>
<td>Use of Fund Balance</td>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>FUND BALANCE - JANUARY 1, 2016</strong></th>
<th>$12,896</th>
<th>$546,516</th>
<th>$67,500</th>
<th>$466,132</th>
<th>$1,093,044</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>EXCESS OF ACTUAL REVENUES AND OTHER SOURCES OVER (UNDER) ACTUAL EXPENDITURES AND OTHER USES</strong></th>
<th>(6,077)</th>
<th>3,452</th>
<th>(21,923)</th>
<th>28,423</th>
<th>3,875</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>FUND BALANCE - DECEMBER 31, 2016</strong></th>
<th>$6,819</th>
<th>$549,968</th>
<th>$45,577</th>
<th>$494,555</th>
<th>$1,096,919</th>
</tr>
</thead>
</table>
## TOWN OF FRYE ISLAND, MAINE
### COMBINING STATEMENT OF GENERAL FUND RESERVES
#### FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>Fund Reserves</th>
<th>Fund Balances Beginning of Year</th>
<th>Net Increase in the Fair Value of Investments</th>
<th>Other Revenues</th>
<th>Transfers In (Out)</th>
<th>Program Expenditures</th>
<th>Fund Balances End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Appropriations</td>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>$33,566</td>
<td>$ -</td>
<td>$323</td>
<td>$507</td>
<td>$ -</td>
<td>$4,400</td>
</tr>
<tr>
<td>Water System Reserve</td>
<td>10,354</td>
<td>33,811</td>
<td>428</td>
<td>736</td>
<td>18,888</td>
<td>-</td>
</tr>
<tr>
<td>Recreation Reserve</td>
<td>40,037</td>
<td>-</td>
<td>297</td>
<td>284</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equipment Reserve</td>
<td>35,600</td>
<td>-</td>
<td>366</td>
<td>602</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fire and Safety Reserve</td>
<td>117,546</td>
<td>-</td>
<td>1,060</td>
<td>1,611</td>
<td>500</td>
<td>-</td>
</tr>
<tr>
<td>Fire Department Operations Reserve</td>
<td>108</td>
<td>1</td>
<td>171</td>
<td>10,126</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Island Improvement Reserve</td>
<td>210,751</td>
<td>-</td>
<td>1,922</td>
<td>3,938</td>
<td>1,000</td>
<td>34,673</td>
</tr>
<tr>
<td>School Operations Reserve</td>
<td>98,554</td>
<td>896</td>
<td>1,528</td>
<td>-</td>
<td>-</td>
<td>8,194</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$546,516</td>
<td>$33,811</td>
<td>$5,293</td>
<td>$9,377</td>
<td>$30,514</td>
<td>$34,673</td>
</tr>
</tbody>
</table>

Schedule 3
<table>
<thead>
<tr>
<th>Fund Reserves</th>
<th>Net Increase in the Fair Value of Revenues</th>
<th>Other Revenues</th>
<th>Transfers In (Out)</th>
<th>Program Expenditures</th>
<th>Fund Balances End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferry Reserve</td>
<td>$381,556</td>
<td>$3,918</td>
<td>$8,213</td>
<td>$130,848</td>
<td>$146 $65,125</td>
</tr>
<tr>
<td>Ferry Service Operations Reserve</td>
<td>77,243</td>
<td>866</td>
<td>1,372</td>
<td>390,301</td>
<td>146</td>
</tr>
<tr>
<td>Long-Term Transportation Reserve</td>
<td>564,349</td>
<td>6,258</td>
<td>11,626</td>
<td>10,106</td>
<td>113,589</td>
</tr>
<tr>
<td>Golf Club Operations Reserve</td>
<td>96,525</td>
<td>698</td>
<td>1,908</td>
<td>275,785</td>
<td>-</td>
</tr>
<tr>
<td>Yacht Club Equity Reserve</td>
<td>58,165</td>
<td>615</td>
<td>1,002</td>
<td>17,372</td>
<td>-</td>
</tr>
<tr>
<td>Yacht Club Rental Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>72,849</td>
<td>(47,745)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,177,838</strong></td>
<td><strong>$12,355</strong></td>
<td><strong>$24,121</strong></td>
<td><strong>$897,261</strong></td>
<td><strong>$65,844</strong></td>
</tr>
</tbody>
</table>
## Schedule 5

**TOWN OF FRYE ISLAND, MAINE**

**STATEMENT OF DEPARTMENTAL OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th></th>
<th>Appropriations</th>
<th>Total Available</th>
<th>Expenditures</th>
<th>Lapsed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL GOVERNMENT</strong></td>
<td>$ 445,462</td>
<td>$ 445,462</td>
<td>$ 447,910</td>
<td>$ 2,448</td>
</tr>
<tr>
<td><strong>PUBLIC WORKS AND SANITATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works</td>
<td>246,327</td>
<td>246,327</td>
<td>226,061</td>
<td>-</td>
</tr>
<tr>
<td>Roads</td>
<td>36,150</td>
<td>36,150</td>
<td>27,771</td>
<td>-</td>
</tr>
<tr>
<td>Water</td>
<td>21,130</td>
<td>21,130</td>
<td>19,240</td>
<td>-</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>44,417</td>
<td>44,417</td>
<td>39,408</td>
<td>-</td>
</tr>
<tr>
<td>**Total</td>
<td>348,024</td>
<td>348,024</td>
<td>312,480</td>
<td>-</td>
</tr>
<tr>
<td><strong>PUBLIC SAFETY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire and Safety</td>
<td>26,959</td>
<td>26,959</td>
<td>16,844</td>
<td>-</td>
</tr>
<tr>
<td>Police</td>
<td>83,745</td>
<td>83,745</td>
<td>81,323</td>
<td>-</td>
</tr>
<tr>
<td>Emergency Medical</td>
<td>96,050</td>
<td>96,050</td>
<td>96,929</td>
<td>-</td>
</tr>
<tr>
<td>**Total</td>
<td>206,754</td>
<td>206,754</td>
<td>195,096</td>
<td>-</td>
</tr>
<tr>
<td><strong>RECREATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>43,869</td>
<td>43,869</td>
<td>43,830</td>
<td>-</td>
</tr>
<tr>
<td><strong>EDUCATION</strong></td>
<td>1,509,597</td>
<td>1,509,597</td>
<td>1,509,597</td>
<td>-</td>
</tr>
<tr>
<td><strong>FIXED EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County Tax</td>
<td>102,295</td>
<td>102,295</td>
<td>102,295</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td>48,178</td>
<td>48,178</td>
<td>48,116</td>
<td>-</td>
</tr>
<tr>
<td>Overlay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Total</td>
<td>150,473</td>
<td>150,473</td>
<td>150,411</td>
<td>-</td>
</tr>
<tr>
<td><strong>CAPITAL RESERVE ACCOUNTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>33,811</td>
<td>33,811</td>
<td>33,811</td>
<td>-</td>
</tr>
<tr>
<td>Cape Property Reimbursement</td>
<td>1</td>
<td>1</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>**Total</td>
<td>33,812</td>
<td>33,812</td>
<td>33,811</td>
<td>-</td>
</tr>
<tr>
<td>**TOTAL</td>
<td>$ 2,737,991</td>
<td>$ 2,737,991</td>
<td>$ 2,693,135</td>
<td>$ 2,448</td>
</tr>
</tbody>
</table>

$ 47,304
Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Board of Selectmen and Town Manager
Town of Frye Island

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Frye Island, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Town of Frye Island’s basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Frye Island’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Frye Island’s internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Frye Island’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Frye Island’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
December 20, 2017