

2013

Audited Financial Statements Town of Kennebunk, Maine June 30, 2013

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Audited Financial Statements

Town of Kennebunk, Maine

June 30, 2013



Proven Expertise and Integrity

TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Kennebunk
Kennebunk, Maine

Report on the Financial Statements

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

RHR Smith & Company

Buxton, Maine
November 27, 2013

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

(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, 2013. 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 Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position 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 16th 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 funds, the Pay-As-You-Throw trash 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 position, and changes in net position of the Town's governmental activities. The Town's total governmental net position increased by \$1,421,842 from \$23,855,597 to \$25,277,439. The Town's total business-type net position decreased by \$75,241 from a deficit of \$158,011 to a deficit of \$233,252.

Unrestricted net position - the part of net position 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 \$9,008,146 at the end of this year. Unrestricted net position for business-type activities decreased to a deficit balance of \$235,306.

Table 1
Town of Kennebunk, Maine
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Assets				
Current and other assets	\$ 11,517,261	\$ 12,384,737	\$ (233,252)	\$ (158,011)
Capital assets	22,433,375	21,203,611	-	-
Total assets	<u>33,950,636</u>	<u>33,588,348</u>	<u>(233,252)</u>	<u>(158,011)</u>
Liabilities				
Current liabilities	2,013,139	2,283,618	-	-
Long-term debt outstanding	6,418,899	7,226,514	-	-
Total liabilities	<u>8,432,038</u>	<u>9,510,132</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Deferred revenue	241,159	222,619	-	-
Total deferred inflows of resources	<u>241,159</u>	<u>222,619</u>	<u>-</u>	<u>-</u>
Net Position				
Invested in capital assets, net of related debt	15,738,841	13,734,632	-	-
Restricted	530,452	855,086	2,054	2,171
Unrestricted (deficit)	9,008,146	9,265,879	(235,306)	(160,182)
Total net position	<u>\$ 25,277,439</u>	<u>\$ 23,855,597</u>	<u>\$ (233,252)</u>	<u>\$ (158,011)</u>

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

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 1,659,327	\$ 1,593,068	\$ 482,511	\$ 502,402
Operating grants and contributions	166,689	160,556	-	-
Capital grants and contributions	478,615	450,352	-	-
<i>General Revenues:</i>				
Taxes	29,912,596	29,702,090	-	-
Grants and contributions not restricted to specific programs	1,099,882	967,756	-	-
Miscellaneous	352,444	698,217	-	-
Total revenues	<u>33,669,553</u>	<u>33,572,039</u>	<u>482,511</u>	<u>502,402</u>
Expenses				
General government	1,850,661	1,783,124	-	-
Public safety	4,146,089	4,035,579	-	-
Recreation and culture	1,239,882	1,135,498	-	-
Health and welfare	278,106	385,976	557,752	623,083
Public works	1,994,537	2,812,236	-	-
Education	19,544,108	19,503,319	-	-
County tax	1,152,525	1,113,468	-	-
Employee benefits	1,518,584	1,523,142	-	-
Agency requests	32,115	30,815	-	-
Interest on long-term debt	224,403	239,672	-	-
Unclassified	127,540	167,376	-	-
Unallocated depreciation (Note 4)	139,161	139,999	-	-
Total expenses	<u>32,247,711</u>	<u>32,870,204</u>	<u>557,752</u>	<u>623,083</u>
Change in net position	1,421,842	701,835	(75,241)	(120,681)
Net position - July 1	<u>23,855,597</u>	<u>23,153,762</u>	<u>(158,011)</u>	<u>(37,330)</u>
Net position - June 30	<u>\$ 25,277,439</u>	<u>\$ 23,855,597</u>	<u>\$ (233,252)</u>	<u>\$ (158,011)</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 0.29%, while total expenses decreased by 1.89%. Most of the Town's revenues and expenses were consistent with the previous year with minor increases or decreases.

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,

	2013	2012
Major Funds:		
General fund:		
Nonspendable	\$ 231,483	\$ 74,216
Committed	840,026	1,017,166
Assigned	132,621	127,162
Unassigned	7,444,341	7,011,232
Subtotal General Fund	8,648,471	8,229,776
April 16th Storm:		
Restricted	5,297	5,028
Roads & Paving		
Restricted	-	185,463
Unassigned	(152,010)	-
Total Major Funds	\$ 8,501,758	\$ 8,420,267
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 334,417	\$ 479,233
Assigned	151,898	156,265
Unassigned	(869,732)	(524,852)
Capital Projects:		
Restricted	116,941	106,618
Committed	1,415,361	948,673
Assigned	12,567	-
Unassigned	(508,308)	(6,166)
Permanent funds:		
Restricted	73,797	78,744
Total Nonmajor Funds	\$ 726,941	\$ 1,238,515

The general fund total fund balance increased by \$418,695 from the prior fiscal year and the major capital projects decreased by \$337,204. The non-major fund balances decreased by \$511,574 from the prior fiscal year.

The unassigned fund balance deficit for the Roads & Paving major fund, as well as unassigned fund balance deficits for the nonmajor special revenue funds and capital projects funds are primarily due to expenditures incurred for projects and fixed assets prior to the issuance of bonds that had been authorized to finance these expenditures. On July 30, 2013, bonds totaling \$5,244,000 were issued to replenish these deficit balances, and to finance several future projects and fixed asset acquisitions.

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 \$75,124. Likewise, the electrical inspection program had an operating loss for the current year of \$117. 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 its June 11, 2013 Annual Town Meeting, the Town voted to authorize transferring \$160,182 from unassigned general fund balance to the net position of the PAYT trash program enterprise fund at July 1, 2013. This transference of funds reduces the net position deficit by \$160,182.

At the June 2014 Annual Town Meeting, voters will be asked to transfer unassigned general fund balance to eliminate the remaining net position deficit 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 \$1,333,218. This was a result of all revenue categories recognized in excess of budgeted amount.

The general fund actual expenditures were under the budget by \$311,805. All expenditure categories were under budget with the exception of Recreation and Culture and Transfers to Other Funds.

The overage in Recreation and Culture was primarily due to increased recreation programs offered to the community. The extra expenditures were paid for through additional revenues charged and received from the program participants.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013, the net book value of capital assets recorded by the Town increased by \$1,229,764. 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,

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 3,517,740	\$ 3,491,056
Buildings and building improvements	3,338,335	3,554,414
Furniture and fixtures	45,744	52,371
Machinery, equipment and vehicles	2,886,475	2,553,951
Art work and historical treasures	41,000	41,000
Construction in progress	314,831	1,110,239
Infrastructure	<u>12,289,250</u>	<u>10,400,580</u>
Total	<u>\$ 22,433,375</u>	<u>\$ 21,203,611</u>

Long-Term Debt Activity

At June 30, 2013, the Town had \$6,685,000 in bonds outstanding versus \$7,445,000 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.

On July 30, 2013, bonds totaling \$5,244,000 were issued to finance to various Town projects, as well as the acquisition of several vehicles and pieces of equipment. Also included was the refunding and refinancing of the balance of the Town's bonds issued in 2003. The bonds issued in July span 15 years, with interest rates from 2.00% to 4.00%. In connection with this bond issue, the Town was assigned a rating of AAA by Standard & Poor's, and a rating of Aa2 by Moody's.

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 previous years. However, for fiscal year 2013, the Town's net municipal budget increased 3.6% from the prior year. The change was due to increased debt service payments, small wage increases and other contractual cost increases. For fiscal year 2014, the Town's net

municipal budget approved at the June 11, 2013 Annual Town Meeting was kept unchanged from fiscal year 2013. Even though many of the increases for 2013 are also expected for 2014, the Town voted to apply unassigned general fund balance to keep the net municipal budget level for fiscal year 2014.

Even though the Town's budget remained flat, three factors caused the fiscal year 2014 tax mil rate to increase from \$14.40 to \$14.95: (1) the local school district's assessment increased 5.7%, (2) the York County assessment increased 10.4%, and (3) the State's revenue sharing estimate decreased by 33%. The County increase was a result of it changing from a calendar year to a July 1 to June 30 fiscal year. The Town's allocated portion of the short-year six month change-over assessment is being paid for over a five-year term.

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 POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,058,857	\$ -	\$ 5,058,857
Investments	4,887,361	-	4,887,361
Accounts receivable (net of allowance for uncollectibles):			
Taxes	764,121	-	764,121
Liens	205,061	-	205,061
Other	87,400	49,726	137,126
Tax acquired property	231,483	-	231,483
Internal balances	282,978	(282,978)	-
Total current assets	<u>11,517,261</u>	<u>(233,252)</u>	<u>11,284,009</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	2,834,479	-	2,834,479
Depreciable assets, net of accumulated depreciation	19,598,896	-	19,598,896
Total noncurrent assets	<u>22,433,375</u>	<u>-</u>	<u>22,433,375</u>
TOTAL ASSETS	<u>\$ 33,950,636</u>	<u>\$ (233,252)</u>	<u>\$ 33,717,384</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 230,510	\$ -	\$ 230,510
Accrued payroll	356,426	-	356,426
Other liabilities	658,118	-	658,118
Current portion of long-term obligations	768,085	-	768,085
Total current liabilities	<u>2,013,139</u>	<u>-</u>	<u>2,013,139</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	5,920,000	-	5,920,000
Capital leases payable	6,449	-	6,449
Accrued compensated absences	275,816	-	275,816
Pension benefit obligations	216,634	-	216,634
Total noncurrent liabilities	<u>6,418,899</u>	<u>-</u>	<u>6,418,899</u>
TOTAL LIABILITIES	<u>8,432,038</u>	<u>-</u>	<u>8,432,038</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	241,159	-	241,159
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>241,159</u>	<u>-</u>	<u>241,159</u>
NET POSITION			
Invested in capital assets, net of related debt	15,738,841	-	15,738,841
Restricted	530,452	2,054	532,506
Unrestricted (deficit)	9,008,146	(235,306)	8,772,840
TOTAL NET POSITION	<u>25,277,439</u>	<u>(233,252)</u>	<u>25,044,187</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 33,950,636</u>	<u>\$ (233,252)</u>	<u>\$ 33,717,384</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Totals
Governmental activities:							
General government	\$ 1,850,661	\$ 75,171	\$ -	\$ -	\$ (1,775,490)	\$ -	\$ (1,775,490)
Public safety	4,146,089	777,923	-	-	(3,368,166)	-	(3,368,166)
Recreation and culture	1,239,882	626,076	-	-	(613,806)	-	(613,806)
Health and welfare	278,106	8,200	-	-	(269,906)	-	(269,906)
Public works	1,994,537	171,957	166,689	478,615	(1,177,276)	-	(1,177,276)
Education	19,544,108	-	-	-	(19,544,108)	-	(19,544,108)
County tax	1,152,525	-	-	-	(1,152,525)	-	(1,152,525)
Employee benefits	1,518,584	-	-	-	(1,518,584)	-	(1,518,584)
Agency requests	32,115	-	-	-	(32,115)	-	(32,115)
Interest on long-term debt	224,403	-	-	-	(224,403)	-	(224,403)
Unclassified	127,540	-	-	-	(127,540)	-	(127,540)
Unallocated depreciation (Note 4)*	139,161	-	-	-	(139,161)	-	(139,161)
Total governmental activities	32,247,711	1,659,327	166,689	478,615	(29,943,080)	-	(29,943,080)
Business-type activities:							
Pay-As-You-Throw Trash Program	536,076	460,952	-	-	-	(75,124)	(75,124)
Electrical Inspection Program	21,676	21,559	-	-	-	(117)	(117)
Total business-type activities	557,752	482,511	-	-	-	(75,241)	(75,241)
Total government	\$ 32,805,463	\$ 2,141,838	\$ 166,689	\$ 478,615	(29,943,080)	(75,241)	(30,018,321)

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

STATEMENT B (CONTINUED)
TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business-type Activities	Totals
Changes in net position:			
Net (expense) revenue	(29,943,080)	(75,241)	(30,018,321)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	28,009,379	-	28,009,379
Excise taxes	1,903,217	-	1,903,217
Grants and contributions not restricted to specific programs	1,099,882	-	1,099,882
Miscellaneous	352,444	-	352,444
Total general revenues	31,364,922	-	31,364,922
Change in net position	1,421,842	(75,241)	1,346,601
NET POSITION - JULY 1	23,855,597	(158,011)	23,697,586
NET POSITION - JUNE 30	\$ 25,277,439	\$ (233,252)	25,044,187

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

STATEMENT C

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Roads & Paving	April 16th Storm	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,976,032	\$ -	\$ -	\$ 82,825	\$ 5,058,857
Investments	4,887,361	-	-	-	4,887,361
Accounts receivables (net of allowance for uncollectibles):					
Taxes	764,121	-	-	-	764,121
Liens	205,061	-	-	-	205,061
Other	87,400	-	-	-	87,400
Tax acquired property	231,483	-	-	-	231,483
Due from other funds	1,824,110	-	5,297	2,031,184	3,860,591
TOTAL ASSETS	\$ 12,975,568	\$ -	\$ 5,297	\$ 2,114,009	\$ 15,094,874
LIABILITIES					
Accounts payable	\$ 230,510	\$ -	\$ -	\$ -	\$ 230,510
Accrued payroll	356,426	-	-	-	356,426
Other liabilities	658,118	-	-	-	658,118
Due to other funds	2,038,535	152,010	-	1,387,068	3,577,613
TOTAL LIABILITIES	3,283,589	152,010	-	1,387,068	4,822,667
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	241,159	-	-	-	241,159
Deferred tax revenue	802,349	-	-	-	802,349
TOTAL DEFERRED INFLOWS OF RESOURCES	1,043,508	-	-	-	1,043,508
FUND BALANCES					
Nonspendable	231,483	-	-	-	231,483
Restricted	-	-	5,297	525,155	530,452
Committed	840,026	-	-	1,415,361	2,255,387
Assigned	132,621	-	-	164,465	297,086
Unassigned	7,444,341	(152,010)	-	(1,378,040)	5,914,291
TOTAL FUND BALANCES	8,648,471	(152,010)	5,297	726,941	9,228,699
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,975,568	\$ -	\$ 5,297	\$ 2,114,009	\$ 15,094,874

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 POSITION
JUNE 30, 2013

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 9,228,699
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	22,433,375
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	802,349
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	(9,534)
Bonds payable	(6,685,000)
Accrued compensated absences	(275,816)
Pension benefit obligations	<u>(216,634)</u>
Net position of governmental activities	<u><u>\$ 25,277,439</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, 2013

	General Fund	Roads & Paving	April 16th Storm	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property taxes	\$ 28,201,193	\$ -	\$ -	\$ -	\$ 28,201,193
Excise taxes	1,903,217	-	-	-	1,903,217
Intergovernmental revenues	1,266,571	471,499	7,116	-	1,745,186
Charges for services	1,659,327	-	-	-	1,659,327
Miscellaneous revenues	334,707	-	-	17,737	352,444
TOTAL REVENUES	33,365,015	471,499	7,116	17,737	33,861,367
EXPENDITURES					
Current:					
General government	1,686,967	-	-	177,272	1,864,239
Public Safety	3,719,964	-	-	5,174	3,725,138
Public Works	1,161,262	46,071	6,847	129,579	1,343,759
Education	19,544,108	-	-	-	19,544,108
County tax	1,152,525	-	-	-	1,152,525
Recreation & culture	1,211,130	-	-	-	1,211,130
Health & welfare	278,106	-	-	-	278,106
Employee benefits	1,518,584	-	-	-	1,518,584
Agency request	32,115	-	-	-	32,115
Capital outlay	-	1,098,901	-	1,420,542	2,519,443
Debt Service:					
Principal	-	-	-	774,445	774,445
Interest	-	-	-	224,403	224,403
Unclassified	102,289	-	-	1,166	103,455
TOTAL EXPENDITURES	30,407,050	1,144,972	6,847	2,732,581	34,291,450
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,957,965	(673,473)	269	(2,714,844)	(430,083)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	4,000	336,000	-	2,248,290	2,588,290
Operating transfers (out)	(2,543,270)	-	-	(45,020)	(2,588,290)
TOTAL OTHER FINANCING SOURCES (USES)	(2,539,270)	336,000	-	2,203,270	-
NET CHANGE IN FUND BALANCES	418,695	(337,473)	269	(511,574)	(430,083)
FUND BALANCES - JULY 1	8,229,776	185,463	5,028	1,238,515	9,658,782
FUND BALANCES - JUNE 30	\$ 8,648,471	\$ (152,010)	\$ 5,297	\$ 726,941	\$ 9,228,699

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, 2013

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (430,083)</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	3,585,671
Capital asset disposals	(1,066,225)
Depreciation expense	<u>(1,289,682)</u>
	<u>1,229,764</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 Position	
	<u>774,445</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	63,618
Pension benefit obligations	<u>(24,088)</u>
	<u>39,530</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>(191,814)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,421,842</u></u>

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

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds		Totals
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	49,726	-	49,726
Due from other funds	-	2,054	2,054
Total assets	<u>\$ 49,726</u>	<u>\$ 2,054</u>	<u>\$ 51,780</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	285,032	-	285,032
Total liabilities	<u>285,032</u>	<u>-</u>	<u>285,032</u>
NET POSITION			
Restricted	-	2,054	2,054
Unrestricted (deficit)	(235,306)	-	(235,306)
Total net position	<u>(235,306)</u>	<u>2,054</u>	<u>(233,252)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 49,726</u>	<u>\$ 2,054</u>	<u>\$ 51,780</u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		Totals
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for services	\$ 460,952	\$ 21,559	\$ 482,511
Other	-	-	-
TOTAL OPERATING REVENUES	<u>460,952</u>	<u>21,559</u>	<u>482,511</u>
OPERATING EXPENSES			
Program supplies	<u>536,076</u>	<u>21,676</u>	<u>557,752</u>
TOTAL OPERATING EXPENSES	<u>536,076</u>	<u>21,676</u>	<u>557,752</u>
OPERATING INCOME (LOSS)	<u>(75,124)</u>	<u>(117)</u>	<u>(75,241)</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 POSITION	(75,124)	(117)	(75,241)
NET POSITION - JULY 1	<u>(160,182)</u>	<u>2,171</u>	<u>(158,011)</u>
NET POSITION - JUNE 30	<u>\$ (235,306)</u>	<u>\$ 2,054</u>	<u>\$ (233,252)</u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 470,039	\$ 21,676	\$ 491,715
Internal activity - receipts (payments) from/to other funds	-	-	-
Payments to suppliers	(470,039)	(21,676)	(491,715)
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)	\$ (75,124)	\$ (117)	\$ (75,241)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	9,087	-	9,087
(Increase) decrease in due from other funds	-	117	117
Increase (decrease) in due to other funds	66,037	-	66,037
	\$ -	\$ -	\$ -

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	<u>Private- purpose trust</u>
ASSETS	
Accounts receivable-employees	\$ 138,532
Investments, at fair value	<u>2,948,633</u>
TOTAL ASSETS	<u><u>\$ 3,087,165</u></u>
 LIABILITIES	
Accounts payable	<u>-</u>
Deposits held for others	<u>-</u>
 NET POSITION	
Held in trust for special purposes	<u>3,087,165</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,087,165</u></u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private- purpose trust</u>
ADDITIONS	
Contributions	\$ 375,423
Net increase (decrease) in the fair value of investments	316,161
Miscellaneous	-
Total additions	<u>691,584</u>
DEDUCTIONS	
Distributions	208,081
Service fees	1,488
Total deductions	<u>209,569</u>
Change in net position	482,015
NET POSITION - JULY 1	<u>2,605,150</u>
NET POSITION - JUNE 30	<u><u>\$ 3,087,165</u></u>

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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).

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) trash program 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 Position, 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 position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position 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, 2013

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 that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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 position 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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2013

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, 2013

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 \$169,956 as of June 30, 2013 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, 2013

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, 2013 the Town's liability for compensated absences is \$275,816.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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, 2012 on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. Taxes were due on in two installments on October 5, 2012 and April 5, 2013. Interest on unpaid taxes commenced on October 6, 2012 and April 6, 2013, 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 \$488,811 for the year ended June 30, 2013.

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, 2013

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, 2013, the Town reported deposits of \$5,058,857 with a bank balance of \$5,165,415. None of the Town's bank balances of \$5,165,415 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	\$ 719,296
Savings accounts	106,736
Money market accounts	<u>4,339,383</u>
	<u>\$ 5,165,415</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, 2013

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 \$4,887,361, 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, 2013, 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	\$ 413,192	\$ -	\$ -	\$ 413,192
Bond funds	105,975	-	-	105,975
Asset allocation funds	1,307,900	-	-	1,307,900
Stocks - U. S.	902,411	-	-	902,411
Stocks - International	143,465	-	-	143,465
Speciality	75,690	-	-	75,690
Total - Fiduciary Fund	<u>2,948,633</u>	<u>-</u>	<u>-</u>	<u>2,948,633</u>
Governmental Funds:				
Certificates of deposit	4,887,361	4,887,361	-	-
Total - Governmental Funds	<u>4,887,361</u>	<u>4,887,361</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,835,994</u>	<u>\$ 4,887,361</u>	<u>\$ -</u>	<u>\$ 2,948,633</u>

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
	<u> </u>	<u> </u>
General fund	\$ 1,824,110	\$ 2,038,535
Road Paving & Improvement	-	152,010
April 16th Storm	5,297	-
Enterprise fund	2,054	285,032
Nonmajor special revenue funds	486,315	869,732
Nonmajor capital projects fund	1,544,869	508,308
Nonmajor permanent funds	-	9,028
Totals	<u>\$ 3,862,645</u>	<u>\$ 3,862,645</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is as follows:

	Balance, 7/1/12	Additions	Deletions	Balance, 6/30/13
<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	1,110,239	270,817	(1,066,225)	314,831
	<u>3,629,887</u>	<u>270,817</u>	<u>(1,066,225)</u>	<u>2,834,479</u>
Depreciated assets:				
Land improvements	1,419,851	86,462	-	1,506,313
Buildings	1,465,055	-	-	1,465,055
Building improvements	6,573,289	28,875	-	6,602,164
Furniture & fixtures	255,248	36,185	-	291,433
Machinery & equipment	3,606,333	157,425	-	3,763,758
Vehicles	4,656,491	584,524	-	5,241,015
Infrastructure:				
Bridges	15,000	-	-	15,000
Drainage system	375,725	-	-	375,725
Roads	16,298,601	1,459,164	-	17,757,765
Sewer lines	316,306	-	-	316,306
Sidewalks	1,154,331	962,219	-	2,116,550
	<u>36,136,230</u>	<u>3,314,854</u>	<u>-</u>	<u>39,451,084</u>
Less: accumulated depreciation	<u>(18,562,506)</u>	<u>(1,289,682)</u>	<u>-</u>	<u>(19,852,188)</u>
	<u>17,573,724</u>	<u>2,025,172</u>	<u>-</u>	<u>19,598,896</u>
Net capital assets	<u>\$ 21,203,611</u>	<u>\$ 2,295,989</u>	<u>\$ (1,066,225)</u>	<u>\$ 22,433,375</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS (CONTINUED)

<u>Current year depreciation</u>	
Administration	\$ 50,040
Police	162,608
Fire	258,343
Public works	650,778
Parks & recreation	28,752
Town-wide	<u>139,161</u>
 Total depreciation expense	 <u>\$ 1,289,682</u>

NOTE 5 – LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2013:

<u>Governmental Activities</u>	<u>Balance, 7/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 6/30/13</u>	<u>Current Portion</u>
Bonds payable	\$ 7,445,000	\$ -	\$ (760,000)	\$ 6,685,000	\$ 765,000
Capital leases payable	23,979	-	(14,445)	9,534	3,085
Accrued compensated absences	339,434	-	(63,618)	275,816	-
Pension benefit obligations	192,546	24,088	-	216,634	-
	<u>\$ 8,000,959</u>	<u>\$ 24,088</u>	<u>\$ (838,063)</u>	<u>\$ 7,186,984</u>	<u>\$ 768,085</u>

The following is a summary of outstanding bonds payable:

	<u>Governmental Activities</u>
\$2,305,000, 2003 General Obligation bond due in annual principal installments varying from \$175,000 to \$60,000. The interest rate varies from 2.250% to 4.200% per annum. Maturity in October 2017.	\$ 590,000
\$995,000, 2004 General Obligation bond due in annual principal installments varying from \$100,000 to \$95,000. The interest rate varies from 2.000% to 3.875% per annum. Maturity in October 2014.	195,000
\$1,360,000, 2007 General Obligation bond due in annual principal installments of \$95,000 to \$50,000. The interest rate varies from 4.00% to 5.00% per annum. Maturity in October 2026.	790,000

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

5,110,000

\$ 6,685,000

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
2014	\$ 765,000	\$ 202,517	\$ 967,517
2015	765,000	179,939	944,939
2016	515,000	161,998	676,998
2017	490,000	148,993	638,993
2018	490,000	135,478	625,478
2019-2023	2,120,000	471,768	2,591,768
2024-2028	1,300,000	143,319	1,443,319
2029-2033	240,000	9,600	249,600
	<u>\$ 6,685,000</u>	<u>\$ 1,453,612</u>	<u>\$ 8,138,612</u>

The following is a summary of outstanding capital leases payable:

\$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.

\$ 9,534

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – LONG TERM DEBT (CONTINUED)

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

Year Ending <u>June 30:</u>	
2014	\$ 3,370
2015	3,370
2016	3,370
Total minimum lease payment	<u>10,110</u>
Less amount representing interest	(576)
Present value of future minimum lease payments	<u><u>\$ 9,534</u></u>

NOTE 6 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures were overspent at June 30, 2013:

Recreation and culture	\$ 89,130
Transfers to other funds	<u>60,925</u>
	<u><u>\$ 150,055</u></u>

NOTE 7 – NONSPENDABLE FUND BALANCES

At June 30, 2013, the Town had the following nonspendable fund balances:

General fund:	
Tax acquired property	<u><u>\$ 231,483</u></u>

NOTE 8 – RESTRICTED FUND BALANCES

At June 30, 2013, the Town had the following restricted fund balances:

April 16th Storm	\$ 5,297
Nonmajor special revenue funds (See Schedule D)	334,417
Nonmajor capital project funds (See Schedule F)	116,941
Nonmajor permanent funds (See Schedule H)	<u>73,797</u>
	<u><u>\$ 530,452</u></u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – COMMITTED FUND BALANCES

At June 30, 2013, the Town has the following committed fund balances:

General fund:	
Matching grant funds	\$ 44,000
Bicentennial celebration	3,833
Capital assets/projects	510,700
Pay-As-You-Throw enterprise fund	160,182
Debt service during 2014	121,311
Nonmajor capital project funds (See Schedule F)	1,415,361
	<u>\$ 2,255,387</u>

NOTE 10 – ASSIGNED FUND BALANCES

At June 30, 2013, the Town had the following assigned fund balances:

General fund:	
Heating assistance	\$ 19,529
Assessors office	2,547
Printing and advertising	5,000
General assistance training	574
Conservation commission	12,212
Downtown committee	6,898
Economic development committee	5,139
West Kennebunk Village committee	4,346
Human resources committee	4,926
Energy efficiency	2,808
Tree committee	3,328
Donations	1,890
General government training	5,623
Computer training	7,760
Community development training	5,346
Lower Village	8,672
Property tax assistance	3,493
Operational contingency	32,530
Nonmajor special revenue funds (See Schedule D)	151,898
Nonmajor capital project funds (See Schedule F)	12,567
	<u>\$ 297,086</u>

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

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, 2013.

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, 2013, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 8,900,000	7.23%	\$ 643,470
RSU No. 21	17,749,079	59.63%	10,583,776
			\$ 11,227,246

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.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. During fiscal year 2013 the Town was 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, 2013, 2012 and 2011 were: \$179,564, \$146,026, and \$121,786, respectively.

As of June 30, 2013, the Town had an unfunded actuarial accrued liability credit of \$21,418, 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.

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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – DEFERRED COMPENSATION PLAN (CONTINUED)

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, 2013, 2012 and 2011 were: \$158,112, \$161,048, and \$168,728, respectively. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$355,032, \$366,013, and \$371,235 for the years ended June 30, 2013, 2012 and 2011, respectively.

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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

The Town is a member of the Maine Municipal Employees Health Trust (the “Health Trust”). In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as Maine PERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. The Town does not supplement the cost of this coverage directly, but recognizes the liability for inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of January 1, 2013, the date of the most recent Actuarial Valuation Report, there were five retirees and fifty-two employees.

Benefits provided – The Town provides medical and prescription drug coverage to retirees and their eligible spouses and dependents. Pre-Medicare retirees are offered the same plans that are available to the active employees. The plans are provided through the Health Trust, and include the Comprehensive Point of Service Plan C and the PPO 500 Value Plan.

Funding policy – Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town’s annual OPEB cost for the fiscal year ended June 30, 2013 including the amount actually contributed to the plan and the change in the Town’s net OPEB obligation using the level of funding amortization method is as follows:

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Normal cost	\$ 13,508
Amortization of unfunded liability	15,440
Interest	573
Annual required contribution	29,521
Interest on net OPEB obligation	7,702
Adjustment to annual required contribution	(11,135)
Annual OPEB cost	26,088
Contributions made	(2,000)
Increase in net OPEB obligation	24,088
Net OPEB obligation, beginning of year	192,546
 Net OPEB obligation, end of year	 \$ 216,634

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2013 and June 30, 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2012	\$ 33,771	\$ -	0.0%	\$ 192,546
6/30/2013	\$ 26,088	\$ -	0.0%	\$ 216,634

The funded status of the plan as of June 30, 2013, was as follows:

Actuarial Accrued Liability	\$ 277,670
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	\$ 277,670
 Funded Ratio (Actuarial Value of Plan Assets/AAL)	 0.0%
 Covered Payroll of Active Plan Members	 \$ 2,934,139
 UAAL as a percentage of Covered Payroll	 9.5%

Methods of Assumptions – The projected unit credit (PUC) cost method was used for the valuation. The amortization method is the level dollar open, amortized over 30 years. Under the PUC method, benefits are projected for life, and their present value

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

is determined. The present value is divided into equal parts, which are earned from date of hire to each decrement age. An open 30 year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information of the latest actuarial valuation is as follows:

Valuation Date	1/1/2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Open
Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	4.00%
Rate of Salary Increases	3.00%
Ultimate Rate of Medical Inflation	4.25%

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)	Unfunded Actuarial Liability (UAL) (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%
6/30/2013	\$ -	\$ 277,670	0.0%	\$ 2,934,139	9.5%

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 17 – DEFICIT FUND BALANCES/NET POSITION

At June 30, 2013, the Town has the following funds with deficit fund balances or net assets:

Deficit fund balances:	
Highway equipment	\$ 89,612
Parking lots	4,000
West Kennebunk field	9,110
HVAC systems & insulation	235,875
Police vehicles & equipment	67,450
Parks & recreation projects	102,261
West Kennebunk TIF	125,252
Lower Village TIF	744,480
Roads and paving	152,010
	<u>\$ 1,530,050</u>
Deficit net position:	
Pay-As-You-Throw Trash Program	<u>\$ 235,306</u>

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.

There was activity in all of the TIFs for fiscal year 2013. 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, 2013, no CEAs had been established.

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 18 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

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 6/30/13	\$ 39,266,400	\$ 6,335,600	\$ 420,100	\$ 6,755,700	\$ 1,967,672

NOTE 19 – SUBSEQUENT EVENTS

On July 30, 2013 the Town issued a general obligation bond for \$5,244,000 at varying interest rates from 2.00% to 4.00% with a maturity date of October 1, 2028 to finance various town projects.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 8,229,776	\$ 8,229,776	\$ 8,229,776	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	27,507,746	27,507,746	28,201,193	693,447
Excise Taxes	1,715,500	1,715,500	1,903,217	187,717
Intergovernmental Revenues:				
State Revenue Sharing	600,000	600,000	665,810	65,810
Homestead Reimbursement	157,798	157,798	171,448	13,650
Local Road Assistance	140,000	140,000	166,689	26,689
Other	249,663	249,663	262,624	12,961
Interest Income	100,000	100,000	108,358	8,358
Charges for Service	1,409,900	1,409,900	1,659,327	249,427
Miscellaneous Revenues	151,190	151,190	226,349	75,159
Transfers from Other Funds	4,000	4,000	4,000	-
Amounts Available for Appropriation	<u>40,265,573</u>	<u>40,265,573</u>	<u>41,598,791</u>	<u>1,333,218</u>
Charges to Appropriations (Outflows):				
General Government	1,746,168	1,814,176	1,686,967	127,209
Public Safety	3,890,453	3,890,453	3,719,964	170,489
Public Works	1,098,610	1,180,610	1,161,262	19,348
Education	19,544,108	19,544,108	19,544,108	-
County Tax	1,152,525	1,152,525	1,152,525	-
Recreation and Culture	1,122,000	1,122,000	1,211,130	(89,130)
Health and Welfare	296,220	324,312	278,106	46,206
Employee Benefits	1,525,052	1,525,052	1,518,584	6,468
Agency Requests	32,115	32,115	32,115	-
Unclassified	116,034	194,429	102,289	92,140
Transfers to Other Funds	1,512,512	2,482,345	2,543,270	(60,925)
Total Charges to Appropriations	<u>32,035,797</u>	<u>33,262,125</u>	<u>32,950,320</u>	<u>311,805</u>
Budgetary Fund Balance, June 30	<u>\$ 8,229,776</u>	<u>\$ 7,003,448</u>	<u>\$ 8,648,471</u>	<u>\$ 1,645,023</u>
Utilization of committed fund balance	\$ -	\$ 1,017,166	\$ -	\$ (1,017,166)
Utilization of assigned fund balance	-	127,162	-	(127,162)
Utilization of unassigned fund balance	-	82,000	-	(82,000)
	<u>\$ -</u>	<u>\$ 1,226,328</u>	<u>\$ -</u>	<u>\$ (1,226,328)</u>

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, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government expenses	\$ 585,643	\$ 4,732	\$ 590,375	\$ 575,933	\$ 14,442
Selectmen	29,924	-	29,924	23,576	6,348
Town Manager	162,859	-	162,859	161,636	1,223
Town Clerk	87,789	-	87,789	87,038	751
Ballot Clerks	36,570	-	36,570	34,817	1,753
Assessors	171,487	341	171,828	161,909	9,919
Code enforcement	262,454	-	262,454	263,145	(691)
Town Hall	194,117	-	194,117	167,507	26,610
Computer Department	165,072	5,456	170,528	161,012	9,516
Conservation Commission	-	14,789	14,789	2,577	12,212
Site Plan Review Board	8,310	-	8,310	6,012	2,298
Zoning Board of Appeals	1,200	-	1,200	1,134	66
Shellfish Committee	-	5,579	5,579	-	5,579
Board of Assessment Review	1,000	-	1,000	227	773
Dog Advisory Committee	200	-	200	162	38
Historic Preservation Committee	1,700	-	1,700	1,590	110
Lower Village Committee	5,550	3,869	9,419	747	8,672
Downtown Committee	2,385	5,676	8,061	1,164	6,897
Economic Development Committee	-	7,742	7,742	2,603	5,139
West Kennebunk Village Committee	2,000	3,137	5,137	1,522	3,615
Human Resources Committee	-	7,926	7,926	3,000	4,926
Energy Efficiency Committee	3,600	1,093	4,693	1,884	2,809
Festival Committee	-	605	605	-	605
Tree Committee	2,000	1,328	3,328	-	3,328
Affordable Housing Committee	200	-	200	-	200
Bicentennial Committee	500	3,333	3,833	-	3,833
Community Garden Committee	2,080	2,402	4,482	6,080	(1,598)
Planning Board	19,528	-	19,528	21,692	(2,164)
	<u>1,746,168</u>	<u>68,008</u>	<u>1,814,176</u>	<u>1,686,967</u>	<u>127,209</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works -					
Highway	1,098,610	82,000	1,180,610	1,161,262	19,348
	<u>1,098,610</u>	<u>82,000</u>	<u>1,180,610</u>	<u>1,161,262</u>	<u>19,348</u>
Education	19,544,108	-	19,544,108	19,544,108	-
County Tax	1,152,525	-	1,152,525	1,152,525	-
Recreation and Culture -					
Life Guards	51,886	-	51,886	46,473	5,413
Parks & Recreation	575,130	-	575,130	669,673	(94,543)
Kennebunk Free Library	494,984	-	494,984	494,984	-
	<u>1,122,000</u>	<u>-</u>	<u>1,122,000</u>	<u>1,211,130</u>	<u>(89,130)</u>
Health And Welfare -					
Recycling	219,570	-	219,570	219,570	-
Social Services	76,650	28,092	104,742	58,536	46,206
	<u>296,220</u>	<u>28,092</u>	<u>324,312</u>	<u>278,106</u>	<u>46,206</u>
Employee Benefits -					
Health Benefits	908,857	-	908,857	876,388	32,469
FICA	361,238	-	361,238	355,084	6,154
Retirement	116,160	-	116,160	138,996	(22,836)
Workers Comp	120,331	-	120,331	132,744	(12,413)
Unemployment Comp	18,466	-	18,466	15,372	3,094
	<u>1,525,052</u>	<u>-</u>	<u>1,525,052</u>	<u>1,518,584</u>	<u>6,468</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency Requests -					
SMMC Visiting Nurses	5,000	-	5,000	5,000	-
Biddeford Free Clinic	500	-	500	500	-
Day One	1,000	-	1,000	1,000	-
So. Maine Parent Awareness	1,030	-	1,030	1,030	-
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	-
Home Health Visiting Nurses	3,090	-	3,090	3,090	-
Church Community Outreach	1,300	-	1,300	1,300	-
	<u>32,115</u>	<u>-</u>	<u>32,115</u>	<u>32,115</u>	<u>-</u>
Public Safety -					
Police	1,780,536	-	1,780,536	1,698,427	82,109
Ambulance	844,192	-	844,192	783,960	60,232
Communications	274,288	-	274,288	257,290	16,998
Civil Emergency Preparedness	5,215	-	5,215	7,712	(2,497)
Hydrants & Street Lights	408,467	-	408,467	409,743	(1,276)
Fire Department	577,755	-	577,755	562,832	14,923
	<u>3,890,453</u>	<u>-</u>	<u>3,890,453</u>	<u>3,719,964</u>	<u>170,489</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Operational Contingency	-	34,395	34,395	1,866	32,529
Historian	500	-	500	-	500
Harbormaster	14,825	-	14,825	12,712	2,113
Tree Warden	3,500	-	3,500	2,148	1,352
Matching Grant Funds	-	44,000	44,000	(6,000)	50,000
Memorial Day	800	-	800	800	-
Facilities	96,409	-	96,409	90,763	5,646
	<u>116,034</u>	<u>78,395</u>	<u>194,429</u>	<u>102,289</u>	<u>92,140</u>
Totals	<u>\$ 30,523,285</u>	<u>\$ 256,495</u>	<u>\$ 30,779,780</u>	<u>\$ 30,407,050</u>	<u>\$ 372,730</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 82,825	\$ 82,825
Due from other funds	486,315	1,544,869	-	2,031,184
TOTAL ASSETS	<u>\$ 486,315</u>	<u>\$ 1,544,869</u>	<u>\$ 82,825</u>	<u>\$ 2,114,009</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	869,732	508,308	9,028	1,387,068
TOTAL LIABILITIES	<u>869,732</u>	<u>508,308</u>	<u>9,028</u>	<u>1,387,068</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	334,417	116,941	73,797	525,155
Committed	-	1,415,361	-	1,415,361
Assigned	151,898	12,567	-	164,465
Unassigned	(869,732)	(508,308)	-	(1,378,040)
TOTAL FUND BALANCES	<u>(383,417)</u>	<u>1,036,561</u>	<u>73,797</u>	<u>726,941</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 486,315</u>	<u>\$ 1,544,869</u>	<u>\$ 82,825</u>	<u>\$ 2,114,009</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	219	219
Other	14,458	3,060	-	17,518
TOTAL REVENUES	<u>14,458</u>	<u>3,060</u>	<u>219</u>	<u>17,737</u>
EXPENDITURES				
Administration	87,143	90,129	-	177,272
Public works	128,323	1,256	-	129,579
Public safety	-	5,174	-	5,174
Debt service:				
Principal	148,000	626,445	-	774,445
Interest	73,362	151,041	-	224,403
Capital outlay	724,833	695,709	-	1,420,542
Unclassified	-	-	1,166	1,166
TOTAL EXPENDITURES	<u>1,161,661</u>	<u>1,569,754</u>	<u>1,166</u>	<u>2,732,581</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,147,203)</u>	<u>(1,566,694)</u>	<u>(947)</u>	<u>(2,714,844)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer in	691,054	1,557,236	-	2,248,290
Operating transfers (out)	(37,914)	(3,106)	(4,000)	(45,020)
TOTAL OTHER FINANCING SOURCES (USES)	<u>653,140</u>	<u>1,554,130</u>	<u>(4,000)</u>	<u>2,203,270</u>
NET CHANGE IN FUND BALANCES	(494,063)	(12,564)	(4,947)	(511,574)
FUND BALANCES, JULY 1	<u>110,646</u>	<u>1,049,125</u>	<u>78,744</u>	<u>1,238,515</u>
FUND BALANCES, JUNE 30	<u>\$ (383,417)</u>	<u>\$ 1,036,561</u>	<u>\$ 73,797</u>	<u>\$ 726,941</u>

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

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.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	33,430	34,998	83,470	334,417	-	-	486,315
TOTAL ASSETS	<u>\$ 33,430</u>	<u>\$ 34,998</u>	<u>\$ 83,470</u>	<u>\$ 334,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,315</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 125,252	\$ 744,480	\$ 869,732
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,252</u>	<u>744,480</u>	<u>869,732</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	334,417	-	-	334,417
Committed	-	-	-	-	-	-	-
Assigned	33,430	34,998	83,470	-	-	-	151,898
Unassigned	-	-	-	-	(125,252)	(744,480)	(869,732)
TOTAL FUND BALANCES	<u>33,430</u>	<u>34,998</u>	<u>83,470</u>	<u>334,417</u>	<u>(125,252)</u>	<u>(744,480)</u>	<u>(383,417)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,430</u>	<u>\$ 34,998</u>	<u>\$ 83,470</u>	<u>\$ 334,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,315</u>

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

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, 2013

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
REVENUES	\$ -	\$ -	\$ 14,458	\$ -	\$ -	\$ -	\$ 14,458
EXPENDITURES							
Administration	-	-	-	87,143	-	-	87,143
Public works	-	-	-	128,323	-	-	128,323
Debt service:							
Principal	-	-	-	148,000	-	-	148,000
Interest	-	-	-	73,362	-	-	73,362
Capital outlay	-	-	18,825	116,264	341,781	247,963	724,833
Unclassified	-	-	-	-	-	-	-
EXPENDITURES	-	-	18,825	553,092	341,781	247,963	1,161,661
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	(4,367)	(553,092)	(341,781)	(247,963)	(1,147,203)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	565,436	97,283	28,335	691,054
Operating transfers (out)	-	-	-	-	(37,914)	-	(37,914)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	565,436	59,369	28,335	653,140
NET CHANGE IN FUND BALANCES	-	-	(4,367)	12,344	(282,412)	(219,628)	(494,063)
FUND BALANCES, JULY 1	33,430	34,998	87,837	322,073	157,160	(524,852)	110,646
FUND BALANCES, JUNE 30	\$ 33,430	\$ 34,998	\$ 83,470	\$ 334,417	\$ (125,252)	\$ (744,480)	\$ (383,417)

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

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.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Fire/Ambulance Projects				
	West Kennebunk Fire Station	Dry Hydrants	PD Station Ramp & Stairs	Highway Equipment	Town Hall Roof Repair
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	13,181	9,969	-	-	60,000
TOTAL ASSETS	<u>\$ 13,181</u>	<u>\$ 9,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 89,612	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,612</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	13,181	9,969	-	-	60,000
Assigned	-	-	-	-	-
Unassigned	-	-	-	(89,612)	-
TOTAL FUND BALANCES	<u>13,181</u>	<u>9,969</u>	<u>-</u>	<u>(89,612)</u>	<u>60,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,181</u>	<u>\$ 9,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Oak Bluff Reconstruction USDA Grant	Mousam Ridge Drainage
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	24,070	545,057	109,963	-	10,000
TOTAL ASSETS	<u>\$ 24,070</u>	<u>\$ 545,057</u>	<u>\$ 109,963</u>	<u>\$ -</u>	<u>\$ 10,000</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	24,070	545,057	109,963	-	10,000
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>24,070</u>	<u>545,057</u>	<u>109,963</u>	<u>-</u>	<u>10,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,070</u>	<u>\$ 545,057</u>	<u>\$ 109,963</u>	<u>\$ -</u>	<u>\$ 10,000</u>

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Public Works Projects				HVAC Systems & Insulation
	Budget Board	Bicycle Impact	Parking Lots	West Kennebunk Field	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	104,014	116,941	-	-	-
TOTAL ASSETS	\$ 104,014	\$ 116,941	\$ -	\$ -	\$ -
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ 4,000	\$ 9,110	\$ 235,875
TOTAL LIABILITIES	-	-	4,000	9,110	235,875
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	116,941	-	-	-
Committed	104,014	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(4,000)	(9,110)	(235,875)
TOTAL FUND BALANCES	104,014	116,941	(4,000)	(9,110)	(235,875)
TOTAL LIABILITIES AND FUND BALANCES	\$ 104,014	\$ 116,941	\$ -	\$ -	\$ -

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Dorothy Stevens Center	Police Vehicles & Equipment	Park St. & Cousens Sch. Purchase	Energy Efficiency Improvements	Fire Ambulance Equipment
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	258	-	411,357	-	40,888
TOTAL ASSETS	\$ 258	\$ -	\$ 411,357	\$ -	\$ 40,888
LIABILITIES					
Due to other funds	\$ -	\$ 67,450	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	67,450	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	258	-	411,357	-	40,888
Assigned	-	-	-	-	-
Unassigned	-	(67,450)	-	-	-
TOTAL FUND BALANCES	258	(67,450)	411,357	-	40,888
TOTAL LIABILITIES AND FUND BALANCES	\$ 258	\$ -	\$ 411,357	\$ -	\$ 40,888

SCHEDULE F (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	12,567	-	86,321	283	1,544,869
TOTAL ASSETS	\$ 12,567	\$ -	\$ 86,321	\$ 283	\$ 1,544,869
LIABILITIES					
Due to other funds	\$ -	\$ 102,261	\$ -	\$ -	\$ 508,308
TOTAL LIABILITIES	-	102,261	-	-	508,308
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	116,941
Committed	-	-	86,321	283	1,415,361
Assigned	12,567	-	-	-	12,567
Unassigned	-	(102,261)	-	-	(508,308)
TOTAL FUND BALANCES	12,567	(102,261)	86,321	283	1,036,561
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,567	\$ -	\$ 86,321	\$ 283	\$ 1,544,869

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

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, 2013

	Fire/Ambulance Projects		PD Station Ramp & Stairs	Highway Equipment	Town Hall Roof Repair
	West Kennebunk Fire Station	Dry Hydrants			
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Administration	-	-	-	-	-
Public works	-	-	-	1,256	-
Public safety	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	28,875	114,041	-
TOTAL EXPENDITURES	-	-	28,875	115,297	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(28,875)	(115,297)	-
OTHER FINANCING SOURCES (USES)					
Operating transfers in	12,000	-	-	-	60,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	12,000	-	-	-	60,000
NET CHANGE IN FUND BALANCES	12,000	-	(28,875)	(115,297)	60,000
FUND BALANCES, JULY 1	1,181	9,969	28,875	25,685	-
FUND BALANCES, JUNE 30	\$ 13,181	\$ 9,969	\$ -	\$ (89,612)	\$ 60,000

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, 2013

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Oak Bluff Reconstruction USDA Grant	Mousam Ridge Drainage
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Administration	-	-	7,686	8,127	-
Public works	-	-	-	-	-
Public safety	-	-	-	-	-
Debt service:					
Principal	-	626,445	-	-	-
Interest	-	151,041	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	777,486	7,686	8,127	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(777,486)	(7,686)	(8,127)	-
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	1,241,847	20,000	-	-
Operating transfers (out)	-	-	(3,106)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	1,241,847	16,894	-	-
NET CHANGE IN FUND BALANCES	-	464,361	9,208	(8,127)	-
FUND BALANCES, JULY 1	24,070	80,696	100,755	8,127	10,000
FUND BALANCES, JUNE 30	\$ 24,070	\$ 545,057	\$ 109,963	\$ -	\$ 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, 2013

	Public Works Projects				
	Budget Board	Bicycle Impact	Parking Lots	West Kennebunk Field	
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Administration	64,316	-	10,000	-	-
Public works	-	-	-	-	-
Public safety	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	9,110	250,875
TOTAL EXPENDITURES	<u>64,316</u>	<u>-</u>	<u>10,000</u>	<u>9,110</u>	<u>250,875</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(64,316)</u>	<u>-</u>	<u>(10,000)</u>	<u>(9,110)</u>	<u>(250,875)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	50,000	18,450	-	-	15,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>18,450</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCES	(14,316)	18,450	(10,000)	(9,110)	(235,875)
FUND BALANCES, JULY 1	118,330	98,491	6,000	-	-
FUND BALANCES, JUNE 30	<u>\$ 104,014</u>	<u>\$ 116,941</u>	<u>\$ (4,000)</u>	<u>\$ (9,110)</u>	<u>\$ (235,875)</u>

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, 2013

	Dorothy Stevens Center	Police Vehicles & Equipment	Park St. & Cousens Sch. Purchase	Energy Efficiency Improvements	Fire Ambulance Equipment
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	3,060	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,060</u>	<u>-</u>
EXPENDITURES					
Administration	-	-	-	-	-
Public works	-	-	-	-	-
Public safety	-	-	-	-	5,174
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	123,898	-	-	43,710
TOTAL EXPENDITURES	<u>-</u>	<u>123,898</u>	<u>-</u>	<u>-</u>	<u>48,884</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(123,898)</u>	<u>-</u>	<u>3,060</u>	<u>(48,884)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	27,000	-	3,106	24,833
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>27,000</u>	<u>-</u>	<u>3,106</u>	<u>24,833</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(96,898)</u>	<u>-</u>	<u>6,166</u>	<u>(24,051)</u>
FUND BALANCES, JULY 1	<u>258</u>	<u>29,448</u>	<u>411,357</u>	<u>(6,166)</u>	<u>64,939</u>
FUND BALANCES, JUNE 30	<u>\$ 258</u>	<u>\$ (67,450)</u>	<u>\$ 411,357</u>	<u>\$ -</u>	<u>\$ 40,888</u>

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, 2013

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	3,060
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,060</u>
EXPENDITURES					
Administration	-	-	-	-	90,129
Public works	-	-	-	-	1,256
Public safety	-	-	-	-	5,174
Debt service:					
Principal	-	-	-	-	626,445
Interest	-	-	-	-	151,041
Capital outlay	22,433	102,767	-	-	695,709
TOTAL EXPENDITURES	<u>22,433</u>	<u>102,767</u>	<u>-</u>	<u>-</u>	<u>1,569,754</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,433)</u>	<u>(102,767)</u>	<u>-</u>	<u>-</u>	<u>(1,566,694)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	35,000	-	50,000	-	1,557,236
Operating transfers (out)	-	-	-	-	(3,106)
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>1,554,130</u>
NET CHANGE IN FUND BALANCES	12,567	(102,767)	50,000	-	(12,564)
FUND BALANCES, JULY 1	<u>-</u>	<u>506</u>	<u>36,321</u>	<u>283</u>	<u>1,049,125</u>
FUND BALANCES, JUNE 30	<u>\$ 12,567</u>	<u>\$ (102,261)</u>	<u>\$ 86,321</u>	<u>\$ 283</u>	<u>\$ 1,036,561</u>

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kennebunk, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of the cemeteries.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2013

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Totals
		Monument Lot	Centennial Lot		
ASSETS					
Cash and cash equivalents	\$ 70,633	\$ 2,546	\$ 3,522	\$ 6,124	\$ 82,825
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 70,633</u>	<u>\$ 2,546</u>	<u>\$ 3,522</u>	<u>\$ 6,124</u>	<u>\$ 82,825</u>
LIABILITIES					
Due to other funds	\$ 4,000	\$ -	\$ -	\$ 5,028	\$ 9,028
TOTAL LIABILITIES	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>5,028</u>	<u>9,028</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	66,633	2,546	3,522	1,096	73,797
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>66,633</u>	<u>2,546</u>	<u>3,522</u>	<u>1,096</u>	<u>73,797</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 70,633</u>	<u>\$ 2,546</u>	<u>\$ 3,522</u>	<u>\$ 6,124</u>	<u>\$ 82,825</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Totals
		Monument Lot	Centennial Lot		
REVENUES					
Interest income	\$ 200	\$ 1	\$ 3	\$ 15	\$ 219
TOTAL REVENUES	<u>200</u>	<u>1</u>	<u>3</u>	<u>15</u>	<u>219</u>
EXPENDITURES	-	-	-	1,166	1,166
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>200</u>	<u>1</u>	<u>3</u>	<u>(1,151)</u>	<u>(947)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	(4,000)	-	-	-	(4,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
NET CHANGE IN FUND BALANCES	(3,800)	1	3	(1,151)	(4,947)
FUND BALANCES, JULY 1	<u>70,433</u>	<u>2,545</u>	<u>3,519</u>	<u>2,247</u>	<u>78,744</u>
FUND BALANCES, JUNE 30	<u>\$ 66,633</u>	<u>\$ 2,546</u>	<u>\$ 3,522</u>	<u>\$ 1,096</u>	<u>\$ 73,797</u>

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

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 position.

SCHEDULE J

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2013

	Land and Non-depreciable Assets	Buildings Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Administration	\$ 252,966	\$ 188,234	\$ 898,308	\$ -	\$ 1,339,508
Police	75,100	1,639,230	1,447,077	-	3,161,407
Fire	97,900	2,216,344	3,906,948	-	6,221,192
Public Works	144,243	473,668	2,258,684	20,581,346	23,457,941
Parks & Recreation	79,100	406,385	599,810	-	1,085,295
Town Wide	2,185,170	4,649,671	185,379	-	7,020,220
Total General Capital Assets	2,834,479	9,573,532	9,296,206	20,581,346	42,285,563
Less: Accumulated Depreciation	-	(5,196,105)	(6,363,987)	(8,292,096)	(19,852,188)
Net General Capital Assets	\$ 2,834,479	\$ 4,377,427	\$ 2,932,219	\$ 12,289,250	\$ 22,433,375

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2013

	General Capital Assets 7/1/12	Additions	Deletions	General Capital Assets 6/30/13
Administration	\$1,066,200	\$ 273,308	\$ -	\$ 1,339,508
Police	2,989,809	171,598	-	3,161,407
Fire	6,093,550	127,642	-	6,221,192
Public Works	21,623,026	1,834,915	-	23,457,941
Parks & Recreation	973,312	111,983	-	1,085,295
Town Wide	<u>7,020,220</u>	<u>-</u>	<u>-</u>	<u>7,020,220</u>
Total General Capital Assets	39,766,117	2,519,446	-	42,285,563
Less: Accumulated Depreciation	<u>(18,562,506)</u>	<u>(1,289,682)</u>	<u>-</u>	<u>(19,852,188)</u>
Net General Capital Assets	<u>\$21,203,611</u>	<u>\$ 1,229,764</u>	<u>\$ -</u>	<u>\$ 22,433,375</u>

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