

2018

# Federal Compliance Audit Town of Kittery, Maine June 30, 2018

Kittery, Me.

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Federal Compliance Audit

Town of Kittery, Maine

June 30, 2018



*Proven Expertise and Integrity*

TOWN OF KITTEERY, MAINE

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JUNE 30, 2018

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## INDEPENDENT AUDITORS' REPORT

Town Council  
Town of Kittery  
Kittery, 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 Kittery, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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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 Kittery, Maine as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and OPEB information on pages 4 through 13 and 80 through 87 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 Kittery, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the Town of Kittery, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kittery, Maine's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
December 4, 2018

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**(UNAUDITED)**

The following management's discussion and analysis of Town of Kittery, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Town of Kittery'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 pension schedules, 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 Kittery 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 sanitation, social services, education, program expenses and grant funds/miscellaneous accounts.
- *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 Kittery include the sewer department.

### **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 Kittery, 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 Kittery 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 funds balance sheet and the governmental funds 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 funds financial statement.

The Town of Kittery presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general 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 Kittery maintains one proprietary fund, the Sewer Department Fund. This fund is 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 Kittery. 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 Statement of Changes in Net Position - Fiduciary Funds.

### **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, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB, a

Schedule of Changes in Net OPEB Liability, a Schedule of Changes in Net OPEB Liability and Related Ratios and Notes to Required Supplementary Information.

### **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 net position for governmental funds is \$27,761,144 compared to \$29,278,405 in the prior year, a decrease of \$1,517,261. For the business-type activities, total net position is \$8,781,971 compared to \$9,445,882 in the prior year, a decrease of \$663,911.

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 - is \$3,940,908 at the end of this year for governmental activities and a deficit balance of \$1,182,045 for the business-type activities.

**Table 1**  
**Town of Kittery, Maine**  
**Net Position**  
**June 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2018</u>	<u>2017 (Restated)</u>	<u>2018</u>	<u>2017</u>
<b>Assets:</b>				
Current Assets	\$ 16,852,161	\$ 16,879,068	\$ 1,250,974	\$ 1,643,782
Capital Assets	35,043,710	36,483,436	22,042,573	23,014,080
Total Assets	<u>51,895,871</u>	<u>53,362,504</u>	<u>23,293,547</u>	<u>24,657,862</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	2,593,199	3,255,139	211,868	279,958
Deferred Outflows Related to OPEB	3,357,298	-	-	-
Total Deferred Outflows of Resources	<u>5,950,497</u>	<u>3,255,139</u>	<u>211,868</u>	<u>279,958</u>
<b>Liabilities:</b>				
Current Liabilities	4,237,138	3,635,553	724,328	739,159
Long-Term Debt Outstanding	24,133,542	22,529,419	11,893,184	12,631,086
Total Liabilities	<u>28,370,680</u>	<u>26,164,972</u>	<u>12,617,512</u>	<u>13,370,245</u>
<b>Deferred Inflows of Resources:</b>				
Deferred Revenue	-	-	1,943,875	2,008,732
Prepaid Taxes	13,397	-	-	-
Deferred Inflows Related to Pensions	1,701,146	1,174,266	162,057	112,961
Total Deferred Inflows of Resources	<u>1,714,543</u>	<u>1,174,266</u>	<u>2,105,932</u>	<u>2,121,693</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	21,210,841	21,342,909	9,964,016	10,322,427
Restricted	2,609,395	3,775,029	-	-
Unrestricted (Deficit)	3,940,908	4,160,467	(1,182,045)	(876,545)
Total Net Position	<u>\$ 27,761,144</u>	<u>\$ 29,278,405</u>	<u>\$ 8,781,971</u>	<u>\$ 9,445,882</u>

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 3,040,171	\$ 2,443,136	\$ 2,055,889	\$ 2,345,558
Operating grants and contributions	3,149,559	2,068,047	-	-
<i>General Revenues:</i>				
Taxes	25,690,551	24,811,650	-	-
Grants and contributions not restricted to specific programs	3,757,734	2,140,815	-	-
Investment income	68,145	67,854	20,636	7,271
Miscellaneous	676,950	1,064,449	35,023	25,340
<b>Total Revenues</b>	<b>36,383,110</b>	<b>32,595,951</b>	<b>2,111,548</b>	<b>2,378,169</b>
<b>Expenses</b>				
General government	3,226,537	1,859,144	-	-
Public safety	4,031,439	3,663,568	-	-
Public works	2,980,362	1,897,359	-	-
Recreation and culture	2,449,790	2,436,893	-	-
Health and sanitation	568,828	752,425	-	-
Social services	59,433	71,761	-	-
Education	18,525,970	17,509,125	-	-
County tax	930,931	909,420	-	-
Program expenses	252,335	210,981	-	-
State of Maine on-behalf payments	1,744,056	990,140	-	-
Capital outlay	2,700,384	2,257,406	-	-
Grant funds/misc. accounts	143,141	159,947	-	-
Overlay	-	10,067	-	-
Unallocated depreciation (Note 4)*	100,640	111,315	-	-
Interest on long-term debt	186,525	232,325	-	-
Sewer department	-	-	2,775,459	2,514,624
<b>Total Expenses</b>	<b>37,900,371</b>	<b>33,071,876</b>	<b>2,775,459</b>	<b>2,514,624</b>
<b>Change in Net Position</b>	<b>(1,517,261)</b>	<b>(475,925)</b>	<b>(663,911)</b>	<b>(136,455)</b>
<b>Net Position - July 1, Restated</b>	<b>29,278,405</b>	<b>29,754,330</b>	<b>9,445,882</b>	<b>9,582,337</b>
<b>Net Position - June 30</b>	<b>\$ 27,761,144</b>	<b>\$ 29,278,405</b>	<b>\$ 8,781,971</b>	<b>\$ 9,445,882</b>

## **Revenues and Expenses**

Revenues for the Town's governmental activities increased by 9.43%, while total expenses increased by 12.45%. Most of the increase in revenue was due to increases in charges for services and grants and contributions not restricted to specific programs. The increase in expenses was due to significant increases in general government, public works and education.

Revenues decreased by 11.21% in the Town's business type activities, while the total expenses increased by 10.37%. Most of the proprietary funds 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 Kittery, Maine**  
**Fund Balances - Governmental Funds**  
**June 30,**

	<u>2018</u>	<u>2017</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 359,036	\$ 395,292
Restricted	751,469	1,058,525
Unassigned	5,988,495	5,217,892
Total Major Funds	<u>\$ 7,099,000</u>	<u>\$ 6,671,709</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 3,191	\$ 11,932
Restricted	147,729	147,203
Committed	3,905,865	3,383,972
Assigned	155,301	171,376
Unassigned	(222,905)	(66,127)
Capital Projects Funds:		
Restricted	940,720	1,786,848
Committed	941,937	1,186,823
Unassigned	-	493
Permanent Funds:		
Nonspendable	60,000	60,000
Restricted	709,477	722,453
Unassigned	(16,100)	(772)
Total Nonmajor Funds	<u>\$ 6,625,215</u>	<u>\$ 7,404,201</u>

The general fund total fund balance increased by \$427,291 from the prior fiscal year, due to positive budget to actual variances of \$941,157 in revenues and \$311,980 in expenditures less a budgeted use of fund balance of \$825,846. The nonmajor fund balances decreased by \$778,986 from the prior fiscal year due to net deficits in the nonmajor capital project funds and permanent funds offset by an excess in the nonmajor special revenue funds.

*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 sewer department fund had a reduction in net position of \$663,911 from the prior year due primarily to depreciation expense.

## 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 \$941,157. This was a result of all revenue categories being receipted in excess of budgeted amounts with the exception of other revenue.

The general fund actual expenditures were under budget by \$311,980. All expenditure categories were under budget with the exception of public works and education.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town decreased by \$2,411,233. This decrease is a result of capital additions of \$873,898 less current year depreciation expense of \$3,285,131. Refer to Note 4 of Notes to Financial Statements for additional information.

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

	<u>2018</u>	<u>2017</u>
Land	\$ 11,236,886	\$ 11,236,886
Construction in progress	5,313	5,313
Land improvements	1,049,813	1,146,011
Buildings and improvements	26,938,625	28,631,259
Machinery, equipment and vehicles	3,771,519	3,717,873
Infrastructure	<u>14,084,127</u>	<u>14,760,174</u>
Total	<u>\$ 57,086,283</u>	<u>\$ 59,497,516</u>

### Debt

At June 30, 2018, the Town had \$25,830,941 in bonds outstanding versus \$27,737,234 last year. Other obligations include capital leases payable, accrued compensated absences, pension benefit obligations and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

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

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs. The FY 19 school department budget could be severely impacted by the reduction of funding from the State.

## **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 Finance Department at 200 Rogers Road, Kittery, Maine 03904.

## TOWN OF KITTEERY, MAINE

STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 12,837,221	\$ 2,554	\$ 12,839,775
Investments	2,549,096	-	2,549,096
Accounts receivable (net of allowance for uncollectibles):			
Taxes	868,590	-	868,590
Other	86,684	1,325,270	1,411,954
Due from other governments	71,493	-	71,493
Prepaid items	335,820	-	335,820
Inventory	26,407	-	26,407
Internal balances	76,850	(76,850)	-
<b>Total current assets</b>	<b>16,852,161</b>	<b>1,250,974</b>	<b>18,103,135</b>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	10,956,219	285,980	11,242,199
Buildings and vehicles net of accumulated depreciation	24,087,491	21,756,593	45,844,084
<b>Total noncurrent assets</b>	<b>35,043,710</b>	<b>22,042,573</b>	<b>57,086,283</b>
<b>TOTAL ASSETS</b>	<b>51,895,871</b>	<b>23,293,547</b>	<b>75,189,418</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	2,593,199	211,868	2,805,067
Deferred outflows related to OPEB	3,357,298	-	3,357,298
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,950,497</b>	<b>211,868</b>	<b>6,162,365</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 57,846,368</b>	<b>\$ 23,505,415</b>	<b>\$ 81,351,783</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 544,961	\$ 54,390	\$ 599,351
Accrued payroll	1,740,794	-	1,740,794
Accrued expenses	28,034	8,034	36,068
Due to other governments	46,906	-	46,906
Escrows	234,454	-	234,454
Current portion of long-term obligations	1,641,989	661,904	2,303,893
<b>Total current liabilities</b>	<b>4,237,138</b>	<b>724,328</b>	<b>4,961,466</b>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	12,512,741	11,415,179	23,927,920
Capital leases payable	21,972	1,474	23,446
Accrued compensated absences	802,276	106,885	909,161
Pension benefit obligations	6,826,414	-	6,826,414
Net pension liability	3,970,139	369,646	4,339,785
<b>Total noncurrent liabilities</b>	<b>24,133,542</b>	<b>11,893,184</b>	<b>36,026,726</b>
<b>TOTAL LIABILITIES</b>	<b>28,370,680</b>	<b>12,617,512</b>	<b>40,988,192</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	1,943,875	1,943,875
Deferred inflows related to pensions	1,701,146	162,057	1,863,203
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,714,543</b>	<b>2,105,932</b>	<b>3,820,475</b>
<b>NET POSITION</b>			
Net investment in capital assets	21,210,841	9,964,016	31,174,857
Restricted	2,609,395	-	2,609,395
Unrestricted (deficit)	3,940,908	(1,182,045)	2,758,863
<b>TOTAL NET POSITION</b>	<b>27,761,144</b>	<b>8,781,971</b>	<b>36,543,115</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 57,846,368</b>	<b>\$ 23,505,415</b>	<b>\$ 81,351,783</b>

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

## STATEMENT B

TOWN OF KITTEERY, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 3,226,537	\$ 513,373	\$ 35,506	\$ -	\$ (2,677,658)	\$ -	\$ (2,677,658)
Public safety	4,031,439	162,132	-	-	(3,869,307)	-	(3,869,307)
Public works	2,980,362	13,694	-	-	(2,966,668)	-	(2,966,668)
Recreation and culture	2,449,790	1,371,726	-	-	(1,078,064)	-	(1,078,064)
Health and sanitation	568,828	169,866	-	-	(398,962)	-	(398,962)
Social services	59,433	-	-	-	(59,433)	-	(59,433)
Education	18,525,970	809,380	1,369,997	-	(16,346,593)	-	(16,346,593)
County tax	930,931	-	-	-	(930,931)	-	(930,931)
Program expenses	252,335	-	-	-	(252,335)	-	(252,335)
State of Maine on-behalf payments	1,744,056	-	1,744,056	-	-	-	-
Capital outlay	2,700,384	-	-	-	(2,700,384)	-	(2,700,384)
Grant funds/misc. accounts	143,141	-	-	-	(143,141)	-	(143,141)
Unallocated depreciation (Note 4)*	100,640	-	-	-	(100,640)	-	(100,640)
Interest on long-term debt	186,525	-	-	-	(186,525)	-	(186,525)
Total governmental activities	<u>37,900,371</u>	<u>3,040,171</u>	<u>3,149,559</u>	<u>-</u>	<u>(31,710,641)</u>	<u>-</u>	<u>(31,710,641)</u>
<b>Business-type activities:</b>							
Sewer department	2,775,459	2,055,889	-	-	-	(719,570)	(719,570)
Total business-type activities	<u>2,775,459</u>	<u>2,055,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(719,570)</u>	<u>(719,570)</u>
Total government	<u>\$ 40,675,830</u>	<u>\$ 5,096,060</u>	<u>\$ 3,149,559</u>	<u>\$ -</u>	<u>(31,710,641)</u>	<u>(719,570)</u>	<u>(32,430,211)</u>

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

STATEMENT B (CONTINUED)  
TOWN OF KITTEERY, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>(31,710,641)</u>	<u>(719,570)</u>	<u>(32,430,211)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	23,705,234	-	23,705,234
Excise taxes	1,985,317	-	1,985,317
Grants and contributions not restricted to specific programs	3,757,734	-	3,757,734
Investment income, net of unrealized gains/(losses)	68,145	20,636	88,781
Miscellaneous	<u>676,950</u>	<u>35,023</u>	<u>711,973</u>
Total general revenues and transfers	<u>30,193,380</u>	<u>55,659</u>	<u>30,249,039</u>
Change in net position	(1,517,261)	(663,911)	(2,181,172)
NET POSITION - JULY 1, RESTATED	<u>29,278,405</u>	<u>9,445,882</u>	<u>38,724,287</u>
NET POSITION - JUNE 30	<u>\$ 27,761,144</u>	<u>\$ 8,781,971</u>	<u>\$ 36,543,115</u>

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

## TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,808,387	\$ 28,834	\$ 12,837,221
Investments	1,903,327	645,769	2,549,096
Accounts receivables (net of allowance for uncollectibles):			
Taxes/liens	868,590	-	868,590
Other	54,902	31,782	86,684
Due from other governments	-	71,493	71,493
Prepaid items	335,583	237	335,820
Inventory	23,453	2,954	26,407
Due from other funds	289,549	6,299,892	6,589,441
<b>TOTAL ASSETS</b>	<b>\$ 16,283,791</b>	<b>\$ 7,080,961</b>	<b>\$ 23,364,752</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 301,914	\$ 243,047	\$ 544,961
Accrued payroll	1,740,794	-	1,740,794
Accrued expenses	28,034	-	28,034
Due to other governments	46,906	-	46,906
Escrows	234,454	-	234,454
Due to other funds	6,299,892	212,699	6,512,591
<b>TOTAL LIABILITIES</b>	<b>8,651,994</b>	<b>455,746</b>	<b>9,107,740</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	13,397	-	13,397
Deferred tax revenues	519,400	-	519,400
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>532,797</b>	<b>-</b>	<b>532,797</b>
<b>FUND BALANCES</b>			
Nonspendable	359,036	63,191	422,227
Restricted	751,469	1,797,926	2,549,395
Committed	-	4,847,802	4,847,802
Assigned	-	155,301	155,301
Unassigned	5,988,495	(239,005)	5,749,490
<b>TOTAL FUND BALANCES</b>	<b>7,099,000</b>	<b>6,625,215</b>	<b>13,724,215</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 16,283,791</b>	<b>\$ 7,080,961</b>	<b>\$ 23,364,752</b>

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

## TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

	Total Governmental Funds
Total Fund Balances	\$ 13,724,215
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	35,043,710
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	519,400
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	2,593,199
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	3,357,298
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(13,800,403)
Capital leases payable	(32,466)
Accrued compensated absences	(1,146,109)
Pension benefit obligations	(6,826,414)
Net pension liability	(3,970,139)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(1,701,146)
Net position of governmental activities	\$ 27,761,144

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



## STATEMENT E

## TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General tax revenue	\$ 25,857,756	\$ -	\$ 25,857,756
Intergovernmental revenue	2,288,307	2,874,930	5,163,237
Charges for services	2,275,791	764,380	3,040,171
Investment income, net of unrealized gains/(losses)	40,128	28,017	68,145
State of Maine on-behalf payments	1,031,603	-	1,031,603
Other revenue	124,166	552,784	676,950
TOTAL REVENUES	<u>31,617,751</u>	<u>4,220,111</u>	<u>35,837,862</u>
EXPENDITURES			
Current:			
General government	2,019,603	231,061	2,250,664
Public safety	3,678,477	93,350	3,771,827
Public works	1,385,123	836,652	2,221,775
Recreation and culture	2,212,013	75,524	2,287,537
Health and sanitation	535,648	5,131	540,779
Social services	59,433	-	59,433
Education	16,816,138	1,526,868	18,343,006
County tax	930,931	-	930,931
State of Maine on-behalf payments	1,031,603	-	1,031,603
Grant funds/misc. accounts	143,141	-	143,141
Program expenses	-	252,335	252,335
Debt service:			
Principal	677,479	-	677,479
Interest	186,525	-	186,525
Capital outlay	-	3,492,522	3,492,522
TOTAL EXPENDITURES	<u>29,676,114</u>	<u>6,513,443</u>	<u>36,189,557</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,941,637</u>	<u>(2,293,332)</u>	<u>(351,695)</u>
OTHER FINANCING SOURCES			
Transfers in	237,500	2,676,368	2,913,868
Transfers (out)	(1,751,846)	(1,162,022)	(2,913,868)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,514,346)</u>	<u>1,514,346</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	427,291	(778,986)	(351,695)
FUND BALANCES - JULY 1	<u>6,671,709</u>	<u>7,404,201</u>	<u>14,075,910</u>
FUND BALANCES - JUNE 30	<u>\$ 7,099,000</u>	<u>\$ 6,625,215</u>	<u>\$ 13,724,215</u>

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

## TOWN OF KITTERY, 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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (351,695)</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 acquisitions	792,138
Depreciation expense	<u>(2,231,864)</u>
	<u>(1,439,726)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>2,695,358</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(167,205)</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>1,307,658</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>(526,880)</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	(441,631)
Pension benefit obligations	(3,705,908)
Net pension liability	<u>1,112,769</u>
	<u>(3,034,770)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (1,517,261)</u></u>

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

## TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2018

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,554
Accounts receivable (net of allowance for uncollectibles)	1,325,270
Total current assets	<u>1,327,824</u>
Noncurrent assets:	
Capital assets:	
Land	285,980
Buildings and improvements	18,646,324
Machinery, equipment and vehicles	450,657
Infrastructure	11,691,686
Total capital assets	<u>31,074,647</u>
Less: accumulated depreciation	<u>(9,032,074)</u>
Total noncurrent assets	<u>22,042,573</u>
<b>TOTAL ASSETS</b>	<u>23,370,397</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	211,868
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>211,868</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 23,582,265</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 54,390
Accrued expenses	8,034
Due to other funds	76,850
Current portion of long-term obligations	661,904
Total current liabilities	<u>801,178</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	11,415,179
Capital leases payable	1,474
Accrued compensated absences	106,885
Net pension liability	369,646
Total noncurrent liabilities	<u>11,893,184</u>
<b>TOTAL LIABILITIES</b>	<u>12,694,362</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue	1,943,875
Deferred inflows related to pensions	162,057
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,105,932</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,964,016
Unrestricted (deficit)	<u>(1,182,045)</u>
<b>TOTAL NET POSITION</b>	<u>8,781,971</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 23,582,265</u>

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

## TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
OPERATING REVENUES	
Charges for services	\$ 2,055,889
Other	35,023
TOTAL OPERATING REVENUES	<u>2,090,912</u>
OPERATING EXPENSES	
Salaries and wages	506,362
Benefits	280,661
Increase in expenses related to net pension liability, deferred outflows and inflows of resources related to pensions	3,654
Contracted services	56,060
Rent	22,900
Utilities	190,795
Fuel / motor	37,674
Repairs, maintenance and equipment	61,945
Supplies and office	70,566
Chemicals	107,388
Sludge management	137,061
Depreciation	1,053,267
Other	86,729
TOTAL OPERATING EXPENSES	<u>2,615,062</u>
OPERATING INCOME (LOSS)	<u>(524,150)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	20,636
Interest expense	(160,397)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(139,761)</u>
CHANGE IN NET POSITION	(663,911)
NET POSITION - JULY 1	<u>9,445,882</u>
NET POSITION - JUNE 30	<u>\$ 8,781,971</u>

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

## TOWN OF KITTEERY, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,213,379
Other receipts	35,023
Internal activity - receipts (payments) from/to other funds	(1,022,808)
Payments to employees	(798,841)
Payments to suppliers	(788,950)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(362,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	20,636
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>20,636</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(81,760)
Interest payments on bond payable	(160,397)
Principal payments on bond payable	(608,814)
Principal payments on capital leases	(737)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(851,708)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,193,269)
CASH AND CASH EQUIVALENTS - JULY 1	<u>1,195,823</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 2,554</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (524,150)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	1,053,267
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	53,362
(Increase) decrease in due from other governments	168,985
(Increase) decrease in deferred outflows related to pensions	68,090
(Decrease) increase in accounts payable	(17,832)
(Decrease) increase in due to other funds	(1,022,808)
(Decrease) increase in compensated absences	(11,818)
(Decrease) increase in deferred revenues	(64,857)
(Decrease) increase in net pension liability	(113,532)
(Decrease) increase in deferred inflows related to pensions	49,096
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (362,197)</u>

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

## TOWN OF KITTEERY, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds Student Activities</u>
ASSETS		
Cash and cash equivalents	\$ 18,177	\$ 70,324
TOTAL ASSETS	<u>\$ 18,177</u>	<u>\$ 70,324</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
Deposits held for others	-	70,324
TOTAL LIABILITIES	<u>-</u>	<u>\$ 70,324</u>
NET POSITION		
Restricted - held in trust	<u>\$ 18,177</u>	

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

## TOWN OF KITTEERY, MAINE

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Private- Purpose Trust Funds
ADDITIONS	
Interest	\$          10
Contributions	465
TOTAL ADDITIONS	<u>          475</u>
DEDUCTIONS	
Fees	26
Scholarships	378,777
TOTAL DEDUCTIONS	<u>      378,803</u>
CHANGE IN NET POSITION	(378,328)
NET POSITION - JULY 1	<u>          396,505</u>
NET POSITION - JUNE 30	<u><u>          \$      18,177</u></u>

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

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

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

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

**Implementation of New Accounting Standards**

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is material to the financial statements as it resulted in a restatement to the governmental activities beginning net position of \$1,366,830.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 81, “*Irrevocable Split-Interest Agreements*”. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, “Omnibus 2017.” The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, “Certain Debt Extinguishment Issues.” The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

**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).

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's sewer department and is categorized as a business-type activity. 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 is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

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.) excluding fiduciary activities. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Major Fund

- 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.

Nonmajor Funds

- 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 Projects 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:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, payments made by the State of Maine to the Maine State Retirement System for teachers and certain other school employees are reported as offsetting revenues and expenditures of the general fund.

Revenues per budgetary basis	\$30,823,648
Add: On-behalf payments	<u>1,031,603</u>
Total GAAP basis	<u>\$31,855,251</u>
Expenditures per budgetary basis	\$30,396,357
Add: On-behalf basis	<u>1,031,603</u>
Total GAAP basis	<u>\$31,427,960</u>

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

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 Town Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Town Council.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 a cash equivalent. 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
- Prime bankers' acceptances
- Prime commercial papers
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

It is the policy of the Town of Kittery, Maine to invest public funds in a manner in which will provide safety of principal with a market rate of return while meeting the daily cash flow demands of the Town, and conforming to all state and local statutes governing the investment of public funds.

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The general fund inventory consists of diesel fuel and gasoline. The school lunch fund inventory consists of school lunch supplies and food on hand at the end of the year.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances”.

**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.

**Receivables**

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$1,483,447 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

**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.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**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, compensated absences, pension benefit obligations and net pension liability.

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 funds 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, 2018, the Town's liability for compensated absences is \$1,298,802.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Pensions**

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

**OPEB**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT) and State Employee and Teacher (SET) Plan, which determined the Town's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT and SET to complete the actuarial report. Additions to/deductions from the MMEHT and SET OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT and SET. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Balance**

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 or the Town Council in accordance with its charter. The inhabitants of the Town, through Town meetings, are the highest level of decision-making authority of the Town in that they must approve certain annual budgets (School), bonding and appropriation of unassigned fund balance. The Town Council must approve other annual budgets (capital and Town operating) and spending. Commitments may be modified or rescinded in the same manner they were established.

**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 Town Council.

**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 KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town has a fund balance policy that guides the Town to maintain an unassigned fund balance equal to at least 8.34% but preferable at 12% of the Town's general fund budget, i.e. an amount equal to 2.5 months of operating expenses from the then current operating budget, whichever is higher.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of this item, deferred outflows related to pensions and deferred outflows related to OPEB. These items are reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, deferred tax revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred revenue also qualify for reporting in this category. These items are reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

The Town's property tax for the current year was levied September 11, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on May 31, 2018. Interest on unpaid taxes commenced on June 1, 2018, 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$64,991 for the year ended June 30, 2018.

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 (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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 covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2018, the Town's cash balance of \$12,928,276 was comprised of bank deposits amounting to \$13,087,078. Of these bank deposits, \$707,891 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$98,923 was covered by the Securities Investor Protection Corporation (SIPC). The remaining bank deposits of \$12,280,264 were collateralized with securities held by the financial institution in the Town's name or an irrevocable stand-by letter of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 2,149,114
Savings accounts	19,414
Money market accounts	3,089,758
Sweep accounts	7,729,869
Cash and cash equivalents	98,923
	<u>\$ 13,087,078</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 policy for custodial credit risk for investments. However, in accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

Of the Town's investments of \$2,549,096, all were covered by the Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Debt securities:				
Corporate bonds	\$ 1,903,327	\$ -	\$ 1,903,327	\$ -
Equity securities:				
Common stock - domestic	281,665	281,665	-	-
Mutual funds:				
Equity - domestic	242,888	242,888	-	-
Equity - foreign	121,216	121,216	-	-
	\$ 2,549,096	\$ 645,769	\$ 1,903,327	\$ -

**Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2018:

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
Corporate bonds	\$ 1,903,327	\$ -	\$ 1,903,327	\$ -
Total debt securities	1,903,327	-	1,903,327	-
Equity securities:				
Common stock - domestic	281,665	281,665	-	-
Mutual funds - domestic and foreign	364,104	364,104	-	-
Total equity securities	645,769	645,769	-	-
Total investments by fair value level	2,549,096	\$ 645,769	\$ 1,903,327	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	98,923			
Total cash equivalents measured at the NAV	98,923			
Total investments and cash equivalents measured at fair value	\$ 2,648,019			

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

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 repurchase agreements, savings accounts and various insured certificates of deposit. Certain long-term trust funds are invested through a financial institution with trust powers in a mix of securities that comply with state and federal regulations to provide long-term growth and income. As of June 30, 2018, the Town's investments in U.S. agency securities and corporate bonds were not rated.

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, 2018 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 289,549	\$ 6,299,892
Nonmajor special revenue funds	4,267,072	192,421
Nonmajor capital projects funds	1,929,962	-
Nonmajor permanent funds	102,858	20,278
Proprietary funds	-	76,850
	<u>\$ 6,589,441</u>	<u>\$ 6,589,441</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Disposals	Balance, 6/30/18
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	5,313	-	-	5,313
	<u>10,956,219</u>	<u>-</u>	<u>-</u>	<u>10,956,219</u>
Depreciated assets:				
Land improvements	2,203,634	-	-	2,203,634
Buildings and improvements	42,443,531	73,798	-	42,517,329
Machinery, equipment and vehicles	9,063,920	718,340	-	9,782,260
Infrastructure	11,992,744	-	-	11,992,744
	<u>65,703,829</u>	<u>792,138</u>	<u>-</u>	<u>66,495,967</u>
Less: accumulated depreciation	<u>(40,176,612)</u>	<u>(2,231,864)</u>	<u>-</u>	<u>(42,408,476)</u>
	<u>25,527,217</u>	<u>(1,439,726)</u>	<u>-</u>	<u>24,087,491</u>
Net capital assets	<u>\$ 36,483,436</u>	<u>\$ (1,439,726)</u>	<u>\$ -</u>	<u>\$ 35,043,710</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 285,980	\$ -	\$ -	\$ 285,980
	<u>285,980</u>	<u>-</u>	<u>-</u>	<u>285,980</u>
Depreciated assets:				
Buildings and improvements	18,646,324	-	-	18,646,324
Machinery, equipment and vehicles	450,657	-	-	450,657
Infrastructure	11,609,926	81,760	-	11,691,686
	<u>30,706,907</u>	<u>81,760</u>	<u>-</u>	<u>30,788,667</u>
Less: accumulated depreciation	<u>(7,978,807)</u>	<u>(1,053,267)</u>	<u>-</u>	<u>(9,032,074)</u>
	<u>22,728,100</u>	<u>(971,507)</u>	<u>-</u>	<u>21,756,593</u>
Net capital assets	<u>\$ 23,014,080</u>	<u>\$ (971,507)</u>	<u>\$ -</u>	<u>\$ 22,042,573</u>



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation expense:

General government	\$ 119,759
Police	88,145
Fire	171,467
Public works	758,587
Recreation and culture	162,253
Health and sanitation	28,049
School department	802,964
Town-wide	100,640
Subtotal governmental	<u>2,231,864</u>
Sewer department	
Subtotal business-type	<u>1,053,267</u>
Total depreciation expense	<u>\$ 3,285,131</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17 (Restated)	Additions	Deletions	Balance, 6/30/18	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 15,097,882	\$ -	\$ (1,297,479)	\$ 13,800,403	\$ 1,287,662
Capital leases payable	42,645	-	(10,179)	32,466	10,494
Accrued compensated absences	704,478	441,631	-	1,146,109	343,833
Pension benefit obligations	3,120,506	3,705,908	-	6,826,414	-
Net pension liability	5,082,908	-	(1,112,769)	3,970,139	-
Total Governmental Activities	<u>\$ 22,562,854</u>	<u>\$ 4,147,539</u>	<u>\$ (2,420,427)</u>	<u>\$ 25,775,531</u>	<u>\$ 1,641,989</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18	Due Within One Year
<u>Business-type Activities</u>					
Bonds payable	\$ 12,639,352	\$ -	\$ (608,814)	\$ 12,030,538	\$ 615,359
Capital leases payable	2,948	-	(737)	2,211	737
Accrued compensated absences	164,511	-	(11,818)	152,693	45,808
Net pension liability	483,178	-	(113,532)	369,646	-
Total Business-type Activities	<u>\$ 15,330,264</u>	<u>\$ -</u>	<u>\$ (734,901)</u>	<u>\$ 12,555,088</u>	<u>\$ 661,904</u>

The following is a summary of the outstanding bonds payable:

<u>Bonds</u>	<u>Governmental</u>	<u>Business-type</u>
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual principal installments and semiannual interest installments through October of 2022. Interest is charged at 1.94% per annum. Annual principal installments vary.	\$ -	\$ 356,178
\$675,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a rate from 2.00% to 4.00% per annum. Annual principal installments are \$30,000 to \$35,000.	465,000	-
\$6,525,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a rate varying from 2.00% to 4.00% per annum. Annual principal installments are \$325,000 to \$330,000.	4,575,000	-
\$3,268,766, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through April of 2030. Interest is charged at 1.00% per annum. Annual principal installments vary from \$148,142 to \$179,346.	-	2,038,742
\$5,500,000, 2012 General Obligation Bond due in annual principal installments and semiannual interest installments through January of 2032. Interest is charged at a rate from 2.00% to 3.15% per annum. Annual principal installments are \$275,000.	3,850,000	
\$2,100,000, 2013 General Obligation Bond due in annual principal installments and semiannual interest installments through December of 2022. Interest is charged at a rate from 1.50% to 2.00% per annum. Annual principal installments are \$210,000.	1,050,000	

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-type</u>
\$150,000, 2014 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2034. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$6,043 to \$10,111.	131,755	-
\$958,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$95,000 to \$103,000.	760,000	-
\$1,300,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments are \$130,000.	1,040,000	-
\$821,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$80,000 to \$86,000.	650,000	-
\$11,990,025, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a rate of 1.00% per annum. Annual principal installments vary from \$377,865 to \$742,381.	-	9,635,618
\$275,000, 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a rate from 0.91% to 3.50% per annum. Annual principal installments vary from \$11,352 to \$17,779.	263,648	-
\$1,140,000 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2026. Interest is charged at a rate from 2% to 2.25% per annum. Annual Installments vary from \$1147,100 to 111,237.50.	1,015,000	-
	<u>\$ 13,800,403</u>	<u>\$ 12,030,538</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 1,287,662	\$ 380,378	\$ 1,668,040
2020	1,287,884	354,817	1,642,701
2021	1,283,148	327,845	1,610,993
2022	1,283,455	300,206	1,583,661
2023	1,283,802	282,825	1,566,627
2024-2028	4,635,629	634,838	5,270,467
2029-2033	2,651,400	523,655	3,175,055
2034-2038	87,423	114,373	201,796
	<u>\$ 13,800,403</u>	<u>\$ 2,918,937</u>	<u>\$ 16,719,340</u>

Business-type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 615,359	\$ 152,508	\$ 767,867
2020	622,003	144,341	766,344
2021	626,620	137,934	764,554
2022	631,183	134,003	765,186
2023	636,981	199,637	836,618
2024-2028	3,594,071	514,205	4,108,276
2029-2033	3,402,514	341,271	3,743,785
2034-2038	1,901,807	140,739	2,042,546
	<u>\$ 12,030,538</u>	<u>\$ 1,764,638</u>	<u>\$ 13,795,176</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the business-type activities for the year ended June 30, 2018 was \$160,397.

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding capital leases payable:

<u>Capital Leases</u>	<u>Governmental</u>	<u>Business-type</u>
\$56,202, 2015 Capital Lease payable to Norway Savings Bank for photocopiers, due in annual installments of \$12,234 through August of 2020. Interest is charged at a rate of 2.890% per annum.	\$ 32,466	\$ 2,211
	<u>\$ 32,466</u>	<u>\$ 2,211</u>

Future minimum payments, by year and in the aggregate, under these leases are as follows:

	<u>Governmental</u>	<u>Business-type</u>
2019	\$ 11,432	\$ 802
2020	11,453	781
2021	11,474	759
Total minimum lease payments	<u>34,359</u>	<u>2,342</u>
Less: Amount representing interest	(1,893)	(131)
Present value of future minimum lease payments	<u>\$ 32,466</u>	<u>\$ 2,211</u>

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 335,583
Inventory	23,453
Nonmajor special revenue funds (Schedule E)	3,191
Nonmajor permanent funds (Schedule I)	60,000
	<u>\$ 422,227</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

General fund:	
Education	\$ 751,469
Nonmajor special revenue funds (Schedule E)	147,729
Nonmajor capital projects funds (Schedule G)	940,720
Nonmajor permanent funds (Schedule I)	709,477
	<u>\$ 2,549,395</u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2018, the Town had the following committed fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 3,905,865
Nonmajor capital projects funds (Schedule G)	941,937
	<u>\$ 4,847,802</u>

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

Nonmajor special revenue funds (Schedule E)	<u>\$ 155,301</u>
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NOTE 10 - DEFICIT FUND BALANCES

At June 30, 2018, the Town had the following deficit fund balances:

Nonmajor funds:	
Oil and More Donations	\$ 15
Concert in the Park	753
Town Pier	33,664
FEMA Maps Appeal	3,053
Spruce Creek PH5 Grant	1,699
Emery Field PF1 LCWF Grant	36,814
Police Grant Support Det.	13,063
Police New Officer	3,294
School Special Revenue Funds	130,550
Cemetery Trust	15,328
Total	<u>\$ 238,233</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2018, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 3,900,000	5.07%	<u>\$ 197,574</u>

NOTE 12 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

**Plan Description**

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (800) 451-9800.

**Benefits Provided**

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. During the year ended June 30, 2018, the retirement system consisted of 283 participating employers.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%.

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police and fire department employees are part of the PLDs special plan "1C" (effective July 1, 2007) and are required to contribute 8.0% of their annual salary, while all other employees are part of regular plan "AC" and are required to contribute 8.0% of their annual salary. The Town is required to contribute the actuarially determined rates of 14.2% for special plan "1C" members' covered payroll and 9.5% for regular plan "AC" members' covered payroll during the year. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2018 was \$562,108.

STATE EMPLOYEE AND TEACHER PLAN

**Plan Description**

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Benefits Provided**

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members. During the year ended June 30, 2018, the retirement system consisted of 246 participating employers.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%.

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The Town's teachers are required to contribute 7.65% of their compensation to the retirement system. The Town's payroll for teachers covered by this program was approximately \$8,135,669 for the year ended June 30, 2018. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 11.08% of the Town's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$1,031,603 for the year ended June 30, 2018.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Title 5 of the Maine Revised Statutes Annotated also requires the Town to contribute at an actuarially determined normal cost rate of 3.97%, which totaled \$322,852 for 2018. In addition, the Town is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 11.68% of compensation and totaled \$32,360 the year ended June 30, 2018.

**Pension Liabilities**

*PLD Consolidated Plan*

At June 30, 2018, the Town reported a liability of \$4,022,261 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2017, the Town's proportion was 0.98239%, which was a decrease of 0.019945% from its proportion measured as of June 30, 2016.

*SET Plan*

At June 30, 2018, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 317,524
State's proportionate share of the net pension liability associated with the Town	<u>9,439,716</u>
Total	<u>\$ 9,757,240</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2017, the Town's proportion was 0.02186%, which was a decrease of 0.00440% from its proportion measured as of June 30, 2016.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2018, the Town recognized total pension revenue of \$3,198,927 for the PLD plan and total pension expense of \$712,453 and revenue of \$712,453 for support provided by the State of Maine for the SET plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan		SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 193,240	\$ 13,355	\$ -
Changes of assumptions	342,269	-	-	4,959
Net difference between projected and actual earnings on pension plan investments	1,386,186	1,496,788	88,587	93,257
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,859	73,373	42,491	1,586
Contributions subsequent to the measurement date	562,108	-	355,212	-
Total	<u>\$ 2,305,422</u>	<u>\$ 1,763,401</u>	<u>\$ 499,645</u>	<u>\$ 99,802</u>

\$562,108 for the PLD plan and \$355,212 for the SET plan were reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	PLD Plan	SET Plan
	<hr/>	<hr/>
Plan year ended June 30:		
2018	\$ (100,800)	\$ 15,714
2019	327,578	43,791
2020	26,985	2,123
2021	(273,851)	(16,998)
2022	-	-
Thereafter	-	-

**Actuarial Methods and Assumptions**

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2017 and 2016, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

*Asset Valuation Method*

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

*Amortization*

The net pension liability of the PLD Consolidated Plan is amortized on a closed basis over a period of twenty years.

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 are as follows:

*Investment Rate of Return* - For both the PLD and State Employee and Teacher Plans, 6.875% per annum compounded annually.

*Salary Increases, Merit and Inflation* - Members of the consolidated plan for PLDs, 2.75%-9.0% per year.

*Mortality Rates* - for active member and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used for FY2017. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

*Cost of Living Benefit Increases* – for participating local districts and state employees and teachers, 2.2% per annum.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2017 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investments purposes.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.875% for each of the Plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for each of the Plans.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 8,069,891	\$ 4,022,261	\$ 975,022
<u>SET Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 557,161	\$ 317,524	\$ 119,670

**Changes in Net Pension Liability**

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions.

*Differences between Expected and Actual Experience*

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2017, this was 4 years for the PLD Consolidated Plan and 3 years for the SET Plan.

*Differences between Projected and Actual Investment Earnings*

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions*

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2017 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (800) 451-9800.

NOTE 13 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT  
CORPORATION

A. Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all Town employees permits them to defer a portion of their salary, in addition to Town contributions, until future years. Employee's participation in this plan is voluntary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred under the



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 13 - DEFERRED COMPENSATION PLAN (CONTINUED)

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

The contribution requirements of plan members and the Town are established and may be amended by the Town Council. Effective July 1, 2001, the Town agrees to expand the coverage of the ICMA-RC 457 plan currently in effect. This plan will be available for current employees who are not enrolled in the Maine State Retirement System and any newly-hired employee who wishes to enroll in the ICMA plan instead of the MSRS plan. The Town will match the employee's contribution into the 457 plan, up to a maximum Town contribution of six percent. The Town will make a contribution to either MSRS or the ICMA plan, but not both.

The Town's contributions to the plan for the year ended June 30, 2018 were \$25,288.

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403. The plan, available to all School Department employees as part of a collective bargaining agreement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

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

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

TOWN OF KITTEERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 14 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the Town had the following overspent appropriations:

Public works	\$ 81,559
Education	60,538
Total	<u>\$ 142,097</u>

NOTE 15 - CONTINGENCIES

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

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

NOTE 16 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL

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 carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

**Plan Description**

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

**Benefits Provided**

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

**Employees Covered by Benefit Terms**

At January 1, 2018, the following employees were covered by the benefit terms:

Active members	73
Retirees and spouses	<u>23</u>
Total	<u><u>96</u></u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**Contributions**

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

**Retiree Premium Amounts:**

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

	2017 - 2018			
	Pre 65		Post 65	
	Single	Two Person	Single	Two Person
Allegiant Care	\$ 9,276.00	\$ 20,040.00	\$ 3,716.76	\$ 7,433.52
MME Health Trust - POS A	\$ 13,959.84	\$ 31,314.12	\$ 6,088.32	\$ 12,176.40
MME Health Trust - POS C	\$ 12,284.76	\$ 27,556.44	\$ 6,088.32	\$ 12,176.40
MME Health Trust - PPO 500	\$ 10,475.16	\$ 23,497.20	\$ 6,088.32	\$ 12,176.40

	2018 - 2019			
	Single	Two Person	Single	Two Person
Allegiant Care	\$ 9,456.00	\$ 20,436.00	\$ 3,716.76	\$ 7,433.52
MME Health Trust - POS A	Unknown	Unknown	Unknown	Unknown
MME Health Trust - POS C	Unknown	Unknown	Unknown	Unknown
MME Health Trust - PPO 500	Unknown	Unknown	Unknown	Unknown

**Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the Town reported a liability of \$6,826,414 for its total OPEB liability for this Plan. The total OPEB liability was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$348,610. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,357,298	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 3,357,298</u>	<u>\$ -</u>

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

	MMEHT
Plan year ended June 30:	
2018	\$ 473,487
2019	473,487
2020	473,487
2021	473,487
2022	473,487
Thereafter	989,863

**Discount Rate**

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.44% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
	2.58%	3.58%	4.58%
Total OPEB liability	\$ 7,490,023	\$ 6,826,414	\$ 6,293,262
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 7,490,023</u>	<u>\$ 6,826,414</u>	<u>\$ 6,293,262</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

**Healthcare Trend**

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 5,947,033	\$ 6,826,414	\$ 7,916,521
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 5,947,033</u>	<u>\$ 6,826,414</u>	<u>\$ 7,916,521</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

**Actuarial Methods and Assumptions**

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2017, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

*Amortization*

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

*Assumptions*

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Discount Rate - 3.44% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	Tier 1 (Those hired before 7/1/14)		Tier 2 (Those hired on or after 7/1/14)	
	No Additional Employer Payment	With Additional Employer Payment	No Additional Employer Payment	With Additional Employer Payment
55	5%	5%	5%	5.5%
56	5%	5%	5%	5.5%
57	5%	5%	5%	5.5%
58	5%	5%	5%	5.5%
59	20%	20%	5%	5.5%
60	20%	25%	5%	5.5%
61	20%	25%	5%	5.5%
62	20%	25%	5%	5.5%
63	20%	25%	5%	5.5%
64	20%	25%	20%	25%
65	25%	45%	20%	40%
66	25%	30%	20%	25%
67	25%	30%	20%	25%
68	25%	30%	20%	25%
69	25%	30%	20%	25%
70	100%	100%	100%	100%

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC \_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2017.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Participation Rates -

Age	No Additional Employer Payment	With Additional Employer Payment
55	5%	80%
56	8%	80%
57	11%	80%
58	14%	80%
59	17%	80%
60	20%	80%
61	22%	90%
62	24%	90%
63	26%	90%
64	29%	90%
65	32%	90%
66	34%	90%
67	36%	90%
68	38%	90%
69	40%	90%
70	50%	90%

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	POS A				POS 200			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$311	\$565	\$99	\$122	\$296	\$538	\$95	\$118
45	\$411	\$585	\$128	\$146	\$391	\$557	\$123	\$141
50	\$539	\$674	\$163	\$173	\$513	\$641	\$157	\$166
55	\$694	\$824	\$203	\$202	\$660	\$784	\$195	\$195
60	\$878	\$971	\$248	\$234	\$835	\$923	\$239	\$226
64	\$1,045	\$986	\$288	\$262	\$993	\$938	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	POS C				PPO 500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$306	\$556	\$99	\$122	\$289	\$524	\$95	\$118
45	\$404	\$575	\$128	\$146	\$381	\$542	\$123	\$141
50	\$530	\$662	\$163	\$173	\$499	\$624	\$157	\$166
55	\$683	\$811	\$203	\$202	\$643	\$764	\$195	\$195
60	\$863	\$955	\$248	\$234	\$813	\$899	\$239	\$226
64	\$1,027	\$969	\$288	\$262	\$968	\$913	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

Age	PPO 1000				PPO 1500			
	Medical		Rx		Medical		Rx	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$281	\$510	\$95	\$118	\$273	\$495	\$95	\$118
45	\$371	\$528	\$123	\$141	\$360	\$512	\$123	\$141
50	\$486	\$608	\$157	\$166	\$472	\$589	\$157	\$166
55	\$627	\$744	\$195	\$195	\$608	\$722	\$195	\$195
60	\$792	\$876	\$239	\$226	\$768	\$850	\$239	\$226
64	\$943	\$890	\$278	\$253	\$914	\$863	\$278	\$253
65	\$120	\$110	\$457	\$446	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432	\$209	\$174	\$454	\$432

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Age	PPO 2500			
	Medical		Rx	
	Male	Female	Male	Female
40	\$261	\$474	\$95	\$118
45	\$345	\$491	\$123	\$141
50	\$452	\$565	\$157	\$166
55	\$583	\$692	\$195	\$195
60	\$737	\$815	\$239	\$226
64	\$877	\$828	\$278	\$253
65	\$120	\$110	\$457	\$446
70	\$144	\$124	\$514	\$467
75	\$176	\$148	\$502	\$458
80	\$209	\$174	\$454	\$432

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various programs options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc, and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

**Changes in Net OPEB Liability**

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2018 with the following exceptions:

*Differences between Expected and Actual Experience*

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$927.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2018, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

*Differences between Projected and Actual Earnings on OPEB Plan Investments*

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**OPEB Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at 200 Rogers Road, Kittery, Maine 03904.

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE  
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

**Plan Description**

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (800) 451-9800.

**Benefits Provided**

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount, or \$2,500.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE  
INSURANCE PLAN (CONTINUED)

**Contributions**

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2018 were approximately \$19,082.

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS

The Town has established several tax increment financing districts in accordance with Maine statutes to finance development programs located in the Town of Kittery, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program, and to finance future expansion.

Municipal Development District #1 (Mixed Use)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #1 is 79.94 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, construction of new Town square, sewer and water system improvements including installation of lines, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$3,156,500. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$14,750,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$4,350,411. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

Municipal Development District #2 (Route 1 Shopping Corridor)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #2 is 146.77 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, construction of new Town square, sewer and water system improvements including installation of lines, upgrade of Pepperrell Cove piers, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$15,919,000. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$30,500,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$9,065,215. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

Municipal Development District #3 (Business Park)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #3 is 132.78 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, sewer and water system improvements including installation of lines, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$2,105,200. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$29,500,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$8,648,766. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

**Tax Abatements:**

As noted above, the Town of Kittery has established three tax increment financing districts (TIFs) in accordance with M.R.S.A. Title 30-A, §5221-§5235 for a variety of economic development purposes, including business retention and expansion and public infrastructure improvement. The Town has chosen to disclose information about its tax abatement (credit enhancement) agreements individually and negotiates property tax abatement agreements on an individual basis. The following is a brief description of and total amount of taxes abated for each tax increment financing district:

TIF District	Original Assessed Value	Current Assessed Value	TIF Cap	New Taxes	Taxes Abated
TIF District #1 (Mixed Use)	\$ 3,156,500	\$ 3,033,800	75%	\$ -	\$ -
TIF District #2 (Route 1 Shopping Corridor)	15,919,000	20,330,100	75%	70,798	-
TIF District #3 (Business Park)	2,105,200	3,058,800	75%	15,305	-

The Town has not made any commitments as part of the agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 20 - COLLATERALIZATION

At June 30, 2018, the Town has two outstanding irrevocable standby letters of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. These letters of credit, which all expire at the close of business on July 15, 2018, authorize one draw each only up to the amount of \$16,000,000 and \$2,000,000, respectively. There were no draws for the year ended June 30, 2018.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 21 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 22 - RESTATEMENTS

Certain nonmajor capital project funds were reclassified as nonmajor special revenue funds.

The beginning balance of the governmental activities net position was restated as of July 1, 2017 to adjust the balance of the pension benefit obligations for the effects of implementing GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The pension benefit obligation was restated by \$1,366,830 which reduced the governmental activities net position by the same amount.

## 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
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Schedule of Changes in Net OPEB Liability
- Schedule of Changes in Net OPEB Liability and Related Ratios
- Notes to Required Supplementary Information

## TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 6,671,709	\$ 6,671,709	\$ 6,671,709	\$ -
Resources (Inflows):				
General tax revenue	25,656,024	25,656,024	25,857,756	201,732
Intergovernmental revenue	1,944,022	1,944,022	2,288,307	344,285
Charges for services	1,890,255	1,890,255	2,275,791	385,536
Investment income	32,000	32,000	40,128	8,128
Other revenue	130,190	130,190	124,166	(6,024)
Transfers from other funds	230,000	230,000	237,500	7,500
Amounts Available for Appropriation	<u>36,554,200</u>	<u>36,554,200</u>	<u>37,495,357</u>	<u>941,157</u>
Charges to Appropriations (Outflows):				
General government	2,108,205	2,035,113	2,019,603	15,510
Public safety	3,694,508	3,678,784	3,678,477	307
Public works	1,303,564	1,303,564	1,385,123	(81,559)
Recreation and culture	2,237,596	2,255,016	2,212,013	43,003
Health and sanitation	578,335	574,206	535,648	38,558
Social services	62,356	59,433	59,433	-
Education	16,755,600	16,755,600	16,816,138	(60,538)
County tax	934,420	930,932	930,931	1
Debt service:				
Principal	675,462	677,479	677,479	-
Interest	186,526	186,526	186,525	1
Overlay	64,991	-	-	-
Grant funds/misc. accounts	107,725	143,791	143,141	650
Transfers to other funds	1,998,049	2,107,893	1,751,846	356,047
Total Charges to Appropriations	<u>30,707,337</u>	<u>30,708,337</u>	<u>30,396,357</u>	<u>311,980</u>
Budgetary Fund Balance, June 30	<u>\$ 5,846,863</u>	<u>\$ 5,845,863</u>	<u>\$ 7,099,000</u>	<u>\$ 1,253,137</u>
Utilization of unassigned fund balance	\$ 380,000	\$ 380,000	\$ -	\$ (380,000)
Utilization of assigned fund balance	-	1,000	-	(1,000)
Utilization of restricted fund balance	444,846	444,846	-	(444,846)
	<u>\$ 824,846</u>	<u>\$ 825,846</u>	<u>\$ -</u>	<u>\$ (825,846)</u>

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>				
Proportion of the net pension liability	0.98%	0.99%	1.02%	1.00%
Proportionate share of the net pension liability	\$ 4,022,261	\$ 5,257,645	\$ 3,253,198	\$ 1,538,376
Covered employee payroll	\$ 4,621,325	\$ 4,437,060	\$ 4,374,536	\$ 4,052,282
Proportionate share of the net pension liability as a percentage of its covered employee payroll	87.04%	118.49%	74.37%	37.96%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.60%	88.30%	94.10%
<u>SET Plan:</u>				
School Department's proportion of the net pension liability	0.02%	0.02%	0.02%	0.02%
School Department's proportionate share of the net pension liability	\$ 317,524	\$ 308,441	\$ 240,362	\$ 204,809
State's proportionate share of the net pension liability associated with the School Department	<u>9,439,716</u>	<u>11,131,629</u>	<u>8,327,329</u>	<u>6,502,031</u>
Total	<u>\$ 9,757,240</u>	<u>\$ 11,440,070</u>	<u>\$ 8,567,691</u>	<u>\$ 6,706,840</u>
School Department's covered employee payroll	\$ 8,075,196	\$ 7,602,064	\$ 7,506,846	\$ 6,957,837
School Department's proportionate share of the net pension liability as a percentage of its covered employee payroll	3.93%	4.06%	3.20%	2.94%
Plan fiduciary net position as a percentage of the total pension liability	80.78%	76.21%	81.18%	83.91%

\* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS  
LAST 10 FISCAL YEARS\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>				
Contractually required contribution	\$ 562,108	\$ 503,516	\$ 464,330	\$ 416,802
Contributions in relation to the contractually required contribution	<u>(562,108)</u>	<u>(503,516)</u>	<u>(464,330)</u>	<u>(416,802)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,957,486	\$ 4,621,325	\$ 4,437,060	\$ 4,374,536
Contributions as a percentage of covered employee payroll	11.34%	10.90%	10.46%	9.53%
<u>SET Plan:</u>				
Contractually required contribution	\$ 355,212	\$ 299,625	\$ 277,171	\$ 220,876
Contributions in relation to the contractually required contribution	<u>(355,212)</u>	<u>(299,625)</u>	<u>(277,171)</u>	<u>(220,876)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Department's covered employee payroll	\$ 8,135,669	\$ 8,075,196	\$ 7,602,064	\$ 7,506,846
Contributions as a percentage of covered employee payroll	4.37%	3.71%	3.65%	2.94%

\* The amounts presented for each fiscal year are for those years for which information is available.

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



## TOWN OF KITTEERY, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
LAST 10 FISCAL YEARS\*

	<u>2018</u>	<u>2017</u>
<u>SET Life Insurance:</u>		
Proportion of the net OPEB liability	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	210,553	-
Total	<u>\$ 210,553</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,075,196	\$ 7,602,064
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	60.11%	0.00%

\* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

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

TOWN OF KITTEERY, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB  
LAST 10 FISCAL YEARS\*

	<u>2018</u>	<u>2017</u>
<u>SET Life Insurance:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,135,669	\$ 8,075,196
Contributions as a percentage of covered-employee payroll	0.00%	0.00%
 <u>MMEHT:</u>		
Employer contributions	\$ 149,825	
Benefit payments	(149,825)	
Contribution deficiency (excess)	<u>\$ -</u>	
Covered-employee payroll	\$ -	
Contributions as a percentage of covered-employee payroll	0.00%	

\* The amounts presented for each fiscal year are for those years for which information is available.

## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY  
LAST 10 FISCAL YEARS\*

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u>          </u>	<u>          </u>	<u>          </u>
Balances at 1/1/17 (Reporting December 31, 2017)	\$ 3,120,506	\$ -	\$ 3,120,506
Changes for the year:			
Service cost	93,836	-	93,836
Interest	121,824	-	121,824
Changes of benefits	-	-	-
Differences between expected and actual experience	3,357,298	-	3,357,298
Changes of assumptions	282,775	-	282,775
Contributions - employer	-	149,825	(149,825)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(149,825)	(149,825)	-
Administrative expense	-	-	-
Net changes	<u>3,705,908</u>	<u>-</u>	<u>3,705,908</u>
Balances at 1/1/18 (Reporting December 31, 2018)	<u>\$ 6,826,414</u>	<u>\$ -</u>	<u>\$ 6,826,414</u>

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

## TOWN OF KITTEERY, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS\*

	<u>2018</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	93,836
Interest (includes interest on service cost)	121,824
Changes of benefit terms	-
Differences between expected and actual experience	3,357,298
Changes of assumptions	282,775
Benefit payments, including refunds of member contributions	<u>(149,825)</u>
Net change in total OPEB liability	\$ 3,705,908
Total OPEB liability - beginning	\$ 3,120,506
Total OPEB liability - ending	\$ 6,826,414
<u>Plan fiduciary net position</u>	
Contributions - employer	149,825
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(149,825)
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u>\$ -</u>
Net OPEB liability - ending	<u>\$ 6,826,414</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered employee payroll	\$ 4,357,257
Net OPEB liability as a percentage of covered payroll	156.7%

\* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF KITTERY, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018

**Changes of Assumptions**

The funding method for the MMEHT OPEB Plan was changed from Projected Unit Credit funding to Entry Age Normal funding method.

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

## 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.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- 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 Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Schedule of Fiduciary Net Position - Private-Purpose Trust Funds
- Combining Schedule of Changes in Fiduciary Net Position - Private-Purpose Trust Funds
- Combining Schedule of Changes in Student Activities Funds - Agency Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
General tax revenues:				
Property taxes	\$ 23,928,524	\$ 23,928,524	\$ 23,872,439	\$ (56,085)
Vehicle excise taxes	1,700,000	1,700,000	1,958,762	258,762
Boat excise taxes	27,500	27,500	26,555	(945)
Intergovernmental revenues:				
Education subsidy	702,462	702,462	783,005	80,543
State revenue sharing	397,652	397,652	405,567	7,915
Homestead exemption	170,000	170,000	206,517	36,517
Other education revenue	350,000	350,000	586,992	236,992
GMH Housing	275,875	275,875	266,849	(9,026)
General assistance	45,000	45,000	35,506	(9,494)
Other	3,033	3,033	3,871	838
Charges for services:				
Recreation fees	874,355	874,355	1,023,622	149,267
Code enforcement fees	206,000	206,000	404,711	198,711
Registration fees	27,000	27,000	28,368	1,368
Town clerk fees	24,800	24,800	29,788	4,988
Planning fees	18,800	18,800	18,153	(647)
Solid waste/recycling	140,000	140,000	79,090	(60,910)
Solid waste/permits	48,000	48,000	90,776	42,776
Fort Foster fees	183,000	183,000	219,168	36,168
Dispatching services	107,350	107,350	107,350	-
Police department	52,000	52,000	48,907	(3,093)
Animal control	6,500	6,500	5,875	(625)
Public works	12,500	12,500	13,694	1,194
Mooring/launch fees	97,200	97,200	99,638	2,438
Harbor fees	24,250	24,250	29,298	5,048
School resource officer Education	40,000	40,000	45,000	5,000
	28,500	28,500	32,353	3,853
Investment income:				
Investment income	32,000	32,000	40,128	8,128
Other income:				
Interest/fees on taxes	65,000	65,000	52,549	(12,451)
Payment in lieu of taxes	-	-	1,817	1,817
Other income	31,290	31,290	21,107	(10,183)
Rent	22,900	22,900	22,900	-
Other reimbursements	9,000	9,000	8,556	(444)
Education	2,000	2,000	17,237	15,237
Transfers from other funds:				
Special revenue funds	200,000	200,000	200,000	-
Permanent funds	30,000	30,000	37,500	7,500
<b>Total revenues</b>	<u>\$ 29,882,491</u>	<u>\$ 29,882,491</u>	<u>\$ 30,823,648</u>	<u>\$ 941,157</u>

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
<b>General government</b>					
Administration	\$ 1,192,391	\$ (75,005)	\$ 1,117,386	\$ 1,101,878	\$ 15,508
Assessing	143,502	3,646	147,148	147,147	1
Code enforcement	432,192	(13,270)	418,922	418,922	-
Insurance	310,429	13,387	323,816	323,816	-
Planning board	11,582	(3,348)	8,234	8,234	-
Elections	10,453	5,060	15,513	15,513	-
Council	7,656	(3,562)	4,094	4,093	1
	<u>2,108,205</u>	<u>(73,092)</u>	<u>2,035,113</u>	<u>2,019,603</u>	<u>15,510</u>
<b>Public safety</b>					
Police department	2,976,000	(8,350)	2,967,650	2,967,649	1
Fire department	333,629	(4,159)	329,470	329,469	1
Street lights	130,000	(2,515)	127,485	127,180	305
Hydrants	254,179	-	254,179	254,179	-
Civil emergency preparedness	700	(700)	-	-	-
	<u>3,694,508</u>	<u>(15,724)</u>	<u>3,678,784</u>	<u>3,678,477</u>	<u>307</u>
<b>Public works</b>					
Highways	1,303,564	-	1,303,564	1,385,123	(81,559)
	<u>1,303,564</u>	<u>-</u>	<u>1,303,564</u>	<u>1,385,123</u>	<u>(81,559)</u>
<b>Recreation and culture</b>					
Parks	162,332	-	162,332	151,403	10,929
Fort Foster	190,458	-	190,458	158,385	32,073
Recreation	1,305,232	17,420	1,322,652	1,322,652	-
Library	467,380	-	467,380	467,380	-
Port Authority	112,194	-	112,194	112,193	1
	<u>2,237,596</u>	<u>17,420</u>	<u>2,255,016</u>	<u>2,212,013</u>	<u>43,003</u>
<b>Health and sanitation</b>					
Solid waste	578,335	(4,129)	574,206	535,648	38,558
	<u>578,335</u>	<u>(4,129)</u>	<u>574,206</u>	<u>535,648</u>	<u>38,558</u>
<b>Social services</b>					
General assistance	50,000	(2,023)	47,977	47,976	1
Community agencies	11,765	(900)	10,865	10,865	-
Public health services	591	-	591	592	(1)
	<u>62,356</u>	<u>(2,923)</u>	<u>59,433</u>	<u>59,433</u>	<u>-</u>



## SCHEDULE B (CONTINUED)

## TOWN OF KITTEERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
<b>Education</b>	16,755,600	-	16,755,600	16,816,138	(60,538)
<b>County tax</b>	934,420	(3,488)	930,932	930,931	1
<b>Debt service</b>					
Principal	675,462	2,017	677,479	677,479	-
Interest	186,526	-	186,526	186,525	1
	861,988	2,017	864,005	864,004	1
<b>Overlay</b>	64,991	(64,991)	-	-	-
<b>Grant funds/misc. accounts</b>					
EPA stormwater program	18,750	-	18,750	17,839	911
Memorial day activities	675	-	675	732	(57)
Computer repair	25,000	-	25,000	38,300	(13,300)
Shellfish conservation	1,600	-	1,600	650	950
Conservation commission	500	-	500	165	335
Self insurance claims	-	13,000	13,000	9,049	3,951
Grant matching funds	-	10,000	10,000	10,000	-
Mosquito/tick control	30,000	-	30,000	37,688	(7,688)
GIS/web account	3,600	-	3,600	2,700	900
PSAP paid to York police dept.	27,000	-	27,000	26,067	933
Bank fees	600	-	600	(49)	649
Transfers	-	13,066	13,066	-	13,066
	107,725	36,066	143,791	143,141	650
<b>Transfers to other funds</b>					
Special revenue funds	488,746	109,844	598,590	242,543	356,047
Capital projects funds	1,509,303	-	1,509,303	1,509,303	-
Enterprise funds	-	-	-	-	-
	1,998,049	109,844	2,107,893	1,751,846	356,047
Total Departmental Operations	\$ 30,707,337	\$ 1,000	\$ 30,708,337	\$ 30,396,357	\$ 311,980

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

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 131	\$ -	\$ 28,703	\$ 28,834
Investments	-	-	645,769	645,769
Accounts receivable (net of allowance for uncollectibles)	31,782	-	-	31,782
Due from other governments	71,493	-	-	71,493
Prepaid items	237	-	-	237
Inventory	2,954	-	-	2,954
Due from other funds	4,267,072	1,929,962	102,858	6,299,892
<b>TOTAL ASSETS</b>	<b>\$ 4,373,669</b>	<b>\$ 1,929,962</b>	<b>\$ 777,330</b>	<b>\$ 7,080,961</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 192,067	\$ 47,305	\$ 3,675	\$ 243,047
Accrued expenses	-	-	-	-
Due to other funds	192,421	-	20,278	212,699
<b>TOTAL LIABILITIES</b>	<b>384,488</b>	<b>47,305</b>	<b>23,953</b>	<b>455,746</b>
<b>FUND BALANCES</b>				
Nonspendable	3,191	-	60,000	63,191
Restricted	147,729	940,720	709,477	1,797,926
Committed	3,905,865	941,937	-	4,847,802
Assigned	155,301	-	-	155,301
Unassigned	(222,905)	-	(16,100)	(239,005)
<b>TOTAL FUND BALANCES</b>	<b>3,989,181</b>	<b>1,882,657</b>	<b>753,377</b>	<b>6,625,215</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,373,669</b>	<b>\$ 1,929,962</b>	<b>\$ 777,330</b>	<b>\$ 7,080,961</b>

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

## SCHEDULE D

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental revenues	\$ 924,704	\$ 1,950,226	\$ -	\$ 2,874,930
Charges for services	764,380	-	-	764,380
Investment income, net of unrealized gains/(losses)	-	-	11,857	11,857
Interest income	-	1,671	14,489	16,160
Other income	491,333	-	61,451	552,784
<b>TOTAL REVENUES</b>	<u>2,180,417</u>	<u>1,951,897</u>	<u>87,797</u>	<u>4,220,111</u>
<b>EXPENDITURES</b>				
General government	152,460	-	78,601	231,061
Public safety	93,350	-	-	93,350
Public works	836,652	-	-	836,652
Health and sanitation	5,131	-	-	5,131
Recreation and culture	75,524	-	-	75,524
Education	1,526,868	-	-	1,526,868
Capital outlay	1,134,935	2,357,587	-	3,492,522
Other	136,704	115,631	-	252,335
<b>TOTAL EXPENDITURES</b>	<u>3,961,624</u>	<u>2,473,218</u>	<u>78,601</u>	<u>6,513,443</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,781,207)</u>	<u>(521,321)</u>	<u>9,196</u>	<u>(2,293,332)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,369,870	306,498	-	2,676,368
Transfers (out)	(343,824)	(780,698)	(37,500)	(1,162,022)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,026,046</u>	<u>(474,200)</u>	<u>(37,500)</u>	<u>1,514,346</u>
<b>NET CHANGE IN FUND BALANCES</b>	244,839	(995,521)	(28,304)	(778,986)
<b>FUND BALANCES, JULY 1, RESTATED</b>	<u>3,744,342</u>	<u>2,878,178</u>	<u>781,681</u>	<u>7,404,201</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 3,989,181</u>	<u>\$ 1,882,657</u>	<u>\$ 753,377</u>	<u>\$ 6,625,215</u>

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

## Special Revenue Funds

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

SCHEDULE E

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	ASA Applicant Code	Oil and More Donations	Channel 22	Concert in the Park	D.A.R.E.	Fire Hazmat Spill Cleanup	Thresher Memorial
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	43,902	-	489,851	-	216	3,186	1,089
<b>TOTAL ASSETS</b>	<u>\$ 43,902</u>	<u>\$ -</u>	<u>\$ 489,851</u>	<u>\$ -</u>	<u>\$ 216</u>	<u>\$ 3,186</u>	<u>\$ 1,089</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 7,629	\$ -	\$ 3,437	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	15	-	753	-	-	-
<b>TOTAL LIABILITIES</b>	<u>7,629</u>	<u>15</u>	<u>3,437</u>	<u>753</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	36,273	-	486,414	-	216	3,186	1,089
Assigned	-	-	-	-	-	-	-
Unassigned	-	(15)	-	(753)	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>36,273</u>	<u>(15)</u>	<u>486,414</u>	<u>(753)</u>	<u>216</u>	<u>3,186</u>	<u>1,089</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 43,902</u>	<u>\$ -</u>	<u>\$ 489,851</u>	<u>\$ -</u>	<u>\$ 216</u>	<u>\$ 3,186</u>	<u>\$ 1,089</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Accrued Compensated Absences	Ballot Counting Machines	GMH Fire/Police Protection	Town Pier	Kittery Block Party	Kittery Community Center	York Hospital
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	127,839	6,078	-	-	26,048	32,001	18,322
<b>TOTAL ASSETS</b>	<u>\$ 127,839</u>	<u>\$ 6,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,048</u>	<u>\$ 32,001</u>	<u>\$ 18,322</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,291	\$ -	\$ -
Due to other funds	-	-	-	33,664	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,664</u>	<u>2,291</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	127,839	6,078	-	-	23,757	32,001	18,322
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(33,664)	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>127,839</u>	<u>6,078</u>	<u>-</u>	<u>(33,664)</u>	<u>23,757</u>	<u>32,001</u>	<u>18,322</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 127,839</u>	<u>\$ 6,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,048</u>	<u>\$ 32,001</u>	<u>\$ 18,322</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Property Valuation	Police Forfeiture	Public Safety Impact Fees	Open Space	Spruce Creek - PH4	Conservation Committee	TIF Financial Plan
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	-	59,168	88,671	59,047	2,352	972	381,881
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 59,168</u>	<u>\$ 88,671</u>	<u>\$ 59,047</u>	<u>\$ 2,352</u>	<u>\$ 972</u>	<u>\$ 381,881</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 395	\$ 3,040	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>395</u>	<u>3,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	85,631	-	2,352	-	-
Committed	-	58,773	-	59,047	-	972	381,881
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>58,773</u>	<u>85,631</u>	<u>59,047</u>	<u>2,352</u>	<u>972</u>	<u>381,881</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ -</u>	<u>\$ 59,168</u>	<u>\$ 88,671</u>	<u>\$ 59,047</u>	<u>\$ 2,352</u>	<u>\$ 972</u>	<u>\$ 381,881</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Comprehensive Plan Update	FEMA Maps Appeal	Dispatch Center	Sewer Impact Fees	Sewer Betterments	Brownfields	DPW Right of Way Reserve
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	48,313	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	-	-	-	636,742	138,583	-	233,724
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,055</u>	<u>\$ 138,583</u>	<u>\$ -</u>	<u>\$ 233,724</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 1,485	\$ -	\$ -	\$ -	\$ -	\$ 49,032
Due to other funds	-	1,568	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>3,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,032</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	685,055	138,583	-	184,692
Assigned	-	-	-	-	-	-	-
Unassigned	-	(3,053)	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>(3,053)</u>	<u>-</u>	<u>685,055</u>	<u>138,583</u>	<u>-</u>	<u>184,692</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,055</u>	<u>\$ 138,583</u>	<u>\$ -</u>	<u>\$ 233,724</u>



SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Recreational Vehicle	Highway Vehicle	Fire Dept. Vehicle	KCC Playgrounds	Spruce Creek PH5 Grant
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	20,700	107,421	293,165	64,718	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,700</b>	<b>\$ 107,421</b>	<b>\$ 293,165</b>	<b>\$ 64,718</b>	<b>\$ -</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	4,741	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	1,699
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,741</b>	<b>-</b>	<b>-</b>	<b>1,699</b>
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	20,700	102,680	293,165	64,718	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(1,699)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,700</b>	<b>102,680</b>	<b>293,165</b>	<b>64,718</b>	<b>(1,699)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,700</b>	<b>\$ 107,421</b>	<b>\$ 293,165</b>	<b>\$ 64,718</b>	<b>\$ -</b>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Fort Foster Pier	Storm Drain Mapping	Port Authority Boat	Recreational Equipment	Computer	Emery Field PH 1 LCWF Grant	Ogden Fdn. Prog. Dev Grant (KCC)
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	-	107,918	17,098	5,057	15,782	-	25,600
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 107,918</u>	<u>\$ 17,098</u>	<u>\$ 5,057</u>	<u>\$ 15,782</u>	<u>\$ -</u>	<u>\$ 25,600</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 471	\$ -	\$ -	\$ 2,039	\$ -	\$ 2,400
Due to other funds	-	-	-	-	-	36,814	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>471</u>	<u>-</u>	<u>-</u>	<u>2,039</u>	<u>36,814</u>	<u>2,400</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	107,447	17,098	5,057	13,743	-	23,200
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(36,814)	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>-</u>	<u>107,447</u>	<u>17,098</u>	<u>5,057</u>	<u>13,743</u>	<u>(36,814)</u>	<u>23,200</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ -</u>	<u>\$ 107,918</u>	<u>\$ 17,098</u>	<u>\$ 5,057</u>	<u>\$ 15,782</u>	<u>\$ -</u>	<u>\$ 25,600</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Police Vehicle Equipment	Solid Waste Equipment	Records Preservation	Municipal Facility Reserve	Public Safety Base Station	Parks Buildings & Grounds	Billable Police Details	Pol. Grant Support Det.
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from other funds	9,208	-	10	200,375	20,845	3,771	4,583	-
<b>TOTAL ASSETS</b>	<b>\$ 9,208</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ 200,375</b>	<b>\$ 20,845</b>	<b>\$ 3,771</b>	<b>\$ 4,583</b>	<b>\$ -</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-	13,063
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,063</b>
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	9,208	-	10	200,375	20,845	3,771	4,583	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(13,063)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>9,208</b>	<b>-</b>	<b>10</b>	<b>200,375</b>	<b>20,845</b>	<b>3,771</b>	<b>4,583</b>	<b>(13,063)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 9,208</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ 200,375</b>	<b>\$ 20,845</b>	<b>\$ 3,771</b>	<b>\$ 4,583</b>	<b>\$ -</b>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Kittery Community Center 5 Year	Kittery Port Authority Float & Ramp Pump	Port Authority Equipment	Fire Equipment Reserve	Sewer Vehicle Reserve	Sewer Depreciation Reserve	Sewer Safety Grants
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Due from other funds	28,827	-	46,082	130,838	166,938	153,418	2,000
<b>TOTAL ASSETS</b>	<u>\$ 28,827</u>	<u>\$ -</u>	<u>\$ 46,082</u>	<u>\$ 130,838</u>	<u>\$ 166,938</u>	<u>\$ 153,418</u>	<u>\$ 2,000</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 1,880	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,880</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	28,827	-	46,082	128,958	166,938	153,418	2,000
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>28,827</u>	<u>-</u>	<u>46,082</u>	<u>128,958</u>	<u>166,938</u>	<u>153,418</u>	<u>2,000</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 28,827</u>	<u>\$ -</u>	<u>\$ 46,082</u>	<u>\$ 130,838</u>	<u>\$ 166,938</u>	<u>\$ 153,418</u>	<u>\$ 2,000</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	Police New Officer	Storm Damage/ FEMA	Athletic Fields	Wave Attenuation	Wetland Mitigation	School Special Revenue Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131	\$ 131
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	31,782	31,782
Due from other governments	-	-	-	-	-	23,180	71,493
Prepaid items	-	-	-	-	-	237	237
Inventory	-	-	-	-	-	2,954	2,954
Due from other funds	-	-	62,142	-	37,620	393,284	4,267,072
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,142</u>	<u>\$ -</u>	<u>\$ 37,620</u>	<u>\$ 451,568</u>	<u>\$ 4,373,669</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 2,370	\$ -	\$ -	\$ -	\$ -	\$ 110,857	\$ 192,067
Due to other funds	924	-	-	-	-	103,921	192,421
<b>TOTAL LIABILITIES</b>	<u>3,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,778</u>	<u>384,488</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	3,191	3,191
Restricted	-	-	-	-	-	59,746	147,729
Committed	-	-	62,142	-	37,620	149,102	3,905,865
Assigned	-	-	-	-	-	155,301	155,301
Unassigned	(3,294)	-	-	-	-	(130,550)	(222,905)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>(3,294)</u>	<u>-</u>	<u>62,142</u>	<u>-</u>	<u>37,620</u>	<u>236,790</u>	<u>3,989,181</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>							
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,142</u>	<u>\$ -</u>	<u>\$ 37,620</u>	<u>\$ 451,568</u>	<u>\$ 4,373,669</u>

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

SCHEDULE F

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	ASA Applicant Code	Oil and More Donations	Channel 22	Concert in the Park	D.A.R.E.	Fire Hazmat Spill Cleanup	Thresher Memorial
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	53,595	-	109,358	-	-	-	120
<b>TOTAL REVENUES</b>	<b>53,595</b>	<b>-</b>	<b>109,358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120</b>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,050	-
Public works	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	3,600	-	-	-
Education	-	-	-	-	-	-	-
Other	47,587	-	54,944	-	-	-	1,681
<b>TOTAL EXPENDITURES</b>	<b>47,587</b>	<b>-</b>	<b>54,944</b>	<b>3,600</b>	<b>-</b>	<b>1,050</b>	<b>1,681</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,008</b>	<b>-</b>	<b>54,414</b>	<b>(3,600)</b>	<b>-</b>	<b>(1,050)</b>	<b>(1,561)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>6,008</b>	<b>-</b>	<b>54,414</b>	<b>(3,600)</b>	<b>-</b>	<b>(1,050)</b>	<b>(1,561)</b>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<b>30,265</b>	<b>(15)</b>	<b>432,000</b>	<b>2,847</b>	<b>216</b>	<b>4,236</b>	<b>2,650</b>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<b>\$ 36,273</b>	<b>\$ (15)</b>	<b>\$ 486,414</b>	<b>\$ (753)</b>	<b>\$ 216</b>	<b>\$ 3,186</b>	<b>\$ 1,089</b>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Accrued Compensated Absences	Ballot Counting Machines	GMH Fire/Police Protection	Town Pier	Kittery Block Party	Kittery Community Center	York Hospital
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	43,680	22,664	18,500
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,680</b>	<b>22,664</b>	<b>18,500</b>
<b>EXPENDITURES</b>							
General government	111,018	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	42,667	4,280	-
Education	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	12,347
<b>TOTAL EXPENDITURES</b>	<b>111,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,667</b>	<b>4,280</b>	<b>12,347</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(111,018)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,013</b>	<b>18,384</b>	<b>6,153</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	31,108	-	-	35,646	-	-	-
Transfers (out)	-	-	(482)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>31,108</b>	<b>-</b>	<b>(482)</b>	<b>35,646</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>(79,910)</b>	<b>-</b>	<b>(482)</b>	<b>35,646</b>	<b>1,013</b>	<b>18,384</b>	<b>6,153</b>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<b>207,749</b>	<b>6,078</b>	<b>482</b>	<b>(69,310)</b>	<b>22,744</b>	<b>13,617</b>	<b>12,169</b>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<b>\$ 127,839</b>	<b>\$ 6,078</b>	<b>\$ -</b>	<b>\$ (33,664)</b>	<b>\$ 23,757</b>	<b>\$ 32,001</b>	<b>\$ 18,322</b>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Property Valuation	Police Forfeiture	Public Safety Impact Fees	Open Space	Spruce Creek - PH4	Conservation Committee	TIF Financial Plan
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	2,370	61,627	-	6,926	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>2,370</u>	<u>61,627</u>	<u>-</u>	<u>6,926</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Public safety	-	2,893	37,457	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other	-	-	-	-	5,261	-	8,012
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>2,893</u>	<u>37,457</u>	<u>-</u>	<u>5,261</u>	<u>-</u>	<u>8,012</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(523)</u>	<u>24,170</u>	<u>-</u>	<u>1,665</u>	<u>-</u>	<u>(8,012)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	167,985
Transfers (out)	(3,479)	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(3,479)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,985</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<u>(3,479)</u>	<u>(523)</u>	<u>24,170</u>	<u>-</u>	<u>1,665</u>	<u>-</u>	<u>159,973</u>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<u>3,479</u>	<u>59,296</u>	<u>61,461</u>	<u>59,047</u>	<u>687</u>	<u>972</u>	<u>221,908</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ -</u>	<u>\$ 58,773</u>	<u>\$ 85,631</u>	<u>\$ 59,047</u>	<u>\$ 2,352</u>	<u>\$ 972</u>	<u>\$ 381,881</u>



SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Comprehensive Plan Update	FEMA Maps Appeal	Dispatch Center	Sewer Impact Fees	Sewer Betterments	Brownfields	DPW Right of Way Reserve
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	197,715	21,636	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	8,387	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>8,387</b>	<b>-</b>	<b>197,715</b>	<b>21,636</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>							
General government	-	31,440	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	829,229
Health and sanitation	-	-	-	3,375	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Other	-	-	-	-	-	3,669	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>31,440</b>	<b>-</b>	<b>3,375</b>	<b>-</b>	<b>3,669</b>	<b>829,229</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>							
	<b>-</b>	<b>(23,053)</b>	<b>-</b>	<b>194,340</b>	<b>21,636</b>	<b>(3,669)</b>	<b>(829,229)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	1,000	-	-	5,041	1,010,743
Transfers (out)	(25,000)	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25,000)</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>5,041</b>	<b>1,010,743</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>(25,000)</b>	<b>(23,053)</b>	<b>1,000</b>	<b>194,340</b>	<b>21,636</b>	<b>1,372</b>	<b>181,514</b>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<b>25,000</b>	<b>20,000</b>	<b>(1,000)</b>	<b>490,715</b>	<b>116,947</b>	<b>(1,372)</b>	<b>3,178</b>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<b>\$ -</b>	<b>\$ (3,053)</b>	<b>\$ -</b>	<b>\$ 685,055</b>	<b>\$ 138,583</b>	<b>\$ -</b>	<b>\$ 184,692</b>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Recreational Vehicle	Highway Vehicle	Fire Dept. Vehicle	KCC Playgrounds	Spruce Creek PH5 Grant
<b>REVENUES</b>								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other income	-	-	-	-	4,010	-	64,718	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,010</u>	<u>-</u>	<u>64,718</u>	<u>-</u>
<b>EXPENDITURES</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	515,665	48,447	-	-
Other	-	-	-	-	-	-	-	1,699
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,665</u>	<u>48,447</u>	<u>-</u>	<u>1,699</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(511,655)</u>	<u>(48,447)</u>	<u>64,718</u>	<u>(1,699)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	6,000	550,581	159,750	-	-
Transfers (out)	(12,632)	(19,154)	(7,649)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(12,632)</u>	<u>(19,154)</u>	<u>(7,649)</u>	<u>6,000</u>	<u>550,581</u>	<u>159,750</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<u>(12,632)</u>	<u>(19,154)</u>	<u>(7,649)</u>	<u>6,000</u>	<u>38,926</u>	<u>111,303</u>	<u>64,718</u>	<u>(1,699)</u>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<u>12,632</u>	<u>19,154</u>	<u>7,649</u>	<u>14,700</u>	<u>63,754</u>	<u>181,862</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,700</u>	<u>\$ 102,680</u>	<u>\$ 293,165</u>	<u>\$ 64,718</u>	<u>\$ (1,699)</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Fort Foster Pier	Storm Drain Mapping	Port Authority Boat	Recreational Equipment	Computer	Emery Field PH 1 LCWF Grant	Ogden Fdn. Prog. Dev Grant (KCC)
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ 7,601	\$ -	\$ -	\$ 121,972	\$ 10,000
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>7,601</b>	<b>-</b>	<b>-</b>	<b>121,972</b>	<b>10,000</b>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	7,423	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	7,012	45,208	241,632	16,800
Other	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>7,423</b>	<b>-</b>	<b>7,012</b>	<b>45,208</b>	<b>241,632</b>	<b>16,800</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(7,423)</b>	<b>7,601</b>	<b>(7,012)</b>	<b>(45,208)</b>	<b>(119,660)</b>	<b>(6,800)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	10,000	7,500	5,000	35,000	-	-
Transfers (out)	(27)	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(27)</b>	<b>10,000</b>	<b>7,500</b>	<b>5,000</b>	<b>35,000</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>(27)</b>	<b>2,577</b>	<b>15,101</b>	<b>(2,012)</b>	<b>(10,208)</b>	<b>(119,660)</b>	<b>(6,800)</b>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<b>27</b>	<b>104,870</b>	<b>1,997</b>	<b>7,069</b>	<b>23,951</b>	<b>82,846</b>	<b>30,000</b>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<b>\$ -</b>	<b>\$ 107,447</b>	<b>\$ 17,098</b>	<b>\$ 5,057</b>	<b>\$ 13,743</b>	<b>\$ (36,814)</b>	<b>\$ 23,200</b>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Police Vehicle Equipment	Solid Waste Equipment	Records Preservation	Municipal Facility Reserve	Public Safety Base Station	Parks Buildings & Grounds	Billable Police Details	Pol. Grant Support Det.
<b>REVENUES</b>								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,324
Charges for services	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other income	2,116	-	-	-	-	-	25,326	-
<b>TOTAL REVENUES</b>	<u>2,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,326</u>	<u>10,324</u>
<b>EXPENDITURES</b>								
General government	-	-	10,002	-	-	-	-	-
Public safety	-	-	-	-	-	-	20,743	23,387
Public works	-	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	20,104	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	110,359	-	-	27,215	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>110,359</u>	<u>-</u>	<u>10,002</u>	<u>27,215</u>	<u>-</u>	<u>20,104</u>	<u>20,743</u>	<u>23,387</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(108,243)</u>	<u>-</u>	<u>(10,002)</u>	<u>(27,215)</u>	<u>-</u>	<u>(20,104)</u>	<u>4,583</u>	<u>(13,063)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	113,000	-	10,000	56,818	-	20,027	-	-
Transfers (out)	-	(50,581)	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>113,000</u>	<u>(50,581)</u>	<u>10,000</u>	<u>56,818</u>	<u>-</u>	<u>20,027</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	4,757	(50,581)	(2)	29,603	-	(77)	4,583	(13,063)
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<u>4,451</u>	<u>50,581</u>	<u>12</u>	<u>170,772</u>	<u>20,845</u>	<u>3,848</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ 9,208</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 200,375</u>	<u>\$ 20,845</u>	<u>\$ 3,771</u>	<u>\$ 4,583</u>	<u>\$ (13,063)</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Kittery Community Center 5 Year	Kittery Port Authority Float & Ramp Pump	Port Authority Equipment	Fire Equipment Reserve	Sewer Vehicle Reserve	Sewer Depreciation Reserve	Sewer Safety Grants
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,756
Charges for services	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,756</u>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	1,756
Recreation and culture	4,873	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	22,295	14,419	-	85,883	-
Other	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>4,873</u>	<u>-</u>	<u>22,295</u>	<u>14,419</u>	<u>-</u>	<u>85,883</u>	<u>1,756</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,873)</u>	<u>-</u>	<u>(22,295)</u>	<u>(14,419)</u>	<u>-</u>	<u>(85,883)</u>	<u>2,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	10,000	-	49,011	58,160	-	-	-
Transfers (out)	-	(18,320)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>10,000</u>	<u>(18,320)</u>	<u>49,011</u>	<u>58,160</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<u>5,127</u>	<u>(18,320)</u>	<u>26,716</u>	<u>43,741</u>	<u>-</u>	<u>(85,883)</u>	<u>2,000</u>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<u>23,700</u>	<u>18,320</u>	<u>19,366</u>	<u>85,217</u>	<u>166,938</u>	<u>239,301</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<u>\$ 28,827</u>	<u>\$ -</u>	<u>\$ 46,082</u>	<u>\$ 128,958</u>	<u>\$ 166,938</u>	<u>\$ 153,418</u>	<u>\$ 2,000</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Police New Officer	Storm Damage/ FEMA	Athletic Fields	Wave Attenuation	Wetland Mitigation	School Special Revenue Funds	Total
<b>REVENUES</b>							
Intergovernmental revenue	\$ 4,502	\$ -	\$ -	\$ -	\$ 12,464	\$ 754,085	\$ 924,704
Charges for services	-	-	-	-	-	545,029	764,380
Interest income	-	-	-	-	-	-	-
Other income	-	-	-	-	-	67,936	491,333
<b>TOTAL REVENUES</b>	<b>4,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,464</b>	<b>1,367,050</b>	<b>2,180,417</b>
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	152,460
Public safety	7,820	-	-	-	-	-	93,350
Public works	-	-	-	-	-	-	836,652
Health and sanitation	-	-	-	-	-	-	5,131
Recreation and culture	-	-	-	-	-	-	75,524
Education	-	-	-	-	-	1,526,868	1,526,868
Other	-	1,504	-	-	-	-	136,704
<b>TOTAL EXPENDITURES</b>	<b>7,820</b>	<b>1,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,526,868</b>	<b>3,961,624</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,318)</b>	<b>(1,504)</b>	<b>-</b>	<b>-</b>	<b>12,464</b>	<b>(159,818)</b>	<b>(1,781,207)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	25,000	-	-	2,500	2,369,870
Transfers (out)	-	-	-	(4,000)	-	(202,500)	(343,824)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>(4,000)</b>	<b>-</b>	<b>(200,000)</b>	<b>2,026,046</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>(3,318)</b>	<b>(1,504)</b>	<b>25,000</b>	<b>(4,000)</b>	<b>12,464</b>	<b>(359,818)</b>	<b>244,839</b>
<b>FUND BALANCES (DEFICITS), JULY 1, RESTATED</b>	<b>24</b>	<b>1,504</b>	<b>37,142</b>	<b>4,000</b>	<b>25,156</b>	<b>596,608</b>	<b>3,744,342</b>
<b>FUND BALANCES (DEFICITS), JUNE 30</b>	<b>\$ (3,294)</b>	<b>\$ -</b>	<b>\$ 62,142</b>	<b>\$ -</b>	<b>\$ 37,620</b>	<b>\$ 236,790</b>	<b>\$ 3,989,181</b>

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 fund.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2018

	Community Center	Town Facilities	Roads	Fire Fighters' SCBA's	Pepperill Coves Paving/ Utilities	Fire Department Facility	Public Works Sign Shed
<b>ASSETS</b>							
Due from other funds	\$ 373	\$ 25,926	\$ -	\$ -	\$ 21,462	\$ -	\$ 20
<b>TOTAL ASSETS</b>	<u>\$ 373</u>	<u>\$ 25,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,462</u>	<u>\$ -</u>	<u>\$ 20</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	373	25,926	-	-	-	-	-
Committed	-	-	-	-	21,462	-	20
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>373</u>	<u>25,926</u>	<u>-</u>	<u>-</u>	<u>21,462</u>	<u>-</u>	<u>20</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 373</u>	<u>\$ 25,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,462</u>	<u>\$ -</u>	<u>\$ 20</u>



SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2018

	Boat Infrastructure Grant	Capital Improvement	Fort Foster Bench	State Aid to Roads	Kittery Port Authority Railings & Lights	Route 1 Bypass/Two Way
<b>ASSETS</b>						
Due from other funds	\$ 1,584	\$ -	\$ 10,911	\$ 915,578	\$ 1,057	\$ -
<b>TOTAL ASSETS</b>	<u>\$ 1,584</u>	<u>\$ -</u>	<u>\$ 10,911</u>	<u>\$ 915,578</u>	<u>\$ 1,057</u>	<u>\$ -</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 34	\$ 1,157	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>34</u>	<u>1,157</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	914,421	-	-
Committed	1,584	-	10,877	-	1,057	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>1,584</u>	<u>-</u>	<u>10,877</u>	<u>914,421</u>	<u>1,057</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,584</u>	<u>\$ -</u>	<u>\$ 10,911</u>	<u>\$ 915,578</u>	<u>\$ 1,057</u>	<u>\$ -</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2018

	Government St. Pier Reserve	Rice & Taylor Lighting	Rice Beam Replacement	Zoning Record Upgrade	School Capital Projects Funds	Total
<b>ASSETS</b>						
Due from other funds	\$ 53,965	\$ 10,000	\$ 6,740	\$ 70,000	\$ 812,346	\$ 1,929,962
<b>TOTAL ASSETS</b>	<u>\$ 53,965</u>	<u>\$ 10,000</u>	<u>\$ 6,740</u>	<u>\$ 70,000</u>	<u>\$ 812,346</u>	<u>\$ 1,929,962</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 46,114	\$ 47,305
Due to other funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,114</u>	<u>47,305</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	940,720
Committed	53,965	10,000	6,740	70,000	766,232	941,937
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>53,965</u>	<u>10,000</u>	<u>6,740</u>	<u>70,000</u>	<u>766,232</u>	<u>1,882,657</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 53,965</u>	<u>\$ 10,000</u>	<u>\$ 6,740</u>	<u>\$ 70,000</u>	<u>\$ 812,346</u>	<u>\$ 1,929,962</u>

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

SCHEDULE H

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Community Center	Town Facilities	Roads	Fire Fighters' SCBA's	Pepperill Coves Paving/ Utilities	Fire Department Facility	Public Works Sign Shed
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	1,671	-	-	-	-	-
Other income	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>1,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>							
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	62,098	-
Other	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,098</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>1,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,098)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	25,758	-
Transfers (out)	-	-	(771,308)	(493)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(771,308)</u>	<u>(493)</u>	<u>-</u>	<u>25,758</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	1,671	(771,308)	(493)	-	(36,340)	-
<b>FUND BALANCES, JULY 1, RESTATED</b>	<u>373</u>	<u>24,255</u>	<u>771,308</u>	<u>493</u>	<u>21,462</u>	<u>36,340</u>	<u>20</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 373</u>	<u>\$ 25,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,462</u>	<u>\$ -</u>	<u>\$ 20</u>

SCHEDULE H (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Boat Infrastructure Grant	Capital Improvement	Fort Foster Bench	State Aid to Roads	Kittery Port Authority Railings & Lights	Route 1 Bypass/Two Way
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ 150	\$ 1,928,731	\$ -	\$ -
Interest income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
TOTAL REVENUES	-	-	150	1,928,731	-	-
EXPENDITURES						
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	1,908	1,975,222	-	-
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	1,908	1,975,222	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,758)	(46,491)	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(6,397)	-	-	-	(2,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	(6,397)	-	-	-	(2,500)
NET CHANGE IN FUND BALANCES	-	(6,397)	(1,758)	(46,491)	-	(2,500)
FUND BALANCES, JULY 1, RESTATED	1,584	6,397	12,635	960,912	1,057	2,500
FUND BALANCES, JUNE 30	\$ 1,584	\$ -	\$ 10,877	\$ 914,421	\$ 1,057	\$ -

SCHEDULE H (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Government St. Pier Reserve	Rice & Taylor Lighting	Rice Beam Replacement	Zoning Record Upgrade	School Capital Projects Funds	Total
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 21,345	\$ 1,950,226
Interest income	-	-	-	-	-	1,671
Other income	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	21,345	1,951,897
EXPENDITURES						
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	16,895	-	-	-	301,464	2,357,587
Other	-	-	-	-	115,631	115,631
TOTAL EXPENDITURES	16,895	-	-	-	417,095	2,473,218
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,895)	-	-	-	(395,750)	(521,321)
OTHER FINANCING SOURCES (USES)						
Transfers in	54,000	10,000	6,740	70,000	140,000	306,498
Transfers (out)	-	-	-	-	-	(780,698)
TOTAL OTHER FINANCING SOURCES (USES)	54,000	10,000	6,740	70,000	140,000	(474,200)
NET CHANGE IN FUND BALANCES	37,105	10,000	6,740	70,000	(255,750)	(995,521)
FUND BALANCES, JULY 1, RESTATED	16,860	-	-	-	1,021,982	2,878,178
FUND BALANCES, JUNE 30	\$ 53,965	\$ 10,000	\$ 6,740	\$ 70,000	\$ 766,232	\$ 1,882,657

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 Kittery, 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 cemeteries and school department scholarships.

SCHEDULE I

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2018

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust	George Smart Santa	Recycling Scholarship	Connie Samuels Beautification	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ 23,249	\$ -	\$ 5,454	\$ -	\$ -	\$ 28,703
Investments	-	-	645,769	-	-	-	-	645,769
Due from other funds	-	27,275	-	9,228	-	7,754	58,601	102,858
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 27,275</b>	<b>\$ 669,018</b>	<b>\$ 9,228</b>	<b>\$ 5,454</b>	<b>\$ 7,754</b>	<b>\$ 58,601</b>	<b>\$ 777,330</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ 1,125	\$ -	\$ 3,675
Due to other funds	12,778	-	7,500	-	-	-	-	20,278
<b>TOTAL LIABILITIES</b>	<b>15,328</b>	<b>-</b>	<b>7,500</b>	<b>-</b>	<b>-</b>	<b>1,125</b>	<b>-</b>	<b>23,953</b>
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable	-	-	-	10,000	-	-	50,000	60,000
Restricted	-	27,275	661,518	-	5,454	6,629	8,601	709,477
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	(15,328)	-	-	(772)	-	-	-	(16,100)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>(15,328)</b>	<b>27,275</b>	<b>661,518</b>	<b>9,228</b>	<b>5,454</b>	<b>6,629</b>	<b>58,601</b>	<b>753,377</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ -</b>	<b>\$ 27,275</b>	<b>\$ 669,018</b>	<b>\$ 9,228</b>	<b>\$ 5,454</b>	<b>\$ 7,754</b>	<b>\$ 58,601</b>	<b>\$ 777,330</b>

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

## SCHEDULE J

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust	George Smart Santa	Recycling Scholarship	Connie Samuels Beautification	Total
<b>REVENUES</b>								
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ 11,857	\$ -	\$ -	\$ -	\$ -	\$ 11,857
Interest income	-	-	14,489	-	-	-	-	14,489
Other income	500	-	45,665	-	5,106	10,180	-	61,451
<b>TOTAL REVENUES</b>	<b>500</b>	<b>-</b>	<b>72,011</b>	<b>-</b>	<b>5,106</b>	<b>10,180</b>	<b>-</b>	<b>87,797</b>
<b>EXPENDITURES</b>								
Other	21,125	-	43,211	-	4,640	9,625	-	78,601
<b>TOTAL EXPENDITURES</b>	<b>21,125</b>	<b>-</b>	<b>43,211</b>	<b>-</b>	<b>4,640</b>	<b>9,625</b>	<b>-</b>	<b>78,601</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>								
	(20,625)	-	28,800	-	466	555	-	9,196
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers (out)	-	-	(37,500)	-	-	-	-	(37,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(37,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,500)</b>
<b>NET CHANGE IN FUND BALANCES (DEFICITS)</b>								
	(20,625)	-	(8,700)	-	466	555	-	(28,304)
<b>FUND BALANCES (DEFICITS), JULY 1</b>								
	5,297	27,275	670,218	9,228	4,988	6,074	58,601	781,681
<b>FUND BALANCES (DEFICITS), JUNE 30</b>								
	<u>\$ (15,328)</u>	<u>\$ 27,275</u>	<u>\$ 661,518</u>	<u>\$ 9,228</u>	<u>\$ 5,454</u>	<u>\$ 6,629</u>	<u>\$ 58,601</u>	<u>\$ 753,377</u>

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



## Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town as an agent for individuals, private organizations or other governmental units. These assets are not available to support Town programs.

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION - PRIVATE-PURPOSE TRUST FUNDS  
JUNE 30, 2018

	Constance Samuels	Rebecca Kelso	Bob Whitten	William Dennett
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 4,780	\$ 7,854	\$ 581
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 4,780</u>	<u>\$ 7,854</u>	<u>\$ 581</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted - held in trust	-	4,780	7,854	581
<b>TOTAL NET POSITION</b>	<u>-</u>	<u>4,780</u>	<u>7,854</u>	<u>581</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ -</u>	<u>\$ 4,780</u>	<u>\$ 7,854</u>	<u>\$ 581</u>

SCHEDULE K (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION - PRIVATE-PURPOSE TRUST FUNDS  
JUNE 30, 2018

	Warren Seward	Priscilla Guy	Louise Whelton Art	Florence McCashin Memorial	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 2,593	\$ 2,369	\$ -	\$ 18,177
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 2,593</u>	<u>\$ 2,369</u>	<u>\$ -</u>	<u>\$ 18,177</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Restricted - held in trust	-	2,593	2,369	-	18,177
<b>TOTAL NET POSITION</b>	<u>-</u>	<u>2,593</u>	<u>2,369</u>	<u>-</u>	<u>18,177</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ -</u>	<u>\$ 2,593</u>	<u>\$ 2,369</u>	<u>\$ -</u>	<u>\$ 18,177</u>

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

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION - PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Constance Samuels	Rebecca Kelso	Bob Whitten	William Dennett
ADDITIONS				
Interest	\$ -	\$ -	\$ 8	\$ -
Contributions	-	465	-	-
TOTAL ADDITIONS	<u>-</u>	<u>465</u>	<u>8</u>	<u>-</u>
DEDUCTIONS				
Fees	-	26	-	-
Scholarships	93,350	500	750	-
Other	-	-	-	-
TOTAL DEDUCTIONS	<u>93,350</u>	<u>526</u>	<u>750</u>	<u>-</u>
CHANGE IN NET POSITION	(93,350)	(61)	(742)	-
NET POSITION - JULY 1	<u>93,350</u>	<u>4,841</u>	<u>8,596</u>	<u>581</u>
NET POSITION - JUNE 30	<u>\$ -</u>	<u>\$ 4,780</u>	<u>\$ 7,854</u>	<u>\$ 581</u>

SCHEDULE L (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION - PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Warren Seward	Priscilla Guy	Louise Whelton Art	Florence McCashin Memorial	Total
ADDITIONS					
Interest	\$ -	\$ 2	\$ -	\$ -	\$ 10
Contributions	-	-	-	-	465
TOTAL ADDITIONS	-	2	-	-	475
DEDUCTIONS					
Fees	-	-	-	-	26
Scholarships	754	-	250	283,173	378,777
Other	-	-	-	-	-
TOTAL DEDUCTIONS	754	-	250	283,173	378,803
CHANGE IN NET POSITION	(754)	2	(250)	(283,173)	(378,328)
NET POSITION - JULY 1	754	2,591	2,619	283,173	396,505
NET POSITION - JUNE 30	\$ -	\$ 2,593	\$ 2,369	\$ -	\$ 18,177

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN STUDENT ACTIVITY FUNDS - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
RW Traip Academy	\$ 51,728	\$ 95,782	\$ 97,784	\$ 49,726
Shapleigh School	9,090	35,416	30,234	14,272
Horace Mitchell School	6,672	3,765	4,111	6,326
	<u>\$ 67,490</u>	<u>\$ 134,963</u>	<u>\$ 132,129</u>	<u>\$ 70,324</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 N

## TOWN OF KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Police	\$ -	\$ 84,458	\$ 1,262,210	\$ -	\$ 1,346,668
General government	-	2,873,091	377,129	-	3,250,220
Fire	353,200	2,659,208	2,619,348	-	5,631,756
Public works	8,579,000	3,775,073	4,353,613	11,151,967	27,859,653
Health and sanitation	-	98,226	43,213	449,875	591,314
Recreation and culture	-	6,029,563	205,468	375,902	6,610,933
Town-wide	1,989,284	3,258,904	75,058	15,000	5,338,246
School department	34,735	25,942,440	846,221	-	26,823,396
Sewer department	285,980	18,646,324	450,657	11,691,686	31,074,647
Total General Capital Assets	11,242,199	63,367,287	10,232,917	23,684,430	108,526,833
Less: Accumulated Depreciation	-	(35,378,849)	(6,461,398)	(9,600,303)	(51,440,550)
Net General Capital Assets	\$ 11,242,199	\$ 27,988,438	\$ 3,771,519	\$ 14,084,127	\$ 57,086,283

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



## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
Police	\$ 1,257,120	\$ 89,548	\$ -	\$ 1,346,668
General government	3,245,182	5,038	-	3,250,220
Fire	5,474,019	157,737	-	5,631,756
Public works	27,319,213	540,440	-	27,859,653
Health and sanitation	591,314	-	-	591,314
Recreation and culture	6,624,858	-	(13,925)	6,610,933
Town-wide	5,338,246	-	-	5,338,246
School department	26,810,096	13,300	-	26,823,396
Sewer department	30,992,887	81,760	-	31,074,647
Total General Capital Assets	107,652,935	887,823	(13,925)	108,526,833
Less: Accumulated Depreciation	(48,155,419)	(3,285,131)	-	(51,440,550)
Net General Capital Assets	<u>\$ 59,497,516</u>	<u>\$ (2,397,308)</u>	<u>\$ (13,925)</u>	<u>\$ 57,086,283</u>

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

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture Passed-through State of Maine - Department of Education and Cultural Services: Child Nutrition Cluster:				
School Breakfast Program	10.553	3014	\$ -	\$ 34,989
National School Lunch Program	10.555	3022	-	30,474
Section II Fund SNP	10.555	3024	-	98,121
National School Lunch Program	10.555	3125	-	5,915
Summer Food Service Program	10.559	3016	-	14,827
Summer Admin	10.559	3018	-	1,549
Subtotal Child Nutrition Cluster			-	185,875
Total U.S. Department of Agriculture			-	185,875
U.S. Department of the Interior Passed-through State of Maine - Land, Water and Conservation Fund:				
Sportfishing and Boating Safety Act	15.622	CSN #29001	-	241,632
Total U.S. Department of the Interior			-	241,632
U.S. Department of Transportation Passed-through State of Maine - Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	CSN #29303	-	1,970,626
Highway Planning and Construction	20.205	CSN #29499	-	2,197
Subtotal Highway Planning and Construction Cluster			-	1,972,823
Total U.S. Department of Transportation			-	1,970,626
U.S. Environmental Protection Agency Direct Funding:				
Clean Water State Revolving Fund Cluster:				
Clean Water Revolving Loan Fund	66.458	Loan	-	3,141,072
Subtotal Clean Water State Revolving Fund Cluster			-	3,141,072
Passed-through State of Maine - Department of Environment Protection:				
Performance Partnership Grants	66.605	2015RT06	-	5,262
Performance Partnership Grants	66.605	20180005	-	1,699
Direct Funding:			-	6,961
Total U.S. Environmental Protection Agency			-	3,148,033

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Education Passed-through State of Maine - Department of Education and Cultural Services:				
Adult Basic Education	84.002	6253	-	3,997
Title I	84.010	3107	-	272,270
Special Education Cluster (IDEA):				
Local Entitlement	84.027	3046	-	406,673
Special Education Preschool	84.173	6247	-	1,923
Subtotal Special Education Cluster (IDEA)			-	408,596
Title IIA - Improving Teaching Quality	84.367	3042	-	27,265
Student Support & Academic Enrichment	84.424	3345	-	3,634
Total U.S. Department of Education			-	715,762
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 6,261,928

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Kittery, Maine under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Kittery, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Kittery, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Kittery, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Federal Clean Water Revolving Loan Program

The federal clean water revolving loan program listed subsequently is administered directly by the Town of Kittery, Maine, and balances and transactions relating to this program is included in the Town of Kittery, Maine's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2018</u>
1) 66.458	Clean Water Revolving Loan	\$ 2,038,742



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Town Council  
Town of Kittery  
Kittery, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Kittery, Maine as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine's basic financial statements, and have issued our report thereon dated December 4, 2018.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
December 4, 2018



*Proven Expertise and Integrity*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

Town Council  
Town of Kittery  
Kittery, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Kittery, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Kittery, Maine's major federal programs for the year ended June 30, 2018. The Town of Kittery, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kittery, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kittery, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Kittery, Maine's compliance.

#### Opinion on Each Major Federal Program

In our opinion, the Town of Kittery, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

#### Report on Internal Control Over Compliance

Management of the Town of Kittery, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kittery, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery, Maine's internal control over compliance.

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

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



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
December 4, 2018

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

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

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported  
in accordance with §200.516 of Uniform Guidance?       yes       no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee?       yes       no

**Section II – Financial Statement Findings**

None

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

None



*Proven Expertise and Integrity*

## INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council  
Town of Kittery  
Kittery, Maine

We have audited the financial statements of Town of Kittery, Maine for the year ended June 30, 2018 and have issued our report thereon dated December 4, 2018. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Maine Department of Education for accuracy. In addition, we have reviewed the Town of Kittery, Maine's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

The results of our procedures indicate that with respect to the items tested, the Town of Kittery, Maine complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Kittery, Maine was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Town of Kittery, Maine and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the MEFS financial system maintained at the Maine Department of Education.

This report is intended solely for the information of the Town Council, School Board, management and the Maine Department of Education. This report is not intended to be and should not be used by anyone other than the specified parties.

*RHR Smith & Company*

Buxton, Maine  
December 4, 2018

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KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA  
 SUBMITTED TO THE MEFS FINANCIAL SYSTEM  
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (3000)	Total
June 30, 2018 Balance per MEFS Financial System	\$ 751,469	\$ 236,790	\$ 766,232	\$ 1,754,491
<b>Revenue Adjustments:</b>	-	-	-	-
<b>Expenditure Adjustments:</b>	-	-	-	-
<b>Other adjustments:</b>				
Funds Not Reported on MEFS:				
0022 - Shapleigh Grant Fund	-	-	-	-
0150- Adult Education	-	-	-	-
0292 - Dedicated Maintenance Reserve	-	-	-	-
0601- Enterprise Gate Receipts	-	-	-	-
0901 - Mitchell Fund	-	-	-	-
0902 - Shapleigh Fund	-	-	-	-
0903 - Traip Fund	-	-	-	-
0904- Central Office Fund	-	-	-	-
Audit Adjustments	-	-	-	-
Beginning Balance	-	-	-	-
Rounding	-	-	-	-
Unallocated Variance	-	-	-	-
Audited GAAP Basis Fund Balance (Deficit) June 30, 2018	<u>\$ 751,469</u>	<u>\$ 236,790</u>	<u>\$ 766,232</u>	<u>\$ 1,754,491</u>