

2012

# Audited Financial Statements Town of Kennebunk, Maine June 30, 2012

Kennebunk, Me.

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# Federal Compliance Audit

## Town of Kennebunk, Maine

June 30, 2012



*Proven Expertise and Integrity*

TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2012

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## INDEPENDENT AUDITORS' REPORT

November 29, 2012

Board of Selectmen  
Town of Kennebunk  
Kennebunk, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Kennebunk's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of the Town of Kennebunk's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 49 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunk's financial statements as a whole. The combining and individual non major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**  
**(UNAUDITED)**

The following management's discussion and analysis of Town of Kennebunk, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Kennebunk's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

**Basic Financial Statements**

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government - Wide Financial Statements**

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

The Statement of Activities – this statement presents information that shows how the government's net assets changed during the period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.



Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Kennebunk are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation and culture, health and welfare and education.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Kennebunk include Pay-As-You-Throw (PAYT) trash program and electrical inspection program.

### **Fund Financial Statements**

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

*Governmental funds:* Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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

The Town of Kennebunk presents four columns in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, roads and paving and the April 16<sup>th</sup> storm fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

*Proprietary Funds:* The Town of Kennebunk maintains two proprietary fund, the Pay-As-You-Throw program and electrical inspection program. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

*Fiduciary Funds:* These funds are used to account for resources held for the benefit of parties outside the Town of Kennebunk. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Fiduciary Fund Financial Statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

### **Other Supplementary Information**

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

## Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total governmental net assets increased by \$701,835 from \$23,153,762 to \$23,855,597. The Town's total business-type net assets decreased by \$120,681 from a deficit of \$37,330 to a deficit of \$158,011.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$9,265,879 at the end of this year. Unrestricted net assets for business-type activities decreased to a deficit balance of by \$160,182.

**Table 1**  
**Town of Kennebunk, Maine**  
**Net Assets**  
**June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>				
Current and other assets	\$ 12,384,737	\$ 12,437,631	\$ (158,011)	\$ (37,330)
Capital assets	21,203,611	20,822,538	-	-
<b>Total assets</b>	<b>\$ 33,588,348</b>	<b>\$ 33,260,169</b>	<b>\$ (158,011)</b>	<b>\$ (37,330)</b>
<b>Liabilities</b>				
Current liabilities	\$ 2,506,237	\$ 2,179,907	\$ -	\$ -
Long-term debt outstanding	7,226,514	7,926,500	-	-
<b>Total liabilities</b>	<b>\$ 9,732,751</b>	<b>\$ 10,106,407</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 13,734,632	\$ 12,510,975	\$ -	\$ -
Restricted	855,086	1,202,618	2,171	-
Unrestricted (deficit)	9,265,879	9,440,169	(160,182)	(37,330)
<b>Total net assets</b>	<b>\$ 23,855,597</b>	<b>\$ 23,153,762</b>	<b>\$ (158,011)</b>	<b>\$ (37,330)</b>

**Table 2**  
**Town of Kennebunk, Maine**  
**Change in Net Assets**  
**For the Years Ended June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 1,593,068	\$ 1,608,080	\$ 502,402	\$ 504,570
Operating grants and contributions	160,556	154,948	-	-
Capital grants and contributions	450,352	-	-	-
<i>General Revenues:</i>				
Taxes	29,702,090	29,304,626	-	-
Grants and contributions not restricted to specific programs	967,756	833,594	-	-
Miscellaneous	698,217	1,179,992	-	-
Total revenues	<u>33,572,039</u>	<u>33,081,240</u>	<u>502,402</u>	<u>504,570</u>
<b>Expenses</b>				
General government	1,783,124	1,663,487	-	-
Public safety	4,035,579	3,530,303	-	-
Recreation and culture	1,135,498	1,101,229	-	-
Health and welfare	385,976	334,553	623,083	533,897
Public works	2,812,236	1,621,919	-	-
Education	19,503,319	19,192,939	-	-
County tax	1,113,468	1,160,756	-	-
Employee benefits	1,523,142	1,482,589	-	-
Agency requests	30,815	30,815	-	-
Interest on long-term debt	239,672	26,180	-	-
Unclassified	167,376	1,445,112	-	-
Unallocated depreciation (Note 4)	139,999	139,710	-	-
Total expenses	<u>32,870,204</u>	<u>31,729,592</u>	<u>623,083</u>	<u>533,897</u>
Change in net assets	701,835	1,351,648	(120,681)	(29,327)
Net assets - July 1	<u>23,153,762</u>	<u>21,802,114</u>	<u>(37,330)</u>	<u>(8,003)</u>
Net assets - June 30	<u>\$ 23,855,597</u>	<u>\$ 23,153,762</u>	<u>\$ (158,011)</u>	<u>\$ (37,330)</u>

### Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.48%, while total expenses increased by 3.59%. Most of the Town's revenues were consistent with the previous year with minor increases or decreases. The biggest increase in expenses was in education and public works.

Proprietary fund revenues and expenses were consistent with the previous year with minor increases or decreases.

## Financial Analysis of the Town's Fund Statements

*Governmental funds:* The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

**Table 3**  
**Town of Kennebunk, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<b>2012</b>	<b>2011</b>
Major Funds:		
General fund:		
Nonspendable	\$ 74,216	\$ 148,160
Committed	1,017,166	867,013
Assigned	127,162	218,523
Unassigned	7,011,232	6,873,273
Subtotal General Fund	8,229,776	8,106,969
April 16th Storm:		
Restricted	5,028	13,669
Road Paving & Improvement:		
Restricted	185,463	699,059
Total Major Funds	\$ 8,420,267	\$ 8,819,697
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 479,233	\$ 406,571
Assigned	156,265	153,349
Unassigned	(524,852)	(44,013)
Capital Projects:		
Restricted	106,618	-
Committed	948,673	794,085
Assigned	-	341,275
Unassigned	(6,166)	(79,269)
Permanent funds:		
Restricted	78,744	83,319
Total Nonmajor Funds	\$ 1,238,515	\$ 1,655,317

The general fund total fund balance increased by \$122,807 from the prior fiscal year and the major capital projects decreased by \$522,237. The non-major fund balances decreased by \$416,802 from the prior fiscal year.

The unassigned special revenue fund balance deficit of \$524,852 is from the Lower Village tax increment financing (TIF) district (see Schedule E). The capital expenditures incurred by this fund were for enhancements and improvements in sidewalks, lighting and roads in the Lower Village area approved by voters at the June 2011 Annual Town Meeting. This deficit will be reimbursed by bond proceeds expected to be received during 2013 or 2014.

The unassigned capital fund balance deficit of \$6,166 is for energy efficiency improvements along Route 1 for traffic signal control (see Schedule G). This deficit will be reimbursed from the remaining grant funds receivable from the Efficiency Maine Trust.

*Proprietary funds:* The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Pay-As-You-Throw (PAYT) trash program had an operating loss for the current year of \$120,454. Likewise, the electrical inspection program had an operating loss for the current year of \$227. The Town is reviewing the PAYT program for future periods. The current year deficit was a result mostly of increased tipping fees charged contractually by Maine Energy Recovery Company (MERC).

At the June 2013 Annual Town Meeting, voters will be asked to transfer unassigned general fund balance to eliminate the deficit net assets of the PAYT trash program.

### **Budgetary Highlights**

There were no significant differences between the original and final budget for the general fund.

The general fund actual revenues exceeded the budget by \$158,339. This was a result of most revenues recognized in excess of budgeted amount.

The general fund actual expenditures were under the budget by \$778,648. All expenditures were under budget with the exception of recreation and culture, health and welfare and transfers to other funds.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2012, the net book value of capital assets recorded by the Town increased by \$381,073. Refer to Note 4 of Notes to Financial Statements for more detailed information.

**Table 4**  
**Town of Kennebunk, Maine**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<b>2012</b>	<b>2011</b>
Land and improvements	\$ 3,491,056	\$ 3,517,499
Buildings and building improvements	3,554,414	3,789,553
Furniture and fixtures	52,371	53,920
Machinery and equipment	1,091,118	725,023
Vehicles	1,462,833	1,451,549
Art work and historical treasures	41,000	41,000
Construction in progress	1,110,239	44,013
Infrastructure	10,400,580	11,199,981
Total	\$ 21,203,611	\$ 20,822,538

### **Long-Term Debt Activity**

At June 30, 2012, the Town had \$7,445,000 in bonds outstanding versus \$8,200,000 last year. Other obligations include capital leases, accrued vacation and sick time and pension benefit obligations. Refer to Note 5 of Notes to Financial Statements for more detailed information.

### **Economic Factors and Next Year's Budgets and Rates**

The local, state and national economic climate continues to be uncertain. For fiscal years 2012, 2011, and 2010, the net municipal budget remained virtually unchanged from the prior year. However, for fiscal year 2013, the Town's net municipal budget approved at the June 2012 Annual Town meeting increased 3.6% from the prior year. The change was a result of increases in three components of the budget:

- \* Long-term debt service payments were 2.2% of the overall increase;
- \* Wages edged up slightly, primarily due to union-negotiated raises, making up 1.3%;
- \* Other items, mostly contractual in nature, accounted for the remaining 0.1%.

Even with the increases outlined above, as well as increased assessments levied to the Town by the local school district, Regional School Unit 21, and by York County, the Town's taxable property valuation inched up slightly, allowing the property tax rate for 2013 to remain constant at \$14.40 from 2012.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 Town Manager or Finance Director at 1 Summer Street, Kennebunk, Maine 04043.

## STATEMENT A

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 9,246,426	\$ -	\$ 9,246,426
Investments	1,625,396	-	1,625,396
Accounts receivable (net of allowance for uncollectibles):			
Taxes	823,204	-	823,204
Liens	283,550	-	283,550
Other	115,121	58,813	173,934
Tax acquired property	73,653	-	73,653
Prepaid expenses	563	-	563
Internal balances	216,824	(216,824)	-
Total current assets	<u>12,384,737</u>	<u>(158,011)</u>	<u>12,226,726</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, & other assets not being depreciated	3,629,887	-	3,629,887
Buildings & equipment, net of accumulated depreciation	<u>17,573,724</u>	<u>-</u>	<u>17,573,724</u>
Total noncurrent assets	<u>21,203,611</u>	<u>-</u>	<u>21,203,611</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 33,588,348</b></u>	<u><b>\$ (158,011)</b></u>	<u><b>\$ 33,430,337</b></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 605,878	\$ -	\$ 605,878
Deferred revenue	222,619	-	222,619
Accrued payroll	249,827	-	249,827
Other liabilities	653,468	-	653,468
Current portion of long-term obligations	<u>774,445</u>	<u>-</u>	<u>774,445</u>
Total current liabilities	<u>2,506,237</u>	<u>-</u>	<u>2,506,237</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	6,685,000	-	6,685,000
Capital leases payable	9,534	-	9,534
Accrued compensated absences	339,434	-	339,434
Pension benefit obligations	<u>192,546</u>	<u>-</u>	<u>192,546</u>
Total noncurrent liabilities	<u>7,226,514</u>	<u>-</u>	<u>7,226,514</u>
<b>TOTAL LIABILITIES</b>	<u><b>9,732,751</b></u>	<u><b>-</b></u>	<u><b>9,732,751</b></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,734,632	-	13,734,632
Restricted	855,086	2,171	857,257
Unrestricted (deficit)	<u>9,265,879</u>	<u>(160,182)</u>	<u>9,105,697</u>
<b>TOTAL NET ASSETS</b>	<u><b>23,855,597</b></u>	<u><b>(158,011)</b></u>	<u><b>23,697,586</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 33,588,348</b></u>	<u><b>\$ (158,011)</b></u>	<u><b>\$ 33,430,337</b></u>

See accompanying independent auditors' report and notes to financial statements.



## STATEMENT B

TOWN OF KENNEBUNK, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Totals
<b>Governmental activities:</b>							
General government	\$ 1,783,124	\$ 68,395	\$ -	\$ -	\$ (1,714,729)	\$ -	\$ (1,714,729)
Public safety	4,035,579	748,387	-	-	(3,287,192)	-	(3,287,192)
Recreation and culture	1,135,498	567,703	-	-	(567,795)	-	(567,795)
Health and welfare	385,976	11,628	-	-	(374,348)	-	(374,348)
Public works	2,812,236	196,955	160,556	450,352	(2,004,373)	-	(2,004,373)
Education	19,503,319	-	-	-	(19,503,319)	-	(19,503,319)
County tax	1,113,468	-	-	-	(1,113,468)	-	(1,113,468)
Employee benefits	1,523,142	-	-	-	(1,523,142)	-	(1,523,142)
Agency requests	30,815	-	-	-	(30,815)	-	(30,815)
Interest on long-term debt	239,672	-	-	-	(239,672)	-	(239,672)
Unclassified	167,376	-	-	-	(167,376)	-	(167,376)
Unallocated depreciation (Note 4)	139,999	-	-	-	(139,999)	-	(139,999)
<b>Total governmental activities</b>	<b>32,870,204</b>	<b>1,593,068</b>	<b>160,556</b>	<b>450,352</b>	<b>(30,666,228)</b>	<b>-</b>	<b>(30,666,228)</b>
<b>Business-type activities:</b>							
Pay-As-You-Throw Trash Program	603,321	482,867	-	-	-	(120,454)	(120,454)
Electrical Inspection Program	19,762	19,535	-	-	-	(227)	(227)
<b>Total business-type activities</b>	<b>623,083</b>	<b>502,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(120,681)</b>	<b>(120,681)</b>
<b>Total government</b>	<b>\$ 33,493,287</b>	<b>\$ 2,095,470</b>	<b>\$ 160,556</b>	<b>\$ 450,352</b>	<b>(30,666,228)</b>	<b>(120,681)</b>	<b>(30,786,909)</b>

STATEMENT B (CONTINUED)  
TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities	Business-type Activities	Totals
Changes in net assets:			
Net (expense) revenue	(30,666,228)	(120,681)	(30,786,909)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	27,910,100	-	27,910,100
Excise taxes	1,791,990	-	1,791,990
Grants and contributions not restricted to specific programs	967,756	-	967,756
Miscellaneous	698,217	-	698,217
Total general revenues	31,368,063	-	31,368,063
Change in net assets	701,835	(120,681)	581,154
NET ASSETS - JULY 1	23,153,762	(37,330)	23,116,432
NET ASSETS - JUNE 30	\$ 23,855,597	\$ (158,011)	23,697,586

See accompanying independent auditors' report and notes to financial statements.

## STATEMENT C

## TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Roads & Paving	April 16th Storm	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,163,820	\$ -	\$ -	\$ 82,606	\$ 9,246,426
Investments	1,625,396	-	-	-	1,625,396
Accounts receivables (net of allowance for uncollectibles):					
Taxes	823,204	-	-	-	823,204
Liens	283,550	-	-	-	283,550
Other	115,121	-	-	-	115,121
Tax acquired property	73,653	-	-	-	73,653
Prepaid expenses	563	-	-	-	563
Due from other funds	753,875	185,463	5,028	1,690,789	2,635,155
<b>TOTAL ASSETS</b>	<b>\$ 12,839,182</b>	<b>\$ 185,463</b>	<b>\$ 5,028</b>	<b>\$ 1,773,395</b>	<b>\$ 14,803,068</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 605,878	\$ -	\$ -	\$ -	\$ 605,878
Accrued payroll	249,827	-	-	-	249,827
Deferred revenue	222,619	-	-	-	222,619
Deferred tax revenue	994,163	-	-	-	994,163
Other liabilities	653,468	-	-	-	653,468
Due to other funds	1,883,451	-	-	534,880	2,418,331
<b>TOTAL LIABILITIES</b>	<b>4,609,406</b>	<b>-</b>	<b>-</b>	<b>534,880</b>	<b>5,144,286</b>
<b>FUND BALANCES</b>					
Nonspendable	74,216	-	-	-	74,216
Restricted	-	185,463	5,028	664,595	855,086
Committed	1,017,166	-	-	948,673	1,965,839
Assigned	127,162	-	-	156,265	283,427
Unassigned	7,011,232	-	-	(531,018)	6,480,214
<b>TOTAL FUND BALANCES</b>	<b>8,229,776</b>	<b>185,463</b>	<b>5,028</b>	<b>1,238,515</b>	<b>9,658,782</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,839,182</b>	<b>\$ 185,463</b>	<b>\$ 5,028</b>	<b>\$ 1,773,395</b>	<b>\$ 14,803,068</b>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 9,658,782
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	21,203,611
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	994,163
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Capital leases payable	(23,979)
Bonds payable	(7,445,000)
Accrued compensated absences	(339,434)
Pension benefit obligations	<u>(192,546)</u>
Net assets of governmental activities	<u><u>\$ 23,855,597</u></u>

See accompanying independent auditors' report and notes to financial statements.

## STATEMENT E

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Roads & Paving	April 16th Storm	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 27,560,945	\$ -	\$ -	\$ -	\$ 27,560,945
Excise taxes	1,791,990	-	-	-	1,791,990
Intergovernmental revenues	1,121,419	-	6,893	450,352	1,578,664
Charges for services	1,593,068	-	-	-	1,593,068
Miscellaneous revenues	304,311	-	-	393,906	698,217
<b>TOTAL REVENUES</b>	<b>32,371,733</b>	<b>-</b>	<b>6,893</b>	<b>844,258</b>	<b>33,222,884</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,596,707	-	-	115,795	1,712,502
Public Safety	3,674,436	-	-	4,725	3,679,161
Public Works	1,020,612	28,231	15,534	478,820	1,543,197
Education	19,503,319	-	-	-	19,503,319
County tax	1,113,468	-	-	-	1,113,468
Recreation & culture	1,106,240	-	-	-	1,106,240
Health & welfare	385,976	-	-	-	385,976
Employee benefits	1,523,142	-	-	-	1,523,142
Agency request	30,815	-	-	-	30,815
Capital outlay	-	789,498	-	1,435,937	2,225,435
Debt Service:					
Principal	-	-	-	842,584	842,584
Interest	-	-	-	239,672	239,672
Unclassified	119,584	-	-	14,021	133,605
<b>TOTAL EXPENDITURES</b>	<b>30,074,299</b>	<b>817,729</b>	<b>15,534</b>	<b>3,131,554</b>	<b>34,039,116</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<b>2,297,434</b>	<b>(817,729)</b>	<b>(8,641)</b>	<b>(2,287,296)</b>	<b>(816,232)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	4,000	304,133	-	2,067,356	2,375,489
Operating transfers (out)	(2,178,627)	-	-	(196,862)	(2,375,489)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,174,627)</b>	<b>304,133</b>	<b>-</b>	<b>1,870,494</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>122,807</b>	<b>(513,596)</b>	<b>(8,641)</b>	<b>(416,802)</b>	<b>(816,232)</b>
FUND BALANCES - JULY 1	8,106,969	699,059	13,669	1,655,317	10,475,014
FUND BALANCES - JUNE 30	\$ 8,229,776	\$ 185,463	\$ 5,028	\$ 1,238,515	\$ 9,658,782

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (816,232)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases capitalized	2,232,747
Capital asset disposals	(645,427)
Depreciation expense	<u>(1,206,247)</u>
	<u>381,073</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
	<u>842,584</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(20,974)
Pension benefit obligations	<u>(33,771)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>349,155</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 701,835</u></u>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2012

	Enterprise Funds		Totals
	Pay-As-You-Throw Trash Program	Electrical Inspection Program	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	58,813	-	58,813
Due from other funds	-	2,171	2,171
Total assets	<u>\$ 58,813</u>	<u>\$ 2,171</u>	<u>\$ 60,984</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	218,995	-	218,995
Total liabilities	<u>218,995</u>	<u>-</u>	<u>218,995</u>
<b>NET ASSETS</b>			
Restricted	-	2,171	2,171
Unrestricted (deficit)	(160,182)	-	(160,182)
Total net assets	<u>(160,182)</u>	<u>2,171</u>	<u>(158,011)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 58,813</u>	<u>\$ 2,171</u>	<u>\$ 60,984</u>

See accompanying independent auditors' report.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		Totals
	Pay-As-You-Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for services	\$ 482,867	\$ 19,535	\$ 502,402
Other	-	-	-
TOTAL OPERATING REVENUES	<u>482,867</u>	<u>19,535</u>	<u>502,402</u>
OPERATING EXPENSES			
Program supplies	603,321	19,762	623,083
TOTAL OPERATING EXPENSES	<u>603,321</u>	<u>19,762</u>	<u>623,083</u>
OPERATING INCOME (LOSS)	<u>(120,454)</u>	<u>(227)</u>	<u>(120,681)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(120,454)	(227)	(120,681)
NET ASSETS - JULY 1	<u>(39,728)</u>	<u>2,398</u>	<u>(37,330)</u>
NET ASSETS - JUNE 30	<u>\$ (160,182)</u>	<u>\$ 2,171</u>	<u>\$ (158,011)</u>

See accompanying independent auditors' report.



## TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		
	Pay-As-You-Throw Trash Program	Electrical Inspection Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 493,241	\$ 19,762	\$ 513,003
Internal activity - receipts (payments) from/to other funds	-	-	-
Payments to suppliers	(493,241)	(19,762)	(513,003)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from general fund	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (120,454)	\$ (227)	\$ (120,681)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	10,374	-	10,374
(Increase) decrease in due from other funds	-	227	227
Increase (decrease) in due to other funds	110,080	-	110,080
	\$ -	\$ -	\$ -

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Private- purpose trust</u>
ASSETS	
Accounts receivable-employees	\$ 125,016
Investments, at fair value	<u>2,480,134</u>
TOTAL ASSETS	<u><u>\$ 2,605,150</u></u>
LIABILITIES	
Accounts payable	<u>-</u>
Deposits held for others	<u>-</u>
NET ASSETS	
Held in trust for special purposes	<u>2,605,150</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,605,150</u></u>

See accompanying independent auditors' report and notes to financial statements.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private- purpose trust</u>
ADDITIONS	
Contributions	\$ 272,182
Net increase (decrease) in the fair value of investments	31,982
Miscellaneous	-
Total additions	<u>304,164</u>
DEDUCTIONS	
Distributions	286,295
Service fees	1,121
Total deductions	<u>287,416</u>
Change in net assets	16,748
NET ASSETS - JULY 1	<u>2,588,402</u>
NET ASSETS - JUNE 30	<u>\$ 2,605,150</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Town of Kennebunk was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government services, public safety, public works, health and welfare, education, and recreation and culture.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statement No. 39.

***Government – Wide and Fund Financial Statements***

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Pay-As-You-Throw (PAYT) and electrical inspection programs are categorized as business-type activities. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private-purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**Budget**

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town is called for the purpose of adopting the proposed budget after public notice of the meeting is given.
3. The budget is adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

**Deposits and 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.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Kennebunk has a formal investment policy, and also follows the State of Maine Statutes.

**Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

**Interfund Receivables and Payables**

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.



TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$457,909 as of June 30, 2012 for ambulance receivables.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable and compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2012 the Town's liability for compensated absences is \$339,434.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Balances**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

**Restricted** – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

**Assigned** – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

**Unassigned** – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the current year was levied August 23, 2011 on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due on in two installments on October 7, 2011 and April 6, 2012. Interest on unpaid taxes commenced on October 8, 2011 and April 7, 2012, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$608,939 for the year ended June 30, 2012.

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.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

**Operating/Non-operating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy specifically covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are members of the F.D.I.C. as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2012, the Town reported deposits of \$9,246,926 with a bank balance of \$9,269,871. None of the Town's bank balances of \$9,269,871 were exposed to custodial credit risk. Balances were either covered by F.D.I.C. insurance or by a stand-by irrevocable letter of credit drawn on a federally-backed institution purchased on behalf of the Town by the respective banking institution.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 511,247
Savings accounts	106,505
Money market accounts	106,589
Cash equivalents	8,572,530
	<u>\$ 9,296,871</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a specific policy for custodial credit risk for investments.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fiduciary Fund

The fiduciary fund is used to report assets held in a trustee or agency capacity for employee retirement or deferred compensation benefits and therefore are not available to support Town programs. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. All of the investments were held in various mutual funds, stocks and bonds that were uninsured and uncollateralized, and therefore exposed to custodial credit risk.

Governmental Funds

Of the Town's investment in certificates of deposits totaling \$1,625,396, none of the Town's investments were exposed to custodial credit risk. Balances were either covered by F.D.I.C. insurance, a stand-by irrevocable letter of credit drawn on a federally-backed institution purchased on behalf of the Town by the respective banking institution, or federally-backed securities pledged as collateral on behalf of the Town owned by the respective banking institution.

At June 30, 2012, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>Not Applicable</u>
Fiduciary Fund:				
Cash management funds	\$ 416,803	\$ -	\$ -	\$ 416,803
Bond funds	115,211	-	-	115,211
Asset allocation funds	1,016,459	-	-	1,016,459
Stocks - U. S.	819,402	-	-	819,402
Stocks - International	112,259	-	-	112,259
Total - Fiduciary Fund	<u>2,480,134</u>	<u>-</u>	<u>-</u>	<u>2,480,134</u>
Governmental Funds:				
Certificates of deposit	<u>1,625,396</u>	<u>1,518,368</u>	<u>107,028</u>	<u>-</u>
Total - Governmental Funds	<u>1,625,396</u>	<u>1,518,368</u>	<u>107,028</u>	<u>-</u>
	<u><u>\$ 4,105,530</u></u>	<u><u>\$ 1,518,368</u></u>	<u><u>\$ 107,028</u></u>	<u><u>\$ 2,480,134</u></u>

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various insured or fully collateralized certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a policy related to interest rate risk.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 consisted of the following individual fund receivables and payables:

	<u>Receivables</u> <u>(Due from)</u>	<u>Payables</u> <u>(Due to)</u>
General fund	\$ 753,875	\$ 1,883,451
Road Paving & Improvement	185,463	-
April 16th Storm	5,028	-
Enterprise fund	2,171	218,995
Nonmajor special revenue funds	635,498	524,852
Nonmajor capital projects fund	1,055,291	6,166
Nonmajor permanent funds	-	3,862
Totals	<u>\$ 2,637,326</u>	<u>\$ 2,637,326</u>

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is as follows:

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,478,648	\$ -	\$ -	\$ 2,478,648
Art works & historical treasures	41,000	-	-	41,000
Construction in progress	44,013	1,066,226	-	1,110,239
	<u>2,563,661</u>	<u>1,066,226</u>	<u>-</u>	<u>3,629,887</u>
Depreciated assets:				
Land improvements	1,387,894	31,957	-	1,419,851
Buildings	1,465,055	-	-	1,465,055
Building improvements	6,562,164	11,125	-	6,573,289
Furniture & fixtures	250,806	4,442	-	255,248
Machinery & equipment	3,103,102	503,231	-	3,606,333
Vehicles	4,504,063	244,240	(91,812)	4,656,491
Infrastructure:				
Bridges	15,000	-	-	15,000
Drainage system	107,389	268,336	-	375,725
Roads	16,851,264	92,764	(645,427)	16,298,601
Sewer lines	316,306	-	-	316,306
Sidewalks	1,143,905	10,426	-	1,154,331
	<u>35,706,948</u>	<u>1,166,521</u>	<u>(737,239)</u>	<u>36,136,230</u>
Less: accumulated depreciation	<u>(17,448,071)</u>	<u>(1,206,247)</u>	<u>91,812</u>	<u>(18,562,506)</u>
	<u>18,258,877</u>	<u>(39,726)</u>	<u>(645,427)</u>	<u>17,573,724</u>
Net capital assets	<u>\$ 20,822,538</u>	<u>\$ 1,026,500</u>	<u>\$ (645,427)</u>	<u>\$ 21,203,611</u>



TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

<u>Current year depreciation</u>	
Administration	\$ 49,648
Police	136,618
Fire	219,800
Public works	630,924
Parks & recreation	29,258
Town-wide	<u>139,999</u>
 Total depreciation expense	 <u>\$ 1,206,247</u>

NOTE 5 – LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2012:

<u>Governmental Activities</u>	<u>Balance, 7/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 6/30/12</u>	<u>Current Portion</u>
Bonds payable	\$ 8,200,000	\$ -	\$ (755,000)	\$ 7,445,000	\$ 760,000
Capital Leases	111,563	-	(87,584)	23,979	14,445
Accrued compensated absences	318,460	20,974	-	339,434	-
Pension benefit obligations	158,775	33,771	-	192,546	-
	<u>\$ 8,788,798</u>	<u>\$ 54,745</u>	<u>\$ (842,584)</u>	<u>\$ 8,000,959</u>	<u>\$ 774,445</u>

The following is a summary of outstanding bonds payable:

	<u>Governmental Activities</u>
\$2,305,000, 2003 General Obligation bond due in annual installments varying from \$175,000 to \$60,000. The interest rate varies from 2.250% to 4.200% per annum. Maturity in October 2017.	\$ 775,000
\$995,000, 2004 General Obligation bond due in annual installments varying from \$100,000 to \$95,000. The interest rate varies from 2.000% to 3.875% per annum. Maturity in October 2014.	295,000
\$1,360,000, 2007 General Obligation bond due in annual installments of \$95,000 to \$50,000. The interest rate varies from 4.00% to 5.00% per annum. Maturity in October 2026.	885,000

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 – LONG TERM DEBT (CONTINUED)

\$6,252,000, 2010 General Obligation bond due in annual installments and semi annual interest installments through October 2029. The interest rate varies from 1.50% to 4.00% per annum. Annual principal installments are from \$120,000 to \$382,000.

5,490,000

\$ 7,445,000

The following is a summary of outstanding bond principal and interest requirements for the following fiscal years ending June 30:

Year	Governmental Activities		
	Principal	Interest	Total Debt Service
2013	\$ 760,000	\$ 223,685	\$ 983,685
2014	765,000	202,516	967,516
2015	765,000	179,938	944,938
2016	515,000	161,997	676,997
2017	490,000	148,992	638,992
2018-2022	2,190,000	540,845	2,730,845
2023-2027	1,600,000	197,719	1,797,719
2028-2032	360,000	21,600	381,600
	<u>\$ 7,445,000</u>	<u>\$ 1,677,292</u>	<u>\$ 9,122,292</u>

The following is a summary of outstanding capital leases payable:

\$16,075, 2008 Capital Lease payable to People's United Bank for equipment due in annual installments through October 2012. Interest is charged at a rate of 3.72% per annum. Annual payments are \$3,214.

\$ 3,214

\$41,179, 2009 Capital lease payable to People's United Bank for GMC Truck due in annual installments through March 2013. Interest is charged at a rate of 3.85% per annum. Annual payments are \$8,236.

8,236

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 – LONG TERM DEBT (CONTINUED)

\$15,591, 2011 Capital lease payable to People's United Bank for photocopiers due in annual installments through July 2015. Interest is charged at a rate of 2.99% per annum. Annual payments are \$3,370.

	12,529
	\$ 23,979

The following is a summary of outstanding capital lease requirements for the following fiscal years ending June 30:

Year Ending June 30:		
2013	\$	15,256
2014		3,370
2015		3,370
2016		3,370
2017		-
Total minimum lease payment		25,366
Less amount representing interest		(1,387)
Present value of future minimum lease payments		\$ 23,979

NOTE 6 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures were overspent at June 30, 2012:

Recreation and culture	\$ 9,980
Health and welfare	83,064
Transfers to other funds	89,132
	\$ 182,176

NOTE 7 – NONSPENDABLE FUND BALANCES

At June 30, 2012, the Town had the following nonspendable fund balances:

Tax acquired property	\$ 73,653
Prepaid expenses	563
	\$ 74,216

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

NOTE 8 – RESTRICTED FUND BALANCES

At June 30, 2012, the Town had the following restricted fund balances:

Roads and Paving	\$ 185,463
April 16th Storm	5,028
Nonmajor special revenue funds (Schedule D)	479,233
Nonmajor capital project funds (Schedule F)	106,618
Nonmajor permanent funds (Schedule H)	78,744
	<u>\$ 855,086</u>

NOTE 9 – COMMITTED FUND BALANCES

At June 30, 2012, the Town has the following committed fund balances:

Matching grant funds	\$ 44,000
Bicentennial celebration	3,333
Capital assets/projects	629,833
Debt service	340,000
Nonmajor capital project funds (Schedule F)	948,673
	<u>\$ 1,965,839</u>

NOTE 10 – ASSIGNED FUND BALANCES

At June 30, 2012, the Town had the following assigned fund balances:

Heating assistance	\$ 21,438
Assessors office	341
Community garden	2,402
Shellfish committee	5,579
Conservation commission	14,789
Downtown committee	5,676
Economic development committee	7,742
West Kennebunk Village committee	3,137
Human resources committee	7,926
Energy efficiency	1,093
Tree committee	1,328

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 10 – ASSIGNED FUND BALANCES (CONTINUED)

Festival	605
General government training	4,732
Computer training	5,456
Community development training	4,443
Lower Village	3,869
Property tax assistance	2,211
Operational contingency	34,395
Nonmajor special revenue funds (Schedule D)	156,265
	\$ 283,427

NOTE 11 – 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, participates in a public entity risk pool, or is effectively self-insured. Currently the Town participates in several public-entity and self-insured risk pools sponsored by the Maine Municipal Association.

Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2012.

NOTE 12 – OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2012, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 8,900,000	7.18%	\$ 639,020
RSU No. 21	19,762,818	61.37%	12,128,441
			\$ 12,767,461

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 13 – DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333 or by calling (800) 451-9800.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLD's Consolidated Board of Trustees. The Town's police department employees are part of the PLD's special plan "2C" and are required to contribute 6.5% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute 6.5% of their annual salary. The Town is required to contribute 7.5% of special plan "2C" members' covered payroll and 5.3% of the plan "AC" members' covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost. The Town's contributions for both plans, including employee contributions for the years ended June 30, 2012, 2011 and 2010 were: \$146,026, \$121,786, and \$101,142, respectively.

As of June 30, 2012, the Town had an unfunded actuarial accrued liability credit of \$97,895, computed using the actuarial method used for funding purposes. This credit is being used to reduce future contributions and is being amortized over a closed period of 18 years from July 1, 1999.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 14 – DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –  
RETIREMENT CORPORATION

A. Plan Description

The Town offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401. The plan, available to all full-time Town employees unless the employee is actively participating in the Town's Maine Public Employee Retirement System defined benefit pension plan, permits them to defer a portion of their salary until retirement. The deferred amount and the vested portion of the employer match is not available to the employee until retirement or death, or in case of other life events as allowed by law.

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. There is no employer match by the Town. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Town's management that the Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

B. Funding Policy

Under the defined contribution plan, employees may elect to participate. Participating members are required to contribute 6.5% of their annual covered salary and the Town is required to match 100% of the employee's contribution. The employee's contribution is tax deferred for federal and state taxes until the withdrawal date. The employee's contribution vests 100% with the employee when contributed. The Town's matching contribution vests 100% with the employee at the end of three years of service. The Town's contributions for the plan, including employee contributions for the years ended June 30, 2012, 2011 and 2010 were: \$161,048, \$168,728, and \$178,519, respectively. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

NOTE 14 – DEFERRED COMPENSATION PLAN (CONTINUED)

Additionally, the Town participates in the Social Security Retirement Program. The Town’s contribution to Social Security was approximately \$366,013 for the year ended June 30, 2012, and \$371,235 for the year ended June 30, 2011.

NOTE 15 – CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town’s financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town’s compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

The Town, in accordance with its current health insurance company agreement, provides health and other benefits to eligible retirees and their spouses. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the Town’s medical benefits program.

Funding policy – The Town currently funds claims and administrative costs for postemployment benefits through its health insurance company or through current year expenditures.

The following is the current census of Town benefit participants as of June 30, 2012:

Active members	51
Retirees and spouses	5
Total	56

**Annual OPEB Cost and Net OPEB Obligations**

The Town of Kennebunk’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45.



TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 34,384
Interest on net OPEB obligation	1,375
Adjustment to annual required contribution	<u>(1,988)</u>
Annual OPEB cost	33,771
Contributions made	<u>-</u>
Increase in net OPEB obligation	33,771
Net OPEB obligation, beginning of year	<u>158,775</u>
Net OPEB obligation, end of year	<u><u>\$ 192,546</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2012 is presented below.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2012	\$ 34,384	\$ -	0.0%	\$ 192,546

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

In the June 30, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include an 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual healthcare cost blended trend rate of 7.5% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.0% for 2029 and later. The remaining amortization period at June 30, 2010 was 20 years. As of June 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$322,225, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$322,225.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 463,005	0.0%	\$ 2,904,791	15.9%
6/30/2010	\$ -	\$ 463,005	0.0%	\$ 3,056,808	15.1%
6/30/2011	\$ -	\$ 322,225	0.0%	\$ 3,218,664	10.0%
6/30/2012	\$ -	\$ 322,225	0.0%	\$ 3,159,958	10.2%

These numbers are based on information that was presented on January 1, 2010 for June 30, 2012. The amortization method that was used to calculate the numbers is presented below.

Discount rate	4.00%
Payroll growth assumption	N/A
Accrued liability	\$ 322,225
Value of assets	-
Unfunded liability	\$ 322,225
Normal cost	\$ 15,798
Amortization of unfunded	17,918
Interest	668
Annual required contribution	\$ 34,384

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 17 – DEFICIT FUND BALANCES/NET ASSETS

At June 30, 2012, the Town has the following funds with deficit fund balances or net assets:

Deficit fund balances:	
Energy Efficiency Improvements	\$ 6,166
Lower Village TIF	<u>524,852</u>
	<u>\$ 531,018</u>
Deficit net assets:	
Pay-As-You-Throw Trash Program	<u>\$ 160,182</u>

The unassigned capital fund balance deficit of \$6,166 is for energy efficiency improvements along Route 1 for traffic signal control (see Schedule G). This deficit is expected to be reimbursed from the remaining grant funds receivable from the Efficiency Maine Trust.

The unassigned special revenue fund balance deficit of \$524,852 is from the Lower Village tax increment financing (TIF) district (see Schedule E). The capital expenditures incurred by this fund were for enhancements and improvements in sidewalks, lighting and road paving in the Lower Village area, approved by voters at the June 2011 Annual Town Meeting. Funding through the issuance of debt was also approved by the voters at that Annual Town Meeting.

At the June 2013 Annual Town Meeting, voters will be asked to transfer unassigned general fund balance to eliminate the deficit net assets of the PAYT trash program.

NOTE 18 - TAX INCREMENT FINANCING DISTRICTS

Under Maine law, the Town has established three Tax Increment Financing (TIF) Districts to build or improve public infrastructure, to repay principal and interest on any indebtedness incurred to fund such infrastructure, and expenditures to promote economic development within each TIF as prescribed by the underlying state-approved TIF agreements. The West Kennebunk TIF Utility Corridor amendment also allows for the acquisition of emergency and maintenance vehicles and equipment, and the repayment of a portion of the West Kennebunk Fire Station bond principal and interest.

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

NOTE 18 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

There was activity in all of the TIFs for fiscal year 2012. The revenue for each TIF is determined based on the so-called "captured assessed value." Revenues and expenditures for each district are accounted for as Special Revenue Funds. During 2012, the Route 1 TIF and the West Kennebunk TIF were amended to allow for Credit Enhancement Agreements (CEAs). As of June 30, 2012, no CEAs had been established.

The status of the Tax Increment Financing Districts is summarized below.

	Route 1 TIF	West Kennebunk TIF - Original Area	West Kennebunk TIF - Utility Corridor	Total West Kennebunk TIF	Lower Village TIF
Expiration Date	3/29/3036			3/29/3036	3/30/2040
Original assessed value	\$ 27,581,200	\$ 4,978,400	\$ 10,641,700	\$ 15,620,100	\$ 4,599,600
Total captured assessed value at 6/30/12	\$ 37,043,600	\$ 5,640,700	\$ -	\$ 5,640,700	\$ -

## Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual General Fund

## TOWN OF KENNEBUNK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,106,969	\$ 8,106,969	\$ 8,106,969	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	27,891,079	27,891,079	27,560,945	(330,134)
Excise Taxes	1,715,500	1,715,500	1,791,990	76,490
Intergovernmental Revenues:				
State Revenue Sharing	600,000	600,000	699,019	99,019
Homestead Reimbursement	158,483	158,483	142,915	(15,568)
Local Road Assistance	140,000	140,000	160,556	20,556
Other	64,816	64,816	118,929	54,113
Interest Income	95,000	95,000	142,422	47,422
Charges for Service	1,401,400	1,401,400	1,593,068	191,668
Miscellaneous Revenues	147,116	147,116	161,889	14,773
Transfers from Other Funds	4,000	4,000	4,000	-
Amounts Available for Appropriation	<u>40,324,363</u>	<u>40,324,363</u>	<u>40,482,702</u>	<u>158,339</u>
Charges to Appropriations (Outflows):				
General Government	1,708,899	1,708,899	1,596,707	112,192
Public Safety	3,842,598	3,842,598	3,674,436	168,162
Public Works	1,088,488	1,088,488	1,020,612	67,876
Education	19,503,319	19,503,319	19,503,319	-
County Tax	1,113,468	1,113,468	1,113,468	-
Recreation and Culture	1,096,260	1,096,260	1,106,240	(9,980)
Health and Welfare	302,912	302,912	385,976	(83,064)
Employee Benefits	1,531,850	1,531,850	1,523,142	8,708
Agency Requests	30,815	30,815	30,815	-
Unclassified	723,470	723,470	119,584	603,886
Transfers to Other Funds	2,089,495	2,089,495	2,178,627	(89,132)
Total Charges to Appropriations	<u>33,031,574</u>	<u>33,031,574</u>	<u>32,252,926</u>	<u>778,648</u>
Budgetary Fund Balance, June 30	<u>\$ 7,292,789</u>	<u>\$ 7,292,789</u>	<u>\$ 8,229,776</u>	<u>\$ 936,987</u>
Utilization of unassigned fund balance	\$ 814,180	\$ 814,180	\$ -	\$ (814,180)
Utilization of assigned fund balance	-	-	-	-
	<u>\$ 814,180</u>	<u>\$ 814,180</u>	<u>\$ -</u>	<u>\$ (814,180)</u>

See accompanying independent auditors' report.

## Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government expenses	\$ 574,867	\$ -	\$ 574,867	\$ 528,428	\$ 46,439
Selectmen	29,089	-	29,089	26,417	2,672
Town Manager	154,915	-	154,915	153,031	1,884
Town Clerk	89,450	-	89,450	75,734	13,716
Ballot Clerks	34,615	-	34,615	29,692	4,923
Assessors	164,142	-	164,142	162,071	2,071
Community development	250,994	-	250,994	246,478	4,516
Town Hall	192,221	-	192,221	143,178	49,043
Computer Department	159,653	-	159,653	158,855	798
Conservation Commission	-	-	-	1,081	(1,081)
Site Plan Review Board	8,100	-	8,100	25,341	(17,241)
Zoning Board Of Appeals	1,200	-	1,200	618	582
Shellfish Committee	-	-	-	220	(220)
Board Of Assessment Review	1,000	-	1,000	182	818
Dog Advisory Committee	200	-	200	83	117
Historic Preservation Committee	1,700	-	1,700	1,774	(74)
Lower Village Committee	5,550	-	5,550	1,681	3,869
Downtown Committee	2,385	-	2,385	1,542	843
Economic Development Committee	-	-	-	9,501	(9,501)
West Kennebunk Village Committee	2,000	-	2,000	3,042	(1,042)
Energy Efficient Committee	3,600	-	3,600	3,246	354
Festival Committee	4,000	-	4,000	5,768	(1,768)
Tree Committee	2,000	-	2,000	2,435	(435)
Affordable Housing Committee	200	-	200	-	200
Bicentennial Committee	500	-	500	-	500
Community Garden Committee	2,080	-	2,080	841	1,239
Planning Board	24,438	-	24,438	15,468	8,970
	<u>1,708,899</u>	<u>-</u>	<u>1,708,899</u>	<u>1,596,707</u>	<u>112,192</u>



SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works -					
Highway	1,088,488	-	1,088,488	1,020,612	67,876
	<u>1,088,488</u>	<u>-</u>	<u>1,088,488</u>	<u>1,020,612</u>	<u>67,876</u>
Education	19,503,319	-	19,503,319	19,503,319	-
County tax	1,113,468	-	1,113,468	1,113,468	-
Recreation and Culture -					
Life Guards	52,105	-	52,105	45,911	6,194
Parks & Recreation	563,588	-	563,588	579,762	(16,174)
Kennebunk Free Library	480,567	-	480,567	480,567	-
	<u>1,096,260</u>	<u>-</u>	<u>1,096,260</u>	<u>1,106,240</u>	<u>(9,980)</u>
Health And Welfare -					
Recycling	212,762	-	212,762	212,762	-
Solid waste	-	-	-	16,809	(16,809)
Social services	90,150	-	90,150	156,405	(66,255)
	<u>302,912</u>	<u>-</u>	<u>302,912</u>	<u>385,976</u>	<u>(83,064)</u>
Employee Benefits -					
Health Benefits	914,375	-	914,375	911,815	2,560
FICA	368,673	-	368,673	366,013	2,660
Retirement	108,037	-	108,037	112,405	(4,368)
Workers Comp	117,648	-	117,648	116,844	804
Unemployment Comp	23,117	-	23,117	16,065	7,052
	<u>1,531,850</u>	<u>-</u>	<u>1,531,850</u>	<u>1,523,142</u>	<u>8,708</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency requests -					
SMMC Visiting Nurses	5,000	-	5,000	5,000	-
Day One	1,000	-	1,000	1,000	-
York County Child Abuse Council	1,200	-	1,200	1,200	-
York County Community Action	4,900	-	4,900	4,900	-
Counseling Services Inc.	3,300	-	3,300	3,300	-
Caring Unlimited	2,095	-	2,095	2,095	-
Catholic Charities	1,700	-	1,700	1,700	-
So. Maine Area Agency on Aging	2,500	-	2,500	2,500	-
Sexual Assault Response Services	500	-	500	500	-
Senior Center at Lower Village	1,000	-	1,000	1,000	-
American Red Cross	3,000	-	3,000	3,000	-
So. Maine Parent Awareness	1,030	-	1,030	1,030	-
Biddeford Free Clinic	500	-	500	500	-
Home Health Visiting Nurses	3,090	-	3,090	3,090	-
	<u>30,815</u>	<u>-</u>	<u>30,815</u>	<u>30,815</u>	<u>-</u>
Public Safety -					
Police	1,695,407	-	1,695,407	1,644,520	50,887
Ambulance	847,962	-	847,962	781,061	66,901
Communications	341,056	-	341,056	314,430	26,626
Civil Emergency Preparedness	5,188	-	5,188	2,879	2,309
Hydrants & Street Lights	401,889	-	401,889	385,847	16,042
Fire Department	551,096	-	551,096	545,699	5,397
	<u>3,842,598</u>	<u>-</u>	<u>3,842,598</u>	<u>3,674,436</u>	<u>168,162</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Operational contingency	-	-	-	2,727	(2,727)
Historian	500	-	500	-	500
Harbormaster	14,500	-	14,500	14,441	59
Fire/EMS Incentive Plan	-	-	-	-	-
Tree Warden	3,500	-	3,500	3,645	(145)
Matching Grant Funds	-	-	-	6,000	(6,000)
Memorial Day	800	-	800	800	-
Facilities	95,231	-	95,231	91,971	3,260
Overlay	608,939	-	608,939	-	608,939
	<u>723,470</u>	<u>-</u>	<u>723,470</u>	<u>119,584</u>	<u>603,886</u>
Totals	<u>\$ 30,942,079</u>	<u>\$ -</u>	<u>\$ 30,942,079</u>	<u>\$ 30,074,299</u>	<u>\$ 867,780</u>

See accompanying independent auditors' report.

## TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 82,606	\$ 82,606
Due from other funds	635,498	1,055,291	-	1,690,789
<b>TOTAL ASSETS</b>	<u>\$ 635,498</u>	<u>\$ 1,055,291</u>	<u>\$ 82,606</u>	<u>\$ 1,773,395</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	524,852	6,166	3,862	534,880
<b>TOTAL LIABILITIES</b>	<u>524,852</u>	<u>6,166</u>	<u>3,862</u>	<u>534,880</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	479,233	106,618	78,744	664,595
Committed	-	948,673	-	948,673
Assigned	156,265	-	-	156,265
Unassigned	(524,852)	(6,166)	-	(531,018)
<b>TOTAL FUND BALANCES</b>	<u>110,646</u>	<u>1,049,125</u>	<u>78,744</u>	<u>1,238,515</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 635,498</u>	<u>\$ 1,055,291</u>	<u>\$ 82,606</u>	<u>\$ 1,773,395</u>

See accompanying independent auditors' report.

## TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ 450,352	\$ -	\$ 450,352
Interest income	-	-	254	254
Other	16,108	377,544	-	393,652
<b>TOTAL REVENUES</b>	<u>16,108</u>	<u>827,896</u>	<u>254</u>	<u>844,258</u>
<b>EXPENDITURES</b>				
Administration	36,803	78,992	-	115,795
Public works	76,280	402,540	-	478,820
Public safety	-	4,725	-	4,725
Debt service:				
Principal	148,000	694,584	-	842,584
Interest	75,582	164,090	-	239,672
Capital outlay	648,254	787,683	-	1,435,937
Unclassified	13,192	-	829	14,021
<b>TOTAL EXPENDITURES</b>	<u>998,111</u>	<u>2,132,614</u>	<u>829</u>	<u>3,131,554</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(982,003)</u>	<u>(1,304,718)</u>	<u>(575)</u>	<u>(2,287,296)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	-
Operating transfer in	614,655	1,452,701	-	2,067,356
Operating transfers (out)	(37,913)	(154,949)	(4,000)	(196,862)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>576,742</u>	<u>1,297,752</u>	<u>(4,000)</u>	<u>1,870,494</u>
<b>NET CHANGE IN FUND BALANCES</b>	(405,261)	(6,966)	(4,575)	(416,802)
<b>FUND BALANCES, JULY 1</b>	<u>515,907</u>	<u>1,056,091</u>	<u>83,319</u>	<u>1,655,317</u>
<b>FUND BALANCES, JUNE 30</b>	<u><u>\$ 110,646</u></u>	<u><u>\$ 1,049,125</u></u>	<u><u>\$ 78,744</u></u>	<u><u>\$ 1,238,515</u></u>

See accompanying independent auditors' report.

## Special Revenue Funds Description

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE D

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2012

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	33,430	34,998	87,837	322,073	157,160	-	635,498
<b>TOTAL ASSETS</b>	<b>\$ 33,430</b>	<b>\$ 34,998</b>	<b>\$ 87,837</b>	<b>\$ 322,073</b>	<b>\$ 157,160</b>	<b>\$ -</b>	<b>\$ 635,498</b>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 524,852	\$ 524,852
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>524,852</b>	<b>524,852</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	322,073	157,160	-	479,233
Committed	-	-	-	-	-	-	-
Assigned	33,430	34,998	87,837	-	-	-	156,265
Unassigned	-	-	-	-	-	(524,852)	(524,852)
<b>TOTAL FUND BALANCES</b>	<b>33,430</b>	<b>34,998</b>	<b>87,837</b>	<b>322,073</b>	<b>157,160</b>	<b>(524,852)</b>	<b>110,646</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 33,430</b>	<b>\$ 34,998</b>	<b>\$ 87,837</b>	<b>\$ 322,073</b>	<b>\$ 157,160</b>	<b>\$ -</b>	<b>\$ 635,498</b>

See accompanying independent auditors' report.

SCHEDULE E

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
REVENUES	\$ -	\$ -	\$ 16,108	\$ -	\$ -	\$ -	\$ 16,108
EXPENDITURES							
Administration	-	-	-	36,803	-	-	36,803
Public works	-	-	-	73,025	3,255	-	76,280
Debt service:							
Principal	-	-	-	148,000	-	-	148,000
Interest	-	-	-	75,582	-	-	75,582
Capital outlay	-	-	-	167,415	-	480,839	648,254
Unclassified	-	-	13,192	-	-	-	13,192
EXPENDITURES	-	-	13,192	500,825	3,255	480,839	998,111
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	2,916	(500,825)	(3,255)	(480,839)	(982,003)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	533,428	81,227	-	614,655
Operating transfers (out)	-	-	-	-	(37,913)	-	(37,913)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	533,428	43,314	-	576,742
NET CHANGE IN FUND BALANCES	-	-	2,916	32,603	40,059	(480,839)	(405,261)
FUND BALANCES, JULY 1	33,430	34,998	84,921	289,470	117,101	(44,013)	515,907
FUND BALANCES, JUNE 30	\$ 33,430	\$ 34,998	\$ 87,837	\$ 322,073	\$ 157,160	\$ (524,852)	\$ 110,646

See accompanying independent auditors' report.



## Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds. The projects also include significant purchases of vehicles and equipment, as well as the servicing of leases and bonds associated with those purchases. Projects are generally segregated by the related Town department managing the project.

SCHEDULE F

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2012

	Fire/Ambulance Projects				
	West Kennebunk Fire Station	Dry Hydrants	Fire Trucks Tanker & Ladder	PD Station Ramp & Stairs	Highway Equipment
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	1,181	9,969	-	28,875	25,685
<b>TOTAL ASSETS</b>	<u>\$ 1,181</u>	<u>\$ 9,969</u>	<u>\$ -</u>	<u>\$ 28,875</u>	<u>\$ 25,685</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	1,181	9,969	-	28,875	25,685
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,181</u>	<u>9,969</u>	<u>-</u>	<u>28,875</u>	<u>25,685</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,181</u>	<u>\$ 9,969</u>	<u>\$ -</u>	<u>\$ 28,875</u>	<u>\$ 25,685</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2012

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Oak Bluff Reconstruction USDA Grant	Mousam Ridge Drainage
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	24,070	80,696	100,755	8,127	10,000
<b>TOTAL ASSETS</b>	<b>\$ 24,070</b>	<b>\$ 80,696</b>	<b>\$ 100,755</b>	<b>\$ 8,127</b>	<b>\$ 10,000</b>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	8,127	-
Committed	24,070	80,696	100,755	-	10,000
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>24,070</b>	<b>80,696</b>	<b>100,755</b>	<b>8,127</b>	<b>10,000</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 24,070</b>	<b>\$ 80,696</b>	<b>\$ 100,755</b>	<b>\$ 8,127</b>	<b>\$ 10,000</b>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2012

	<u>Public Works Projects</u>		
	<u>Budget Board</u>	<u>Bicycle Impact</u>	<u>Parking Lots</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other funds	118,330	98,491	6,000
<b>TOTAL ASSETS</b>	<u>\$ 118,330</u>	<u>\$ 98,491</u>	<u>\$ 6,000</u>
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	98,491	-
Committed	118,330	-	6,000
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>118,330</u>	<u>98,491</u>	<u>6,000</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 118,330</u>	<u>\$ 98,491</u>	<u>\$ 6,000</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2012

	Dorothy Stevens Center	Police Vehicles & Equipment	Park St. & Cousens Sch. Purchase	Energy Efficiency Improvements	Fire Ambulance Equipment
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	258	29,448	411,357	-	64,939
<b>TOTAL ASSETS</b>	<u>\$ 258</u>	<u>\$ 29,448</u>	<u>\$ 411,357</u>	<u>\$ -</u>	<u>\$ 64,939</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	6,166	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,166</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	258	29,448	411,357	-	64,939
Assigned	-	-	-	-	-
Unassigned	-	-	-	(6,166)	-
<b>TOTAL FUND BALANCES</b>	<u>258</u>	<u>29,448</u>	<u>411,357</u>	<u>(6,166)</u>	<u>64,939</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 258</u>	<u>\$ 29,448</u>	<u>\$ 411,357</u>	<u>\$ -</u>	<u>\$ 64,939</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2012

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	506	36,321	283	1,055,291
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 506</b>	<b>\$ 36,321</b>	<b>\$ 283</b>	<b>\$ 1,055,291</b>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 6,166
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,166</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	106,618
Committed	-	506	36,321	283	948,673
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(6,166)
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>506</b>	<b>36,321</b>	<b>283</b>	<b>1,049,125</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 506</b>	<b>\$ 36,321</b>	<b>\$ 283</b>	<b>\$ 1,055,291</b>

See accompanying independent auditors' report.

SCHEDULE G

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Fire/Ambulance Projects				
	West Kennebunk Fire Station	Dry Hydrants	Fire Trucks Tanker & Ladder	PD Station Ramp & Stairs	Highway Equipment
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Administration	-	-	-	-	-
Public works	-	-	-	-	4,315
Public safety	3,720	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	7,420	-	107,019	11,125	-
TOTAL EXPENDITURES	11,140	-	107,019	11,125	4,315
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,140)	-	(107,019)	(11,125)	(4,315)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	30,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	30,000
NET CHANGE IN FUND BALANCES	(11,140)	-	(107,019)	(11,125)	25,685
FUND BALANCES, JULY 1	12,321	9,969	107,019	40,000	-
FUND BALANCES, JUNE 30	\$ 1,181	\$ 9,969	\$ -	\$ 28,875	\$ 25,685

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Oak Bluff Reconstruction USDA Grant	Mousam Ridge Drainage
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 450,352	\$ -
Other	-	-	-	-	-
TOTAL REVENUES	-	-	-	450,352	-
EXPENDITURES					
Administration	4,197	-	6,891	-	-
Public works	-	-	-	398,225	-
Public safety	-	-	-	-	-
Debt service:					
Principal	-	694,584	-	-	-
Interest	-	164,090	-	-	-
Capital outlay	-	-	33,606	-	-
TOTAL EXPENDITURES	4,197	858,674	40,497	398,225	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,197)	(858,674)	(40,497)	52,127	-
OTHER FINANCING SOURCES (USES)					
Operating transfers in	21,416	730,635	51,000	-	-
Operating transfers (out)	-	(154,949)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	21,416	575,686	51,000	-	-
NET CHANGE IN FUND BALANCES	17,219	(282,988)	10,503	52,127	-
FUND BALANCES, JULY 1	6,851	363,684	90,252	(44,000)	10,000
FUND BALANCES, JUNE 30	\$ 24,070	\$ 80,696	\$ 100,755	\$ 8,127	\$ 10,000



SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budget Board	Public Works Projects	
		Bicycle Impact	Parking Lots
REVENUES			
Intergovernmental revenue	\$ -	\$ -	\$ -
Other	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES			
Administration	49,098	-	-
Public works	-	-	-
Public safety	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	49,098	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,098)	-	-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	50,000	21,150	-
Operating transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	21,150	-
NET CHANGE IN FUND BALANCES	902	21,150	-
FUND BALANCES, JULY 1	117,428	77,341	6,000
FUND BALANCES, JUNE 30	\$ 118,330	\$ 98,491	\$ 6,000

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Dorothy Stevens Center	Police Vehicles & Equipment	Park St. & Cousens Sch. Purchase	Energy Efficiency Improvements	Fire Ambulance Equipment
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	377,544	-	-
TOTAL REVENUES	-	-	377,544	-	-
EXPENDITURES					
Administration	-	-	18,806	-	-
Public works	-	-	-	-	-
Public safety	-	1,005	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	40,756	10,989	129,319	180,912
TOTAL EXPENDITURES	-	41,761	29,795	129,319	180,912
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(41,761)	347,749	(129,319)	(180,912)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	51,500	-	-	177,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	51,500	-	-	177,000
NET CHANGE IN FUND BALANCES	-	9,739	347,749	(129,319)	(3,912)
FUND BALANCES, JULY 1	258	19,709	63,608	123,153	68,851
FUND BALANCES, JUNE 30	\$ 258	\$ 29,448	\$ 411,357	\$ (6,166)	\$ 64,939

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 450,352
Other	-	-	-	-	377,544
TOTAL REVENUES	-	-	-	-	827,896
EXPENDITURES					
Administration	-	-	-	-	78,992
Public works	-	-	-	-	402,540
Public safety	-	-	-	-	4,725
Debt service:					
Principal	-	-	-	-	694,584
Interest	-	-	-	-	164,090
Capital outlay	102,089	-	-	164,448	787,683
TOTAL EXPENDITURES	102,089	-	-	164,448	2,132,614
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(102,089)	-	-	(164,448)	(1,304,718)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	90,000	-	30,000	200,000	1,452,701
Operating transfers (out)	-	-	-	-	(154,949)
TOTAL OTHER FINANCING SOURCES (USES)	90,000	-	30,000	200,000	1,297,752
NET CHANGE IN FUND BALANCES	(12,089)	-	30,000	35,552	(6,966)
FUND BALANCES, JULY 1	12,089	506	6,321	(35,269)	1,056,091
FUND BALANCES, JUNE 30	\$ -	\$ 506	\$ 36,321	\$ 283	\$ 1,049,125

See accompanying independent auditors' report.

## Permanent Funds

Permanent funds are used to account for assets held by the Town of Kennebunk, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2012

	Littlefield Educational Trust	Cemetery Trust Monument Lot	Centennial Lot	Martha Bragdon Trust	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 70,433	\$ 2,545	\$ 3,519	\$ 6,109	\$ 82,606
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 70,433</u>	<u>\$ 2,545</u>	<u>\$ 3,519</u>	<u>\$ 6,109</u>	<u>\$ 82,606</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 3,862	\$ 3,862
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,862</u>	<u>3,862</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	70,433	2,545	3,519	2,247	78,744
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>70,433</u>	<u>2,545</u>	<u>3,519</u>	<u>2,247</u>	<u>78,744</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 70,433</u>	<u>\$ 2,545</u>	<u>\$ 3,519</u>	<u>\$ 6,109</u>	<u>\$ 82,606</u>

See accompanying independent auditors' report.

SCHEDULE I

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Totals
		Monument Lot	Centennial Lot		
REVENUES					
Interest income	\$ 235	\$ 2	\$ 2	\$ 15	\$ 254
TOTAL REVENUES	<u>235</u>	<u>2</u>	<u>2</u>	<u>15</u>	<u>254</u>
EXPENDITURES	-	-	-	829	829
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>235</u>	<u>2</u>	<u>2</u>	<u>(814)</u>	<u>(575)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
NET CHANGE IN FUND BALANCES	(3,765)	2	2	(814)	(4,575)
FUND BALANCES, JULY 1	<u>74,198</u>	<u>2,543</u>	<u>3,517</u>	<u>3,061</u>	<u>83,319</u>
FUND BALANCES, JUNE 30	<u>\$ 70,433</u>	<u>\$ 2,545</u>	<u>\$ 3,519</u>	<u>\$ 2,247</u>	<u>\$ 78,744</u>

See accompanying independent auditors' report.

### General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

SCHEDULE J

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2012

	Land and Non-depreciable Assets	Buildings Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Administration	\$ 2,091	\$ 188,234	\$ 875,875	\$ -	\$ 1,066,200
Police	75,100	1,610,355	1,304,354	-	2,989,809
Fire	97,900	2,216,344	3,779,306	-	6,093,550
Public Works	1,190,526	387,206	1,885,331	18,159,963	21,623,026
Parks & Recreation	79,100	406,385	487,827	-	973,312
Town Wide	2,185,170	4,649,671	185,379	-	7,020,220
Total General Capital Assets	3,629,887	9,458,195	8,518,072	18,159,963	39,766,117
Less: Accumulated Depreciation	-	(4,891,373)	(5,911,750)	(7,759,383)	(18,562,506)
Net General Capital Assets	\$ 3,629,887	\$ 4,566,822	\$ 2,606,322	\$ 10,400,580	\$ 21,203,611

See accompanying independent auditors' report.



## TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2012

	General Capital Assets 7/1/11	Additions	Deletions	General Capital Assets 6/30/12
Administration	\$960,328	\$ 105,872	\$ -	\$ 1,066,200
Police	2,773,480	216,329	-	2,989,809
Fire	5,879,202	306,160	(91,812)	6,093,550
Public Works	20,667,776	1,600,677	(645,427)	21,623,026
Parks & Recreation	969,603	3,709	-	973,312
Town Wide	<u>7,020,220</u>	<u>-</u>	<u>-</u>	<u>7,020,220</u>
Total General Capital Assets	38,270,609	2,232,747	(737,239)	39,766,117
Less: Accumulated Depreciation	<u>(17,448,071)</u>	<u>(1,206,247)</u>	<u>91,812</u>	<u>(18,562,506)</u>
Net General Capital Assets	<u>\$20,822,538</u>	<u>\$ 1,026,500</u>	<u>\$ (645,427)</u>	<u>\$ 21,203,611</u>

See accompanying independent auditors' report.

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2012

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
Department of Homeland Security Federal Emergency Management Agency Safer Grant	97.044	N/A	\$ 75,309
Total Department of Homeland Security			<u>75,309</u>
Department of Agriculture Emergency Watershed Protection Program	10.923	N/A	\$ 344,000
Total Department of Agriculture			<u>344,000</u>
Department of Energy Passed through State of Maine EECBG	81.1128	N/A	\$ 81,000
Total Department of Energy			<u>81,000</u>
Department of Housing and Urban Development Passed through State of Maine CDBG - Facade Grant	14.228	N/A	\$ 109,288
Total Department of Housing and Urban Development			<u>109,288</u>
Environmental Protection Agency Brownfield Assessment and Cleanup Cooperative Agreement	66.818	N/A	\$ 15,823
Total Environmental Protection Agency			<u>15,823</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 625,420</u></u>

TOWN OF KENNEBUNK, MAINE

NOTES TO SCHEDULE OF FEDERAL AWARDS  
JUNE 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Kennebunk, Maine. All federal financial assistance received is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. The following program was tested as Type A program as outlined in OMB Circular A-133.

- 1) 10.923 – Emergency Watershed Protection Program



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' 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

November 29, 2012

Board of Selectmen  
Town of Kennebunk  
Kennebunk, Maine

We have audited the financial statements of the Town of Kennebunk, Maine, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Kennebunk, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kennebunk, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kennebunk, Maine's financial statements are free of 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*.

We noted certain other matters that we reported to management of the Town of Kennebunk, Maine in a separate letter dated April 25, 2013.

This report is intended solely for the information of the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Certified Public Accountants



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

November 29, 2012

Board of Selectmen  
Town of Kennebunk  
Kennebunk, Maine

Compliance

We have audited the compliance of Town of Kennebunk, Maine, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. Town of Kennebunk, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Kennebunk, Maine's management. Our responsibility is to express an opinion on Town of Kennebunk, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Kennebunk, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Kennebunk, Maine's compliance with those requirements.

In our opinion, Town of Kennebunk, Maine, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2012.

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## Internal Control Over Compliance

The management of Town of Kennebunk, Maine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Kennebunk, Maine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Kennebunk, Maine's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material with a type of compliance requirement of a federal program will not be prevented or detected and correct, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Certified Public Accountants

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**Section I - Summary of Auditor's Results**

• *Financial Statements*

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported  
In accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.923	Emergency Watershed Protection Program

Dollar threshold used to distinguish between type A and B: \$300,000

Auditee qualified as low-risk auditee? yes no

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None