

Federal Compliance Audit

Town of Kittery, Maine

June 30, 2010



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

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JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

October 6, 2010

Town Council
Town of Kittery
Kittery, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Kittery, Maine as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kittery's basic financial statements. The combining and individual nonmajor fund financial statements 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 the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Kittery. The combining and individual nonmajor fund financial statements and the schedule of expenditure of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RHR Smith & Company

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

(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, 2010. 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 other supplementary information which includes combining and other schedules.

Basic Financial Statements

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

Government - Wide Financial Statements

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

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

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

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of 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, education, health and sanitation, recreation and other unclassified.
- *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 school lunch program and 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 City's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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

The Town of Kittery presents two columns in the governmental fund balance sheet and the governmental fund 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 two proprietary funds, the School lunch fund and sewer fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of 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 Fiduciary Fund Financial Statements.

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental funds is \$32.9 million compared to \$31.9 million in the prior year, an increase of 3.55%. For the business-type activities total net assets is \$10.44 million as compared to \$11.50 million in the prior year, an decrease of 9.22%.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$6.43 million at the end of this year for governmental activities and \$350,341 for the business-type activities.

Table 1
Town of Kittery, Maine
Net Assets
June 30,

	2010		2009	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Assets:				
Current and other assets	\$ 12,658,736	\$ 493,075	\$ 12,494,988	\$ 2,563,348
Capital Assets	32,151,068	14,833,387	31,673,309	14,651,537
Other Assets	-	14,258	-	18,650
Total Assets	\$ 44,809,804	\$ 15,340,720	\$ 44,168,297	\$ 17,233,535
Liabilities:				
Current Liabilities	\$ 3,823,349	\$ 425,095	\$ 2,883,517	\$ 4,097,517
Long-term Debt Outstanding	8,001,971	4,478,611	9,431,035	1,638,855
Total Liabilities	\$ 11,825,320	\$ 4,903,706	\$ 12,314,552	\$ 5,736,372
Net Assets:				
Invested in Capital Assets, Net of related Debt	\$ 24,178,955	\$ 10,059,173	\$ 22,230,158	\$ 9,488,313
Restricted for: Special revenues	198,247	-	166,496	-
Permanent funds	1,042,324	-	1,019,064	-
General fund	1,136,817	-	756,313	-
Special entrance fee	-	27,500	-	25,000
Unrestricted Net Assets	6,428,141	350,341	7,681,714	1,983,850
Total Net Assets	\$ 32,984,484	\$ 10,437,014	\$ 31,853,745	\$ 11,497,163

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

	2010		2009	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues				
Taxes:				
Property	\$ 18,915,447	\$ -	\$ 18,288,145	\$ -
Excise	1,414,791	-	1,414,123	-
Intergovernmental	3,206,694	151,900	2,433,015	135,722
State of Maine on behalf payments	1,164,450	-	1,207,086	-
Charges for services	761,608	1,892,373	649,652	2,020,228
Miscellaneous	1,133,929	9,257	1,950,613	217,251
Total Revenues	26,596,919	2,053,530	25,942,634	2,373,201
Expenses				
Current:				
General government	2,038,508	-	1,742,915	-
Public safety	2,822,194	-	3,366,506	-
Public works	1,319,598	-	2,185,324	-
Health and welfare	675,938	-	618,990	-
Social Services	66,905	-	67,810	-
Recreation and culture	1,020,296	-	1,032,097	-
Education	15,359,022	-	14,067,239	-
County tax	792,584	-	763,467	-
Designated accounts	-	-	888,357	-
Capital outlay	889,911	-	666,898	-
Unallocated depreciation expense	18,496	-	35,853	-
Interest expense	107,317	-	107,881	-
State of Maine on behalf payments	1,164,450	-	1,207,086	-
Enterprise fund	-	2,304,640	-	2,610,539
Total Expenses	26,275,219	2,304,640	26,750,423	2,610,539
Total transfers	809,039	(809,039)	(1,422,964)	1,422,964
Change in Net Assets	1,130,739	(1,060,149)	(2,230,753)	1,185,626
Net Assets - July 1	31,853,745	11,497,163	34,084,498	10,311,537
Net Assets - June 30	\$ 32,984,484	\$ 10,437,014	\$ 31,853,745	\$ 11,497,163

Revenues and Expenses

Revenues for the Town's governmental activities increased by 2.52%, while total expenses decreased by 1.78%. Most of the Town's expenses were consistent with the previous year with minor increases or decreases. The biggest increase in expenses was in capital outlay.

The intergovernmental revenue for the governmental funds increased this year due to education grants. The charges for services increased in the current year due to a various increases and decreases in a variety of accounts.

The increase in expenses for the proprietary fund was both in food and payroll expenses. Although the revenue also went up, it was not enough of an increase to keep the proprietary fund from having a operating loss for the current year.

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, unreserved 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,

	2010	2009
Major Funds:		
General Fund:		
Designated	\$ 1,136,817	\$ 1,686,369
Undesignated	4,182,938	4,286,501
Subtotal Major Funds	5,319,755	5,972,870
Non-Major Funds:		
Speical revenue funds	1,450,423	1,292,660
Capital projects fund	1,626,324	2,246,059
Permanent funds	1,042,324	1,019,064
Subtotal Non-Major Funds	4,119,071	4,557,783
Total Governmental Funds	\$ 9,438,826	\$10,530,653

The general fund total fund balance decreased by \$653,115 over the prior fiscal year. The non-major fund balances decreased by \$438,712 over the prior fiscal year. Most of the decrease in the general fund came as a result of reclassification of designated fund balances from the previous year. The decrease in the other major fund balances came as a result of two projects being financed with bond anticipation notes.

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 school lunch fund had a operating income for the current year of \$24,542, while the sewer fund had a current year deficit of \$1,084,691. The decrease in the sewer fund was mainly caused by the reclassification of three cash account to governmental activities special revenue funds.

Budgetary Highlights

There were significant differences between the original and final budget for the general fund. These differences were budget adjustments done by the town for special town meetings or adjustments between departments.

The general fund actual revenues exceeded the budget by \$161,329. This was a result of excise tax collections, charges for service and other income. The motor vehicle excise tax collections exceeded budgeted revenues by \$244,767.

The general fund actual expenditures were under the budget by \$1,159,469. The following expenditures were under budget which accounts for most of the balance:

Education	\$1,136,817
Overlay	299,756

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2010 the net book value of capital assets recorded by the Town increased by \$659,609. The decrease was caused by depreciation of \$1,864,339 and capital additions offset depreciation by \$2,391,662 and capital dispositions of \$49,564 net of depreciation.

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

	2010	2009
Land and improvements	\$12,659,864	\$ 12,658,444
Buildings and improvements	23,534,346	24,946,178
Machinery and equipment	1,166,822	1,287,608
Vehicles	1,961,845	1,401,361
Construction in progress	4,897,131	3,072,764
Infrastructure	2,764,447	2,958,491
Total	\$46,984,455	\$ 46,324,846

Debt

At June 30, 2010, the Town had \$12.37 million in bonds outstanding versus \$10.76 million last year, an increase of 15%, as shown in Note 5 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated 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.

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 Dept. at, 200 Rogers Road Ext, P.O. Box 808, Kittery, Maine 03904-0808.

STATEMENT A

TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 6,416,548	\$ -	\$ 6,416,548
Investments	5,043,299	-	5,043,299
Accounts receivable (net of allowance for uncollectibles):			
Taxes	986,056	-	986,056
Due from other governments	167,884	-	167,884
Other	1,468	511,030	512,498
Prepaid expenses	9,415	-	9,415
Inventory	-	16,111	16,111
Internal balances	34,066	(34,066)	-
Total current assets	<u>12,658,736</u>	<u>493,075</u>	<u>13,151,811</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	12,235,481	3,882,062	16,117,543
Buildings and vehicles net of accumulated depreciation	19,915,587	10,951,325	30,866,912
Total noncurrent assets	<u>32,151,068</u>	<u>14,833,387</u>	<u>46,984,455</u>
Other assets:			
Bond issuance costs (net of amortization)	-	14,258	14,258
TOTAL ASSETS	<u>\$ 44,809,804</u>	<u>\$ 15,340,720</u>	<u>\$ 60,150,524</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 436,109	\$ 575	\$ 436,684
Accrued expenses	851,575	8,860	860,435
Deferred revenue	7,376	3,683	11,059
Bond anticipation note	1,201,112	-	1,201,112
Other liabilities	2,483	-	2,483
Current portion of long-term obligations	1,324,694	411,977	1,736,671
Total current liabilities	<u>3,823,349</u>	<u>425,095</u>	<u>4,248,444</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	6,415,000	4,362,237	10,777,237
Capital lease payable	232,419	-	232,419
Accrued compensated absences	1,354,552	116,374	1,470,926
Total noncurrent liabilities	<u>8,001,971</u>	<u>4,478,611</u>	<u>12,480,582</u>
TOTAL LIABILITIES	<u>11,825,320</u>	<u>4,903,706</u>	<u>16,729,026</u>
NET ASSETS			
Invested in capital assets, net of related debt	24,178,955	10,059,173	34,238,128
Restricted for: Special Revenues	198,247	-	198,247
Permanent Funds	1,042,324	-	1,042,324
General Fund	1,136,817	-	1,136,817
Special entrance fees	-	27,500	27,500
Unrestricted	6,428,141	350,341	6,778,482
TOTAL NET ASSETS	<u>32,984,484</u>	<u>10,437,014</u>	<u>43,421,498</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,809,804</u>	<u>\$ 15,340,720</u>	<u>\$ 60,150,524</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT B

TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
Current:							
General government	\$ 2,038,508	\$ 250,116	\$ 23,456	-	\$ (1,764,936)	\$ -	\$ (1,764,936)
Public safety	2,822,194	90,138	-	-	(2,732,056)	-	(2,732,056)
Public works	1,319,598	-	-	-	(1,319,598)	-	(1,319,598)
Recreation and culture	1,020,296	213,085	-	-	(807,211)	-	(807,211)
Health and sanitation	675,938	208,269	-	-	(467,669)	-	(467,669)
Social services	66,905	-	-	-	(66,905)	-	(66,905)
Education	15,359,022	32,491	1,173,555	-	(14,152,976)	-	(14,152,976)
County tax	792,584	-	-	-	(792,584)	-	(792,584)
State of Maine on behalf payments	1,164,450	-	1,164,450	-	-	-	-
Capital outlay	889,911	-	-	-	(889,911)	-	(889,911)
Unallocated depreciation expense	18,496	-	-	-	(18,496)	-	(18,496)
Interest expense	107,317	-	-	-	(107,317)	-	(107,317)
Total governmental activities	26,275,219	794,099	2,361,461	-	(23,119,659)	-	(23,119,659)
Business-type activities:							
Sewer department	1,889,810	1,633,642	-	-	-	(256,168)	(256,168)
School lunch program	414,830	258,731	151,900	-	-	(4,199)	(4,199)
Total business-type activities	2,304,640	1,892,373	151,900	-	-	(260,367)	(260,367)
Total government and business	28,579,859	2,686,472	2,513,361	-	(23,119,659)	(260,367)	(23,380,026)

STATEMENT B (CONTINUED)

TOWN OF KITTEERY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>(23,119,659)</u>	<u>(260,367)</u>	<u>(23,380,026)</u>
General revenue:			
Taxes			
Property taxes, levied for general purposes	18,915,447	-	18,915,447
Excise taxes, levied for general purposes	1,414,791	-	1,414,791
Grants and contributions not restricted to specific programs	2,009,683	-	2,009,683
Investment income	62,671	-	62,671
Miscellaneous	1,038,767	9,257	1,048,024
Total revenue and transfers	<u>23,441,359</u>	<u>9,257</u>	<u>23,450,616</u>
Transfers	809,039	(809,039)	-
Change in net assets	1,130,739	(1,060,149)	70,590
NET ASSETS - JULY 1, 2009	<u>31,853,745</u>	<u>11,497,163</u>	<u>43,350,908</u>
NET ASSETS - JUNE 30, 2010	<u>\$ 32,984,484</u>	<u>\$ 10,437,014</u>	<u>\$ 43,421,498</u>

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

TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS			
Cash	\$ 6,295,330	\$ 121,218	\$ 6,416,548
Investments	1,172,510	3,870,789	5,043,299
Receivables (net of allowance for uncollectibles)			
Taxes/liens	986,056	-	986,056
Due from other governments	-	167,884	167,884
Other	1,468	-	1,468
Prepaid expenses	9,415	-	9,415
Due from other funds	296,133	1,554,255	1,850,388
TOTAL ASSETS	\$ 8,760,912	\$5,714,146	\$ 14,475,058
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 232,275	\$ 203,834	\$ 436,109
Accrued payroll	851,575	-	851,575
Due to other funds	1,626,193	190,129	1,816,322
Prepaid taxes	7,376	-	7,376
Bond anticipation note	-	1,201,112	1,201,112
Deferred tax revenues	721,255	-	721,255
Other liabilities	2,483	-	2,483
TOTAL LIABILITIES	3,441,157	1,595,075	5,036,232
Fund Equity			
Reserved, reported in:			
Special Revenue Funds	-	198,247	198,247
Permanent Funds	-	1,042,324	1,042,324
Unreserved, reported in:			
General Fund:			
Designated	1,136,817	-	1,136,817
Undesignated	4,182,938	-	4,182,938
Special Revenue Funds			
Designated	-	1,330,779	1,330,779
Undesignated	-	(78,603)	(78,603)
Capital Projects Funds			
Designated	-	2,592,029	2,592,029
Undesignated	-	(965,705)	(965,705)
TOTAL FUND EQUITY	5,319,755	4,119,071	9,438,826
TOTAL LIABILITIES AND FUND EQUITY	\$ 8,760,912	\$5,714,146	\$ 14,475,058

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 ASSETS
JUNE 30, 2010

	<u>Total Governmental Funds</u>
Total Fund Equity	\$ 9,438,826
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	32,151,068
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	721,255
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(7,600,000)
Capital lease payable	(372,113)
Accrued compensated absences	<u>(1,354,552)</u>
 Net assets of governmental activities	 <u>\$ 32,984,484</u>

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, 2010

	General Fund	Nonmajor Funds	Totals Governmental Funds
REVENUES			
General tax revenue	\$20,226,605	\$ -	\$ 20,226,605
Intergovernmental revenue	2,217,942	988,752	3,206,694
Charges for services	761,608	-	761,608
Investment income	28,625	34,046	62,671
State of Maine on-behalf payments	1,164,450	-	1,164,450
Other revenue	240,403	830,855	1,071,258
TOTAL REVENUES	<u>24,639,633</u>	<u>1,853,653</u>	<u>26,493,286</u>
EXPENDITURES			
Current:			
General government	1,543,420	547,756	2,091,176
Public safety	3,084,807	600	3,085,407
Public works	1,082,750	506,391	1,589,141
Recreation and culture	1,011,292	-	1,011,292
Health and sanitation	670,734	-	670,734
Social services	66,905	-	66,905
Education	13,549,679	1,669,965	15,219,644
County tax	792,584	-	792,584
State of Maine on behalf payments	1,164,450	-	1,164,450
Debt service	427,317	-	427,317
Capital outlay	-	2,275,502	2,275,502
TOTAL EXPENDITURES	<u>23,393,938</u>	<u>5,000,214</u>	<u>28,394,152</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,245,695</u>	<u>(3,146,561)</u>	<u>(1,900,866)</u>
OTHER FINANCING SOURCES			
Operating transfers in	30,500	4,364,810	4,395,310
Operating transfers (out)	(1,929,310)	(1,656,961)	(3,586,271)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,898,810)</u>	<u>2,707,849</u>	<u>809,039</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(653,115)</u>	<u>(438,712)</u>	<u>(1,091,827)</u>
FUND BALANCES - JULY 1	<u>5,972,870</u>	<u>4,557,783</u>	<u>10,530,653</u>
FUND BALANCES - JUNE 30	<u>\$ 5,319,755</u>	<u>\$ 4,119,071</u>	<u>\$ 9,438,826</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, 2010

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (1,091,827)</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 to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	2,391,662
Capital asset purchases disposed	(49,564)
Depreciation expense	<u>(1,864,339)</u>
	<u>477,759</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>103,633</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>(84,433)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
	<u>1,725,607</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	<u>-</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 1,130,739</u></u>

TOWN OF KITTERY, MAINE

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2010

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
ASSETS			
Current assets:			
Accounts receivable(net of allowance for uncollectibles))	\$ 501,376	\$ 9,654	\$ 511,030
Inventory	-	16,111	16,111
Due from other funds	71,938	-	71,938
Total current assets	573,314	25,765	599,079
Noncurrent assets:			
Land and buildings	814,992	-	814,992
Construction in progress	3,067,070	-	3,067,070
Vehicles and equipment	346,601	98,255	444,856
Plant / infrastructure	14,884,282	-	14,884,282
Total capital assets	19,112,945	98,255	19,211,200
Less: accumulated depreciation	(4,284,907)	(92,906)	(4,377,813)
Net capital assets	14,828,038	5,349	14,833,387
Other assets:			
Bond issuance costs(net of amortization)	14,258	-	14,258
TOTAL ASSETS	\$ 15,415,610	\$ 31,114	\$ 15,446,724
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 29	\$ 546	\$ 575
Accrued payroll	8,860	-	8,860
Deferred revenue	-	3,683	3,683
Due to other funds	-	106,004	106,004
Current portion of long-term debt	411,977	-	411,977
Total current liabilities	420,866	110,233	531,099
Noncurrent liabilities			
Bonds payable	4,362,237	-	4,362,237
Accrued compensated absences	116,374	-	116,374
Total noncurrent liabilities	4,478,611	-	4,478,611
TOTAL LIABILITIES	4,899,477	110,233	5,009,710
NET ASSETS			
Invested in capital assets, net of related debt	10,053,824	5,349	10,059,173
Restricted	27,500	-	27,500
Unrestricted	434,809	(84,468)	350,341
TOTAL NET ASSETS	10,516,133	(79,119)	10,437,014
TOTAL LIABILITIES AND NET ASSETS	\$ 15,415,610	\$ 31,114	\$ 15,446,724

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS –
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds		Totals
	Sewer Department	School Lunch Program	
OPERATING REVENUES			
Intergovernmental revenue	\$ -	\$ 151,900	\$ 151,900
Charges for services	1,633,642	258,731	1,892,373
Other	-	9,257	9,257
TOTAL OPERATING REVENUES	1,633,642	419,888	2,053,530
OPERATING EXPENSES			
Payroll and taxes	165,894	140,460	306,354
Benefits	106,257	21,518	127,775
Treatment plant	736,505	-	736,505
Pump stations	262,700	-	262,700
Food expense	-	195,534	195,534
Supplies	-	12,343	12,343
Line expense	32,123	-	32,123
Depreciation	429,656	2,315	431,971
Other	29,844	42,660	72,504
TOTAL OPERATING EXPENSES	1,762,979	414,830	2,177,809
OPERATING INCOME (LOSS)	<u>(129,337)</u>	<u>5,058</u>	<u>(124,279)</u>
NON-OPERATING INCOME (EXPENSE)			
Transfers in	823,441	19,484	842,925
Transfers (out)	(1,651,964)	-	(1,651,964)
Interest expense	(126,831)	-	(126,831)
TOTAL NON-OPERATING INCOME (EXPENSE)	(955,354)	19,484	(935,870)
NET INCOME	(1,084,691)	24,542	(1,060,149)
NET ASSETS - JULY 1	<u>11,600,824</u>	<u>(103,661)</u>	<u>11,497,163</u>
NET ASSETS - JUNE 30	<u>\$ 10,516,133</u>	<u>\$ (79,119)</u>	<u>\$ 10,437,014</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Sewer Department	School Lunch Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,435,378	\$ 274,605	\$ 1,709,983
Intergovernmental receipts	-	151,900	151,900
Internal activity - receipts (payments) from/to other funds	(221,306)	-	(221,306)
Payments to employees	(293,908)	(161,978)	(455,886)
Payments to suppliers	(1,161,514)	(316,722)	(1,478,236)
Net cash provide (used) by operating activities	<u>(241,350)</u>	<u>(52,195)</u>	<u>(293,545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) sale of investments	2,191,283	-	2,191,283
(Purchase) sale of fixed assets	(613,821)	-	(613,821)
Net cash provided (used) by investing activities	<u>1,577,462</u>	<u>-</u>	<u>1,577,462</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest payments on bond payable	(126,831)	-	(126,831)
Principal payments on bond payable	(389,010)	-	(389,010)
Transfers	(828,523)	19,484	(809,039)
Net cash provided (used) by financing activities	<u>(1,344,364)</u>	<u>19,484</u>	<u>(1,324,880)</u>
NET INCREASE (DECREASE) IN CASH	<u>(8,252)</u>	<u>(32,711)</u>	<u>(40,963)</u>
CASH - JULY 1	<u>8,252</u>	<u>32,711</u>	<u>40,963</u>
CASH - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss) and other financing	\$ (129,337)	\$ 5,058	\$ (124,279)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	429,656	2,315	431,971
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(202,656)	2,555	(200,101)
(Increase) decrease in inventory	-	4,062	4,062
(Increase) decrease in due from other funds	(71,938)	-	(71,938)
(Increase) decrease in bond costs	4,392	-	4,392
(Decrease) increase in deferred revenue	-	(422)	(422)
(Decrease) increase in accounts payable	(100,220)	(32,252)	(132,472)
(Decrease) increase in accrued payroll	(122)	(20,867)	(20,989)
(Decrease) increase in due to other funds	(149,368)	(12,644)	(162,012)
(Decrease) increase in compenstaed absences	(21,757)	-	(21,757)
NET CASH PROVIDED (USED) BY ACTIVITIES	<u>\$ (241,350)</u>	<u>\$ (52,195)</u>	<u>\$ (293,545)</u>

TOWN OF KITTEERY, MAINE

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS	
Current assets:	
Cash	\$ 76,889
TOTAL ASSETS	<u>\$ 76,889</u>
 LIABILITIES	
Deposits held for others	\$ 76,889
TOTAL LIABILITIES	<u>76,889</u>
 NET ASSETS	
Held in trust for special purposes	-
TOTAL NET ASSETS	<u>-</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 76,889</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 services, public safety, public works, health and welfare, education, and recreation.

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

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

Government –Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's school lunch funds are categorized as a business-type activity. All other activities of the Town are categorized as governmental.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Town:

1. Governmental Funds:

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds

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

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

3. Fiduciary Funds:

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

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (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.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	\$23,505,683
Add: On-behalf payments	<u>1,164,450</u>
Total GAAP basis	<u>\$24,670,133</u>
Expenditures per budgetary basis	\$24,158,798
Add: On-behalf basis	<u>1,164,450</u>
Total GAAP basis	<u>\$25,323,248</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.
4. The Town does not adopt budgets for Special Revenue Funds.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Town of Kittery has no formal investment policy but instead follows the State of Maine Statutes. They are in the process of adopting a more detailed investment policy.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$40,000 as of June 30, 2010. The allowance is for property/real estate taxes in the general fund.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Estimated useful lives are as follows:

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

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 notes or bonds payable and compensated absences.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010 the Town's liability for compensated absences is \$1,470,926.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserves listed in the balance sheet and statement of net assets. It is the Town's policy to first use restricted assets for restricted programs and only unrestricted assets after the restricted assets have been exhausted.

Net Assets

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied October 14, 2009 on the assessed value listed as of April 1, 2009, for all real and personal property located in the Town. Taxes were due on December 10, 2009. Interest on unpaid taxes commenced on December 11, 2009, at 9% 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, 2010

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 \$270,442 for the year ended June 30, 2010.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

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

Operating/Non-operating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements 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, 2010

NOTE 2 - CASH AND INVESTMENTS

The Town's policies, which follow state statutes, 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. These investment policies apply to all Town funds.

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 or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2010, the Town's cash balance of \$6,493,437 was comprised of deposits amounting to \$6,880,633. This amount was comprised of \$713,365 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$6,167,268 that was in excess of federal depository insurance, but collateralized with securities held by the financial institutions in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 478,539
Savings	12,449
Money market	89,076
Sweep account	6,300,569
	<u>\$ 6,880,633</u>

At June 30, 2010, the Town's investments were comprised of investment management funds, equities, fixed income and cash equivalents. The investment accounts amounting to \$5,043,299 were collateralized with securities held by the financial institutions in the Town's name and are therefore not susceptible to custodial credit risk.

<u>Investment Type</u>	<u>Current</u>	<u>1 Year</u>	<u>2 - 5 Years</u>
Investment Management	\$ 4,371,354	\$ -	\$ -
Equities	587,861	41,415	42,668
	<u>\$ 4,959,216</u>	<u>\$ 41,415</u>	<u>\$ 42,668</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2010 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 296,133	\$ 1,626,193
Special revenue fund	868,497	130,839
Capital project fund	685,758	59,290
Permanent fund	-	-
Enterprise fund	71,938	106,004
	<u>\$ 1,922,326</u>	<u>\$ 1,922,326</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2010:

	Balance, 7/1/09	Additions	Disposals	Balance, 6/30/10
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	-	1,284,575	-	1,284,575
	<u>10,950,906</u>	<u>1,284,575</u>	<u>-</u>	<u>12,235,481</u>
Depreciated assets:				
Land Improvements	1,727,459	74,725	-	1,802,184
Buildings	27,734,834	113,640	-	27,848,474
Building improvements	1,528,174	76,844	-	1,605,018
Machinery & equipment	3,178,025	99,200	-	3,277,225
Vehicles	3,057,131	742,678	(202,131)	3,597,678
Infrastructure	9,661,465	-	-	9,661,465
	<u>46,887,088</u>	<u>1,107,087</u>	<u>(202,131)</u>	<u>47,792,044</u>
Less: accumulated depreciation	<u>(26,164,685)</u>	<u>(1,864,339)</u>	<u>152,567</u>	<u>(27,876,457)</u>
	<u>20,722,403</u>	<u>(757,252)</u>	<u>(49,564)</u>	<u>19,915,587</u>
Net capital assets	<u>\$ 31,673,309</u>	<u>\$ 527,323</u>	<u>\$ (49,564)</u>	<u>\$ 32,151,068</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Police	\$ 83,503
General government	102,812
Fire	217,189
Highway	409,110
Recycling	5,204
Recreation	9,004
Library	1,244
Town-wide	18,496
School Department	<u>1,017,777</u>
Total depreciation expense	<u>\$ 1,864,339</u>

	Balance, 7/1/09	Additions	Disposals	Balance, 6/30/10
<u>Business-type activities</u>				
Non-depreciated assets:				
Land / construction in progress	\$ 3,342,270	\$ 539,792	\$ -	\$ 3,882,062
	<u>3,342,270</u>	<u>539,792</u>	<u>-</u>	<u>3,882,062</u>
Depreciated assets:				
Buildings	14,884,282	-	-	14,884,282
Vehicles	82,397	74,029	-	156,426
Machinery & equipment	288,430	-	-	288,430
	<u>15,255,109</u>	<u>74,029</u>	<u>-</u>	<u>15,329,138</u>
Less: accumulated depreciation	<u>(3,945,842)</u>	<u>(431,971)</u>	<u>-</u>	<u>(4,377,813)</u>
	<u>11,309,267</u>	<u>(357,942)</u>	<u>-</u>	<u>10,951,325</u>
Net capital assets	<u>\$ 14,651,537</u>	<u>\$ 181,850</u>	<u>\$ -</u>	<u>\$ 14,833,387</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 –LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2010:

	Balance, 7/1/09	Additions	Deletions	Balance, 6/30/10	Due Within One Year
Governmental Activities					
Bonds payable	\$ 8,997,110	\$ -	\$(1,397,110)	\$ 7,600,000	\$ 1,185,000
Capital leases payable	446,041	84,433	(158,361)	372,113	139,694
Accrued compensated absences	1,524,688	-	(170,136)	1,354,552	-
Total Governmental Activities	\$ 10,967,839	\$ 84,433	\$(1,725,607)	\$ 9,326,665	\$ 1,324,694
Business-type Activities					
Bonds payable	\$ 1,763,224	\$ 3,400,000	\$ (389,010)	\$ 4,774,214	\$ 411,977
Accrued compensated absences	138,131	-	(21,757)	116,374	-
Total Business-type Activities	\$ 1,901,355	\$ 3,400,000	\$ (410,767)	\$ 4,890,588	\$ 411,977

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

<u>Bonds</u>	<u>Governmental</u>	<u>Business-type</u>
\$6,950,000, 1990 General Obligation Bond due in annual installments and semiannual interest installments through November 2010. Interest is charged at a rate from 7.00% to 7.74% per annum.	\$ 345,000	\$ -
\$3,105,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through November 2015. Interest is charged at a rate from 5.25% to 5.75% per annum.	2,070,000	-
\$2,000,000, 1997 General Obligation Bond due in annual installments and semiannual interest installments through January 2012. Interest is charged at a rate from 4.8% to 6.5% per annum.	260,000	-
\$2,660,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through November 2026. Interest is charged at a rate from 4.25% to 4.5% per annum. Annual Installments are \$110,000 to 155,000.	2,195,000	-
\$4,000,000, 1992 General Obligation Bond due in annual installments and semiannual interest installments through October 2012. Interest is charged at a rate of 4.10% per annum. Annual Installments are \$200,000.	-	600,000
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual installments and semiannual interest installments through October 2022. Interest is charged at 1.94% per annum. Annual Installments vary.	-	900,724
\$4,220,000, 2002 General Obligation Bond due in annual installments and semiannual interest installments through December 2022. Interest is charged at a rate from 3.25% to 4.75% per annum.	2,730,000	-
\$3,400,000, 2010 General Obligation Bond due in annual installments and semiannual interest installments through April 2030. Interest is charged at 1.00% per annum. Annual Installments vary.	-	3,273,490
	<u>\$ 7,600,000</u>	<u>\$ 4,774,214</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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>
2011	\$ 1,185,000	\$ 347,112	\$ 1,532,112
2012	840,000	293,933	1,133,933
2013	710,000	250,478	960,478
2014	710,000	215,570	925,570
2015	710,000	180,225	890,225
2016-2020	2,030,000	512,131	2,542,131
2021-2025	1,195,000	159,638	1,354,638
2026-2030	220,000	9,900	229,900
	<u>\$ 7,600,000</u>	<u>\$ 1,968,987</u>	<u>\$ 9,568,987</u>

Business Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 411,977	\$ 102,661	\$ 514,638
2012	414,309	94,543	508,852
2013	416,693	68,521	485,214
2014	219,130	52,398	271,528
2015	221,622	46,025	267,647
2016-2020	1,147,563	209,612	1,357,175
2021-2025	1,062,502	136,265	1,198,767
2026-2030	880,418	71,938	952,356
	<u>\$ 4,774,214</u>	<u>\$ 781,963</u>	<u>\$ 5,556,177</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 –LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

Capital Leases

	<u>Governmental</u>	<u>Business-type</u>
The Town Leases copiers under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2012. Yearly payments are \$10,798. Interest is charged at a rate of 3.53% per annum	\$ 30,237	\$ -
The School Department Leases software under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in august of 2012. Interest is charged at a rate of 3.10% per annum.	39,600	-
\$58,645, 2003 Capital Lease payable to Old National Bank for equipment due in annual installments through July 2014. Interest is charged at a rate of 5% per annum.	100,069	-
\$76,609, 2008 Capital Lease payable to AFS for equipment due in annual installments of \$27,201 through July 2010. Interest is charged at a rate of 3.55% per annum.	23,872	-
\$177,719, 2008 Capital Lease payable to M.S.T. Government Leasing, LLC for photocopy equipment due in annual installments of \$40,055 through August 2012. Interest is charged at a rate of 4.12% per annum.	110,904	-
\$84,433, 2010 Capital Lease payable to Ocean Bank for equipment due in annual installments of \$18,686 through January 2014. Interest is charged at a rate of 4.25% per annum.	67,431	-
	<u>\$ 372,113</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 –LONG TERM DEBT (CONTINUED)

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

2011	\$ 129,069
2012	103,226
2013	102,919
2014	51,758
2015	22,865
2016-2020	<u>-</u>
Total minimum lease payments	409,837
Less: Amount representing interest	<u>(37,724)</u>
Present value of future minimum lease payments	<u>\$ 372,113</u>

All bonds payable and capital leases 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.

NOTE 6 – RESTRICTED NET ASSETS

The following net assets have been reserved at June 30, 2010 for the following purposes:

Restricted for education	\$ 1,136,817
Restricted for special revenue funds:	
GMH police/fire/rescue	4,321
State stabilization	19,581
Adult education family literacy	125
Title IA	10,879
ARRA title IA	45,464
Erate	21,052
Local entitlement	13,772
Local entitlement pre school	4,758
Title IID	1,225
Title II teacher quality	24,530
Title IV DFS	2,000
ARRA local entitlement	48,141
ARRA local entitlement pre school	547

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – RESTRICTED NET ASSETS (CONTINUED)

ARRA title IID	1,852
Subtotal special revenue funds	<u>198,247</u>
Restricted for permanent funds	<u>1,042,324</u>
Total	<u>\$ 2,377,388</u>

NOTE 7– GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2010, the general fund designated fund balance was made up of the following account balances carried forward into the subsequent year's budget:

Education	\$ 1,136,817
Total	<u>\$ 1,136,817</u>

The education department used \$469,000 of the \$1,136,817 designated fund balance to supplement the fiscal year 2011 budget.

NOTE 8 – RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The Town is a member of the Maine Municipal Association – Property and Casualty Pool ("Pool"). The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, and is based on replacement cost. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

NOTE 9 – OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2010 the Town's share was as follows:

	Outstanding Debt	Town's Percentage	Total Share
County of York	<u>\$ 11,900,000</u>	4.75%	<u>\$ 565,250</u>
			<u>\$ 565,250</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Town participates in the ICMA Retirement System, a cost sharing multi-employer defined benefit pension plan which covers employees who work at least 40 hours per week. The system requires that both employees and the Town contribute, and provides retirement, disability and death benefits.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service. The Town's contributions to the plan including employee contributions for 2010, 2009, and 2008 were \$55,295, \$61,749 and \$86,557, respectively.

Education Employees Retirement

All school teachers, plus other qualified educators and town employees, participate in the Maine State Retirement System's teacher group or PLD. The system is an agent multiple-employer public retirement system. Employees are eligible for normal retirement upon attaining the age of 60, provided they have 25 years of credible service. Employees are penalized 2.5% for each year of early retirement.

Employees are required to contribute 7.65% of their compensation to the retirement system. The Town is not required to make any contributions to this plan with the exception of federally funded teachers. The contribution of these federally funded teachers is the actuarial determined rate which was 17.78% for the current fiscal year.

The school department's payroll for employees covered by this group was approximately \$6,549,215 for the year ended June 30, 2010. The State of Maine is required to contribute the employer contribution which amounts to 17.78% of compensation. Contributions paid by the State were approximately \$1,164,450 for the year ended June 30, 2010. There is no contribution required by the Department, except for federally funded teachers. For the year ended June 30, 2010, the Department contributed approximately \$48,383 for these federally funded employees. The funding status and progress for the System may be obtained by contacting the Maine State Retirement System.

NOTE 11 – DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 – DEFERRED COMPENSATION PLAN (CONTINUED)

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.

NOTE 12 – EXPENDITURES OVER APPROPRIATIONS

The Town had no appropriations that were exceeded by actual expenditures.

NOTE 13 – DEFICIT FUND BALANCE

At June 30, 2010 the Town had the following deficit fund balances / net assets:

Non-major funds:	
Memorial day activities	\$ 24
Accrued compensated absences	74,996
UNH Spruce Creek grant	49
Outfall pipe water test	155
Harbor planning grant	3,379
Public works lid Town Hall	887
Public works shed office building	540,352
PW lid Rt. 1 N. Raingarden	1,054
School capital	423,412
Total	<u>\$ 1,044,308</u>

Public works shed office building and school capital are capital projects that have been financed with bond anticipation proceeds and will get bonded in fiscal year 2011.

NOTE 14 – CONTINGENCIES

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS

The Town, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the Town and the various unions representing Town employees. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the Town's medical benefits program.

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

The following is the current census of Town benefit participants as of June 30, 2010:

Active members	\$	70
Retirees and spouses		14
Total	<u>\$</u>	<u>84</u>

Annual OPEB Cost and Net OPEB Obligations

The Town of Kittery's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual required contribution (ARC)	\$ 615,461
Interest on net OPEB obligation	20,618
Adjustment to annual required contribution	<u>(20,485)</u>
Annual OPEB cost	615,594
Contributions made	<u>(115,000)</u>
Increase in net OPEB obligation	500,594
Net OPEB obligation, beginning of year	<u>515,461</u>
Net OPEB obligation, end of year	<u><u>\$ 1,016,055</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2010 is presented below. Data is presented for the fiscal years ended June 30, 2010 and 2009.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2009	\$ 448,446	\$ 115,000	25.6%	\$ 387,618
6/30/2010	\$ 615,594	\$ 115,000	18.7%	\$1,016,055

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

In the June 30, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include an 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

An annual healthcare cost blended trend rate of 7.5% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.0% for 2029 and later. The remaining amortization period at June 30, 2010 was 20 years. As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$4,557,201, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$4,557,201.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Data is only presented for June 30, 2010 due to this being the first certified valuation.

Schedule of Funding Progress

Group	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
Union	6/30/2009	\$ -	\$ 3,632,619	0.0%	N/A	N/A
Non-union	6/30/2009	\$ -	\$ 924,582	0.0%	N/A	N/A
Active	6/30/2010	\$ -	\$ 3,868,753	0.0%	N/A	N/A
Retirees	6/30/2010	\$ -	\$ 5,006,625	0.0%	N/A	N/A

These numbers are based on information that was presented on September 21, 2010 for June 30, 2010. The amortization method that was used to calculate the numbers is presented below.

	Level Dollar	Level % of Pay
Discount rate	4.00%	4.00%
Payroll growth assumption	N/A	3.00%
Accrued liability	\$ 8,875,378	\$ 8,875,378
Value of assets	-	-
Unfunded liability	\$ 8,875,378	\$ 8,875,378
Normal cost	\$ 252,639	\$ 252,639
Amortization of unfunded	493,523	339,150
Interest	29,846	23,672
Annual required contribution	\$ 776,008	\$ 615,461

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

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 5,972,870	\$ 5,972,870	\$ 5,972,870	\$ -
Resources (Inflows):				
General tax revenue	20,126,151	20,126,151	20,226,605	100,454
Intergovernmental revenue	2,146,146	2,142,856	2,217,942	75,086
Charges for services	718,340	718,340	761,608	43,268
Investment income	144,000	144,000	28,625	(115,375)
Other revenue	92,000	178,607	240,403	61,796
Transfers from other funds	34,400	34,400	30,500	(3,900)
Amounts Available for Appropriation	<u>29,233,907</u>	<u>29,317,224</u>	<u>29,478,553</u>	<u>161,329</u>
Charges to Appropriation (Outflows):				
Current:				
General government	1,596,871	1,598,784	1,543,420	55,364
Public safety	3,064,673	3,094,896	3,084,807	10,089
Public works	1,081,693	1,082,750	1,082,750	-
Recreation and culture	1,006,591	1,013,645	1,011,292	2,353
Health and sanitation	673,635	673,635	670,734	2,901
Social services	56,298	67,883	66,905	978
Education	13,968,639	14,686,496	13,549,679	1,136,817
County tax	792,584	792,584	792,584	-
Debt service	427,317	427,317	427,317	-
Overlay	270,442	299,756	-	299,756
Designated	57,200	-	-	-
Transfers to other funds	583,064	1,580,521	1,929,310	(348,789)
Total Charges to Appropriations	<u>23,579,007</u>	<u>25,318,267</u>	<u>24,158,798</u>	<u>1,159,469</u>
Budgetary Fund Balance, June 30	<u>\$ 5,654,900</u>	<u>\$ 3,998,957</u>	<u>\$ 5,319,755</u>	<u>\$ 1,320,798</u>
Utilization of undesignated fund balance	\$ 160,000	\$ 297,544	\$ -	\$ (297,544)
Utilization of designated fund balance	157,970	1,676,369	-	(1,676,369)
	<u>\$ 317,970</u>	<u>\$ 1,973,913</u>	<u>\$ -</u>	<u>\$ (1,973,913)</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues				
Property taxes	\$ 18,969,351	\$ 18,969,351	\$ 18,811,814	\$ (157,537)
Vehicle excise taxes	1,140,000	1,140,000	1,384,767	244,767
Boat excise taxes	16,800	16,800	30,024	13,224
Intergovernmental revenues				
Education subsidy	1,176,845	1,173,555	982,752	(190,803)
State revenue sharing	605,560	605,560	607,240	1,680
Homestead exemption	117,293	117,293	130,476	13,183
Other education revenue	-	-	190,803	190,803
GMH Housing	232,848	232,848	249,785	16,937
Tree growth	-	-	674	674
FEMA	-	-	32,756	32,756
General assistance	13,600	13,600	23,456	9,856
Charges for services				
Recreation fees	7,200	7,200	-	(7,200)
Code enforcement fees	280,000	280,000	166,547	(113,453)
Registration fees	22,400	22,400	28,701	6,301
Town clerk fees	8,000	8,000	17,245	9,245
Planning fees	4,000	4,000	2,960	(1,040)
Sign / ordinances	9,600	9,600	30,008	20,408
Solid waste / recycling	76,000	76,000	133,597	57,597
Solid waste / permits	76,000	76,000	74,672	(1,328)
Fort Foster fees	125,000	125,000	161,780	36,780
Eliot dispatching services	48,000	48,000	60,000	12,000
Police department	13,040	13,040	24,996	11,956
Animal control	2,000	2,000	5,142	3,142
Mooring/launch fees	45,400	45,400	51,305	5,905
Other	1,700	1,700	4,655	2,955
Investment income:				
Investment income	144,000	144,000	28,625	(115,375)
Other income:				
Interest / fees on taxes	48,000	48,000	80,979	32,979
Other income	20,000	20,000	48,817	28,817
Other education	24,000	110,607	110,607	-
Transfers from other funds				
Enterprise fund	14,400	14,400	18,000	3,600
Permanent funds	20,000	20,000	12,500	(7,500)
Total revenues	\$ 23,261,037	\$ 23,344,354	\$ 23,505,683	\$ 161,329

See accompanying independent auditors' report.

Other Supplementary Information

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

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

SCHEDULE A

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Budget Adjustments	Final Available	Actual	Lapsed	Balances Carried
General government						
Administration	\$ 833,775	\$ 8,758	\$ 842,533	\$ 827,380	\$ 15,153	\$ -
Assessing	183,857	-	183,857	177,997	5,860	-
Code enforcement	122,129	-	122,129	121,951	178	-
Town planner	204,259	4,178	208,437	208,437	-	-
Insurance	212,138	(11,023)	201,115	172,950	28,165	-
Planning board	16,779	-	16,779	16,002	777	-
Elections	13,204	-	13,204	12,763	441	-
Council	10,550	-	10,550	5,774	4,776	-
Bank fees	180	-	180	166	14	-
	<u>1,596,871</u>	<u>1,913</u>	<u>1,598,784</u>	<u>1,543,420</u>	<u>55,364</u>	<u>-</u>
Public safety						
Police department	2,532,257	1,595	2,533,852	2,527,756	6,096	-
Fire department	238,749	17,605	256,354	255,417	937	-
Street lights	96,600	11,023	107,623	107,623	-	-
Hydrants	194,717	-	194,717	193,886	831	-
Civil emergency preparedness	2,350	-	2,350	125	2,225	-
	<u>3,064,673</u>	<u>30,223</u>	<u>3,094,896</u>	<u>3,084,807</u>	<u>10,089</u>	<u>-</u>
Public works:						
Highways	1,081,693	1,057	1,082,750	1,082,750	-	-
	<u>1,081,693</u>	<u>1,057</u>	<u>1,082,750</u>	<u>1,082,750</u>	<u>-</u>	<u>-</u>
Health and sanitation:						
Solid waste	673,635	-	673,635	670,734	2,901	-
	<u>673,635</u>	<u>-</u>	<u>673,635</u>	<u>670,734</u>	<u>2,901</u>	<u>-</u>

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Budget Adjustments	Final Available	Actual	Lapsed	Carried
Social services						
General assistance	40,000	11,585	51,585	51,585	-	-
Community agencies	15,713	-	15,713	14,747	966	-
Public health services	585	-	585	573	12	-
	<u>56,298</u>	<u>11,585</u>	<u>67,883</u>	<u>66,905</u>	<u>978</u>	<u>-</u>
Recreation and culture:						
Parks	272,870	1,804	274,674	274,674	-	-
Recreation	229,790	-	229,790	229,244	546	-
Library	434,400	-	434,400	434,400	-	-
Port Authority	69,531	5,250	74,781	72,974	1,807	-
	<u>1,006,591</u>	<u>7,054</u>	<u>1,013,645</u>	<u>1,011,292</u>	<u>2,353</u>	<u>-</u>
Education	<u>13,968,639</u>	<u>717,857</u>	<u>14,686,496</u>	<u>13,549,679</u>	<u>-</u>	<u>1,136,817</u>
County tax	<u>792,584</u>	<u>-</u>	<u>792,584</u>	<u>792,584</u>	<u>-</u>	<u>-</u>
Debt service						
Principal	320,000	-	320,000	320,000	-	-
Interest	107,317	-	107,317	107,317	-	-
	<u>427,317</u>	<u>-</u>	<u>427,317</u>	<u>427,317</u>	<u>-</u>	<u>-</u>
Overlay	<u>270,442</u>	<u>29,314</u>	<u>299,756</u>	<u>-</u>	<u>299,756</u>	<u>-</u>

SCHEDULE A (CONTINUED)

TOWN OF KITTEERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Budget Adjustments	Final Available	Actual	Lapsed	Carried
Designated						
Mosquito / tick control	57,200	(57,200)	-	-	-	-
	<u>57,200</u>	<u>(57,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers						
Operating and capital transfers	583,064	997,457	1,580,521	1,929,310	(348,789)	-
	<u>583,064</u>	<u>997,457</u>	<u>1,580,521</u>	<u>1,929,310</u>	<u>(348,789)</u>	<u>-</u>
Total Expenditures	<u>\$ 23,579,007</u>	<u>\$ 1,739,260</u>	<u>\$ 25,318,267</u>	<u>\$ 24,158,798</u>	<u>\$ 22,652</u>	<u>\$ 1,136,817</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 1,776	\$ -	\$ 119,442	\$ 121,218
Investments	573,685	2,374,222	922,882	3,870,789
Accounts receivable(net of allowance for uncollectibles)	167,884	-	-	167,884
Due from other funds	868,497	685,758	-	1,554,255
Total assets	<u>\$ 1,611,842</u>	<u>\$ 3,059,980</u>	<u>\$ 1,042,324</u>	<u>\$ 5,714,146</u>
LIABILITIES				
Accounts payable	\$ 30,580	\$ 173,254	\$ -	\$ 203,834
Bond anticipation note	-	1,201,112	-	1,201,112
Due to other funds	130,839	59,290	-	190,129
Total liabilities	<u>161,419</u>	<u>1,433,656</u>	<u>-</u>	<u>1,595,075</u>
FUND EQUITY				
Fund balance:				
Reserved:				
Special revenues funds	198,247	-	-	198,247
Permanent funds	-	-	1,042,324	1,042,324
Unreserved:				
Designated for subsequent years' expenditures	1,330,779	2,592,029	-	3,922,808
Undesignated	(78,603)	(965,705)	-	(1,044,308)
Total fund equity	<u>1,450,423</u>	<u>1,626,324</u>	<u>1,042,324</u>	<u>4,119,071</u>
Total liabilities and fund equity	<u>\$ 1,611,842</u>	<u>\$ 3,059,980</u>	<u>\$ 1,042,324</u>	<u>\$ 5,714,146</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 778,812	\$ 209,940	\$ -	\$ 988,752
Other income	594,976	127,326	108,553	830,855
Investment income	650	4,152	29,244	34,046
TOTAL REVENUES	<u>1,374,438</u>	<u>341,418</u>	<u>137,797</u>	<u>1,853,653</u>
EXPENDITURES				
Administration	447,648	-	100,108	547,756
Public safety	-	600	-	600
Public works	-	506,391	-	506,391
Education	936,877	730,030	3,058	1,669,965
Capital outlay	330,956	1,941,805	2,741	2,275,502
TOTAL EXPENDITURES	<u>1,715,481</u>	<u>3,178,826</u>	<u>105,907</u>	<u>5,000,214</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(341,043)</u>	<u>(2,837,408)</u>	<u>31,890</u>	<u>(3,146,561)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	958,106	3,402,834	3,870	4,364,810
Operating Transfers (Out)	(459,300)	(1,185,161)	(12,500)	(1,656,961)
TOTAL OTHER FINANCING SOURCES (USES)	<u>498,806</u>	<u>2,217,673</u>	<u>(8,630)</u>	<u>2,707,849</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	157,763	(619,735)	23,260	(438,712)
FUND BALANCE, JULY 1	<u>1,292,660</u>	<u>2,246,059</u>	<u>1,019,064</u>	<u>4,557,783</u>
FUND BALANCE, JUNE 30	<u>\$ 1,450,423</u>	<u>\$ 1,626,324</u>	<u>\$ 1,042,324</u>	<u>\$ 4,119,071</u>

See accompanying independent auditors' report.

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.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Fire Hazmat Spill Cleanup	Vehicle Exhaust Grant
ASSETS						
Cash	\$ -	\$ -	-	\$ -	\$ -	\$ -
Investments	506,538	32,402	-	34,745	-	-
Accounts receivable (net of allowance)	-	30,385	-	-	-	-
Due from other funds	-	-	4,321	-	2,401	-
TOTAL ASSETS	<u>\$ 506,538</u>	<u>\$ 62,787</u>	<u>\$ 4,321</u>	<u>\$ 34,745</u>	<u>\$ 2,401</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	-	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	506,538	62,787	4,321	34,745	2,401	-
Undesignated	-	-	-	-	-	-
TOTAL FUND EQUITY	<u>506,538</u>	<u>62,787</u>	<u>4,321</u>	<u>34,745</u>	<u>2,401</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 506,538</u>	<u>\$ 62,787</u>	<u>\$ 4,321</u>	<u>\$ 34,745</u>	<u>\$ 2,401</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Police New Officer Grant	Munis Loan	Oil & More	Sub Host Program	GIS Work	GIS Web Account
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-
Due from other funds	21,541	-	28,310	350	17,616	1,800
TOTAL ASSETS	\$ 21,541	\$ -	\$ 28,310	\$ 350	\$ 17,616	\$ 1,800
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	21,541	-	28,310	350	17,616	1,800
Undesignated	-	-	-	-	-	-
TOTAL FUND EQUITY	21,541	-	28,310	350	17,616	1,800
TOTAL LIABILITIES AND FUND EQUITY	\$ 21,541	\$ -	\$ 28,310	\$ 350	\$ 17,616	\$ 1,800

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Volunteer Recognition	Memorial Day Activities	Accrued Compensated Absences	Seacoast Shipyard Association	Self Insurance Claim	Grant Matching Funds
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-
Due from other funds	49	-	-	-	-	-
TOTAL ASSETS	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	24	74,996	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>24</u>	<u>74,996</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	49	-	-	-	-	-
Undesignated	-	(24)	(74,996)	-	-	-
TOTAL FUND EQUITY	<u>49</u>	<u>(24)</u>	<u>(74,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Emergency Fuel Account	Mosquito/Tick Control Program	Ballot Counting Machines	General Assistance Program	Frisbee Revitalization Committee	Kittery Energy/Earth Day
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-
Due from other funds	-	-	13,000	-	6,000	95
TOTAL ASSETS	\$ -	\$ -	\$ 13,000	\$ -	\$ 6,000	\$ 95
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	-	-	13,000	-	6,000	95
Undesignated	-	-	-	-	-	-
TOTAL FUND EQUITY	-	-	13,000	-	6,000	95
TOTAL LIABILITIES AND FUND EQUITY	\$ -	\$ -	\$ 13,000	\$ -	\$ 6,000	\$ 95

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	UNH Spruce Creek Grant	Outfall Pipe Water Test	Economic Development Plan Grant	Harbor Planning Grant	Spruce Creek 319 Grant	Wood Island State Grant
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-
Due from other funds	-	-	-	-	11,165	1,971
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,165</u>	<u>\$ 1,971</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	49	155	-	3,379	-	-
TOTAL LIABILITIES	<u>49</u>	<u>155</u>	<u>-</u>	<u>3,379</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	-	-	-	-	11,165	1,971
Undesignated	(49)	(155)	-	(3,379)	-	-
TOTAL FUND EQUITY	<u>(49)</u>	<u>(155)</u>	<u>-</u>	<u>(3,379)</u>	<u>11,165</u>	<u>1,971</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,165</u>	<u>\$ 1,971</u>

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Tree Planting Grant	Spruce Creek 319 Phase II Grant	Town Pier Repair	Pier Condition Report	York Hospital Scholarship	Concerts In The Park
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-
Due from other funds	1,198	-	45,472	1,098	918	725
TOTAL ASSETS	\$ 1,198	\$ -	\$ 45,472	\$ 1,098	\$ 918	\$ 725

LIABILITIES AND FUND EQUITY

LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	-

FUND EQUITY

Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	1,198	-	45,472	1,098	918	725
Undesignated	-	-	-	-	-	-
TOTAL FUND EQUITY	1,198	-	45,472	1,098	918	725

TOTAL LIABILITIES AND FUND EQUITY

\$ 1,198	\$ -	\$ 45,472	\$ 1,098	\$ 918	\$ 725
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TOWN OF KITTYRY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Alternative Energy Fund	Recreation
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-
Due from other funds	97,000	1,817	1,887	37,665	56,126	151,209
TOTAL ASSETS	<u>\$ 97,000</u>	<u>\$ 1,817</u>	<u>\$ 1,887</u>	<u>\$ 37,665</u>	<u>\$ 56,126</u>	<u>\$ 151,209</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 321
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>321</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	97,000	817	1,887	37,665	56,126	150,888
Undesignated	-	-	-	-	-	-
TOTAL FUND EQUITY	<u>97,000</u>	<u>817</u>	<u>1,887</u>	<u>37,665</u>	<u>56,126</u>	<u>150,888</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 97,000</u>	<u>\$ 1,817</u>	<u>\$ 1,887</u>	<u>\$ 37,665</u>	<u>\$ 56,126</u>	<u>\$ 151,209</u>

SCHEDULE D (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
ASSETS					
Cash	\$ -	\$ 1,776	\$ -	\$ -	\$ 1,776
Investments	-	-	-	-	573,685
Accounts receivable (net of allowance)	-	-	-	137,499	167,884
Due from other funds	104,950	40,774	40,056	178,983	868,497
TOTAL ASSETS	<u>\$ 104,950</u>	<u>\$42,550</u>	<u>\$ 40,056</u>	<u>\$316,482</u>	<u>\$ 1,611,842</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ -	\$ 1,658	\$ 574	\$ 27,027	\$ 30,580
Due to other funds	-	-	-	52,236	130,839
TOTAL LIABILITIES	<u>-</u>	<u>1,658</u>	<u>574</u>	<u>79,263</u>	<u>161,419</u>
FUND EQUITY					
Fund balance:					
Unreserved:					
Designated for subsequent years' expenditures	104,950	40,892	39,482	237,219	1,529,026
Undesignated	-	-	-	-	(78,603)
TOTAL FUND EQUITY	<u>104,950</u>	<u>40,892</u>	<u>39,482</u>	<u>237,219</u>	<u>1,450,423</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 104,950</u>	<u>\$42,550</u>	<u>\$ 40,056</u>	<u>\$ 316,482</u>	<u>\$ 1,611,842</u>

See accompanying independent auditors' report.

SCHEDULE E

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Fire Hazmat Spill Cleanup	Vehicle Exhaust Grant
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	4,000	-	-	42,036	3,187	-
Investment income	618	22	-	9	-	-
Total revenues	<u>4,618</u>	<u>22</u>	<u>-</u>	<u>42,045</u>	<u>3,187</u>	<u>-</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	21,871	-	7,300	2,390	2,688
Total expenditures	<u>-</u>	<u>21,871</u>	<u>-</u>	<u>7,300</u>	<u>2,390</u>	<u>2,688</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,618</u>	<u>(21,849)</u>	<u>-</u>	<u>34,745</u>	<u>797</u>	<u>(2,688)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	4,439	-	-	1,604	-
Operating Transfers (Out)	(229,565)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(229,565)</u>	<u>4,439</u>	<u>-</u>	<u>-</u>	<u>1,604</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(224,947)</u>	<u>(17,410)</u>	<u>-</u>	<u>34,745</u>	<u>2,401</u>	<u>(2,688)</u>
FUND BALANCE, JULY 1	731,485	80,197	4,321	-	-	2,688
FUND BALANCE, JUNE 30	<u>\$ 506,538</u>	<u>\$ 62,787</u>	<u>\$ 4,321</u>	<u>\$ 34,745</u>	<u>\$ 2,401</u>	<u>\$ -</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Police New Officer Grant	Munis Loan	Oil & More	Sub Host Program	GIS Work	GIS Web Account
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	21,541	-	44,831	-	-	-
Investment income	-	-	-	-	-	-
Total revenues	<u>21,541</u>	<u>-</u>	<u>44,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	79,679	35,497	476	4,883	3,720
Total expenditures	<u>-</u>	<u>79,679</u>	<u>35,497</u>	<u>476</u>	<u>4,883</u>	<u>3,720</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>21,541</u>	<u>(79,679)</u>	<u>9,334</u>	<u>(476)</u>	<u>(4,883)</u>	<u>(3,720)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	79,679	18,976	826	22,499	5,520
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>79,679</u>	<u>18,976</u>	<u>826</u>	<u>22,499</u>	<u>5,520</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>21,541</u>	<u>-</u>	<u>28,310</u>	<u>350</u>	<u>17,616</u>	<u>1,800</u>
FUND BALANCE, JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 21,541</u>	<u>\$ -</u>	<u>\$ 28,310</u>	<u>\$ 350</u>	<u>\$ 17,616</u>	<u>\$ 1,800</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Volunteer Recognition	Memorial Day Activities	Accrued Compensated Absences	Seacoast Shipyard Association	Self Insurance Claim	Grant Matching Funds
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	597	-
Investment income	-	-	-	-	-	-
Total revenues	-	-	-	-	597	-
EXPENDITURES						
Administration	279	674	131,346	-	377	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	1,500	-	11,000
Total expenditures	279	674	131,346	1,500	377	11,000
EXCESS OF REVENUES OVER (UNDER)	(279)	(674)	(131,346)	(1,500)	220	(11,000)
EXPENDITURES						
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	328	650	56,350	1,500	25,000	100,000
Operating Transfers (Out)	-	-	-	-	(25,220)	(89,000)
TOTAL OTHER FINANCING SOURCES (USES)	328	650	56,350	1,500	(220)	11,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)	49	(24)	(74,996)	-	-	-
EXPENDITURES AND OTHER (USES)						
FUND BALANCE, JULY 1	-	-	-	-	-	-
FUND BALANCE, JUNE 30	\$ 49	\$ (24)	\$ (74,996)	\$ -	\$ -	\$ -

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Emergency Fuel Account	Mosquito/Tick Control Program	Ballot Counting Machines	General Assistance Program	Frisbee Revitalization Committee	Kittery Energy/Earth Day
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	1,385	-	148
Investment income	-	-	-	-	-	-
Total revenues	-	-	-	1,385	-	148
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	57,200	-	-	24,000	53
Total expenditures	-	57,200	-	-	24,000	53
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(57,200)	-	1,385	(24,000)	95
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	40,000	57,200	13,000	40,000	30,000	-
Operating Transfers (Out)	(40,000)	-	-	(41,385)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	57,200	13,000	(1,385)	30,000	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	-	13,000	-	6,000	95
FUND BALANCE, JULY 1	-	-	-	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ -	\$ 13,000	\$ -	\$ 6,000	\$ 95

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	UNH Spruce Creek Grant	Outfall Pipe Water Test	Economic Development Plan Grant	Harbor Planning Grant	Spruce Creek 319 Grant	Wood Island State Grant
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	10,000	4,291	25,072	4,211
Investment income	-	-	-	-	-	-
Total revenues	-	-	10,000	4,291	25,072	4,211
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	6,439	2,962	10,000	13,802	31,714	2,782
Total expenditures	6,439	2,962	10,000	13,802	31,714	2,782
EXCESS OF REVENUES OVER (UNDER)	(6,439)	(2,962)	-	(9,511)	(6,642)	1,429
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	6,390	2,807	-	6,132	17,807	542
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	6,390	2,807	-	6,132	17,807	542
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)	(49)	(155)	-	(3,379)	11,165	1,971
FUND BALANCE, JULY 1	-	-	-	-	-	-
FUND BALANCE, JUNE 30	\$ (49)	\$ (155)	\$ -	\$ (3,379)	\$ 11,165	\$ 1,971

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Tree Planting Grant	Spruce Creek 319 Phase II Grant	Town Pier Repair	Pier Condition Report	York Hospital Scholarship	Concerts In The Park
REVENUES						
Intergovernmental revenue	\$ -	\$ -	-	\$ -	\$ -	\$ -
Other income	-	5,072	-	-	9,250	2,000
Investment income	-	-	-	-	-	-
Total revenues	-	5,072	-	-	9,250	2,000
EXPENDITURES						
Administration	-	-	-	-	19,102	2,874
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	5,072	-	-	-	-
Total expenditures	-	5,072	-	-	19,102	2,874
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	(9,852)	(874)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	1,198	-	45,472	1,098	10,770	1,599
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,198	-	45,472	1,098	10,770	1,599
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	1,198	-	45,472	1,098	918	725
FUND BALANCE, JULY 1	-	-	-	-	-	-
FUND BALANCE, JUNE 30	\$ 1,198	\$ -	\$ 45,472	\$ 1,098	\$ 918	\$ 725

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Alternative Energy Fund	Recreation
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	50	-	338,535
Investment income	-	-	-	-	-	-
Total revenues	-	-	-	50	-	338,535
EXPENDITURES						
Administration	-	-	-	-	-	292,996
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	3,000	1,637	1,291	-	-	-
Total expenditures	3,000	1,637	1,291	-	-	292,996
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,000)</u>	<u>(1,637)</u>	<u>(1,291)</u>	<u>50</u>	<u>-</u>	<u>45,539</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	100,000	2,454	3,178	37,615	56,126	105,349
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>2,454</u>	<u>3,178</u>	<u>37,615</u>	<u>56,126</u>	<u>105,349</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	97,000	817	1,887	37,665	56,126	150,888
FUND BALANCE, JULY 1	-	-	-	-	-	-
FUND BALANCE, JUNE 30	<u>\$ 97,000</u>	<u>\$ 817</u>	<u>\$ 1,887</u>	<u>\$ 37,665</u>	<u>\$ 56,126</u>	<u>\$ 150,888</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTYRY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ 33,230	\$ -	\$ 745,582	\$ 778,812
Other income	-	40,413	136	38,221	594,976
Investment income	-	1	-	-	650
Total revenues	<u>-</u>	<u>73,644</u>	<u>136</u>	<u>783,803</u>	<u>1,374,438</u>
EXPENDITURES					
Administration	-	-	-	-	447,648
Public safety	-	-	-	-	-
Education	-	142,131	7,736	787,010	936,877
Capital outlay	-	-	-	-	330,956
Total expenditures	<u>-</u>	<u>142,131</u>	<u>7,736</u>	<u>787,010</u>	<u>1,715,481</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(68,487)</u>	<u>(7,600)</u>	<u>(3,207)</u>	<u>(341,043)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	61,998	-	-	958,106
Operating Transfers (Out)	(34,130)	-	-	-	(459,300)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,130)</u>	<u>61,998</u>	<u>-</u>	<u>-</u>	<u>498,806</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(34,130)</u>	<u>(6,489)</u>	<u>(7,600)</u>	<u>(3,207)</u>	<u>157,763</u>
FUND BALANCE, JULY 1	<u>139,080</u>	<u>47,381</u>	<u>47,082</u>	<u>240,426</u>	<u>1,292,660</u>
FUND BALANCE, JUNE 30	<u>\$ 104,950</u>	<u>\$ 40,892</u>	<u>\$ 39,482</u>	<u>\$ 237,219</u>	<u>\$ 1,450,423</u>

See accompanying independent auditors' report.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust fund.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	727,266	16,141	2,461	1	71,292	4,250
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 727,266</u>	<u>\$ 16,141</u>	<u>\$ 2,461</u>	<u>\$ 1</u>	<u>\$ 71,292</u>	<u>\$ 4,250</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years'						
expenditures	727,266	16,141	2,461	1	71,292	4,250
Undesignated	-	-	-	-	-	-
Total fund equity	<u>727,266</u>	<u>16,141</u>	<u>2,461</u>	<u>1</u>	<u>71,292</u>	<u>4,250</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 727,266</u>	<u>\$ 16,141</u>	<u>\$ 2,461</u>	<u>\$ 1</u>	<u>\$ 71,292</u>	<u>\$ 4,250</u>

TOWN OF KITTEERY, MAINE SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	6,925	10,683	3,649	11,713	187,873	6
Due from other funds	-	-	-	-	-	-
Total assets	\$ 6,925	\$ 10,683	\$ 3,649	\$ 11,713	\$ 187,873	\$ 6
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,176	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	4,176	-
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	6,925	10,683	3,649	11,713	183,697	6
Undesignated	-	-	-	-	-	-
Total fund equity	6,925	10,683	3,649	11,713	183,697	6
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,925	\$ 10,683	\$ 3,649	\$ 11,713	\$ 187,873	\$ 6

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	48,649	10,202	2,183	22,855	10,158	43,110	1,680
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$48,649</u>	<u>\$ 10,202</u>	<u>\$2,183</u>	<u>\$22,855</u>	<u>\$10,158</u>	<u>\$43,110</u>	<u>\$ 1,680</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
FUND EQUITY							
Fund balance:							
Designated for subsequent years'							
expenditures	48,649	10,202	2,183	22,855	10,158	43,110	1,680
Undesignated	-	-	-	-	-	-	-
Total fund equity	<u>48,649</u>	<u>10,202</u>	<u>2,183</u>	<u>22,855</u>	<u>10,158</u>	<u>43,110</u>	<u>1,680</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$48,649</u>	<u>\$ 10,202</u>	<u>\$2,183</u>	<u>\$22,855</u>	<u>\$10,158</u>	<u>\$43,110</u>	<u>\$ 1,680</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Public Safety	Office Restrooms
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	37,221	39,219	37,041	7,444	3,209	2,115	48
Due from other funds	-	-	-	-	-	470	-
Total assets	\$ 37,221	\$ 39,219	\$ 37,041	\$ 7,444	\$ 3,209	\$ 2,585	\$ 48
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
FUND EQUITY							
Fund balance:							
Designated for subsequent years' expenditures	37,221	39,219	37,041	7,444	3,209	2,585	48
Undesignated	-	-	-	-	-	-	-
Total fund equity	37,221	39,219	37,041	7,444	3,209	2,585	48
TOTAL LIABILITIES AND FUND EQUITY	\$ 37,221	\$ 39,219	\$ 37,041	\$ 7,444	\$ 3,209	\$ 2,585	\$ 48

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	Municipal Roof Depreciation	Public Works Shed Office Building	Public Works Lid Town Hall	PW Lid Rt. 1 N. Raingarden	Traffic Light Rt. 236 MRTN	Traffic Light Rt. 236 MACN
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	50,050	-	-	-	-	-
Due from other funds	-	134,700	-	-	10,000	-
Total assets	<u>\$ 50,050</u>	<u>\$ 134,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	675,052	-	-	-	-
Due to other funds	-	-	887	1,054	-	-
Total liabilities	<u>-</u>	<u>675,052</u>	<u>887</u>	<u>1,054</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	50,050	-	-	-	10,000	-
Undesignated	-	(540,352)	(887)	(1,054)	-	-
Total fund equity	<u>50,050</u>	<u>(540,352)</u>	<u>(887)</u>	<u>(1,054)</u>	<u>10,000</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 50,050</u>	<u>\$ 134,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>

TOWN OF KITTEERY, MAINE SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	Fort Foster Restrooms	Seapoint Rd. Causeway Upgrade	Haley Field Project	Computer Repair Replacement	Municipal Facility Maint. Resrv.	Emergency Ambulance Services
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Due from other funds	38,246	30,874	52,596	18,531	87,127	-
Total assets	<u>\$ 38,246</u>	<u>\$ 30,874</u>	<u>\$ 52,596</u>	<u>\$ 18,531</u>	<u>\$ 87,127</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	38,246	30,874	52,596	18,531	87,127	-
Undesignated	-	-	-	-	-	-
Total fund equity	<u>38,246</u>	<u>30,874</u>	<u>52,596</u>	<u>18,531</u>	<u>87,127</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 38,246</u>	<u>\$ 30,874</u>	<u>\$ 52,596</u>	<u>\$ 18,531</u>	<u>\$ 87,127</u>	<u>\$ -</u>

TOWN OF KITTEERY, MAINE SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	Bond Hill Creek Drive	Fort Foster Park Bench	Sewer Vehicle Reserve	Sewer Depreciation	Treatment Plant Upgrade II	Records Preservation
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	91,957	775,328	110,766	497
Due from other funds	1,000	6,864	-	-	-	-
Total assets	<u>\$ 1,000</u>	<u>\$ 6,864</u>	<u>\$ 91,957</u>	<u>\$ 775,328</u>	<u>\$ 110,766</u>	<u>\$ 497</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	23,725	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>23,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	1,000	6,864	68,232	775,328	110,766	497
Undesignated	-	-	-	-	-	-
Total fund equity	<u>1,000</u>	<u>6,864</u>	<u>68,232</u>	<u>775,328</u>	<u>110,766</u>	<u>497</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,000</u>	<u>\$ 6,864</u>	<u>\$ 91,957</u>	<u>\$ 775,328</u>	<u>\$ 110,766</u>	<u>\$ 497</u>

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2010

	Architectural Barrier	Treatment Plant Upgrade	School Capital	Iving Oil Road	Mercury UW Facility	Totals
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	17,487	20,743	-	-	-	2,374,222
Due from other funds	-	-	305,350	-	-	685,758
Total assets	\$ 17,487	\$ 20,743	\$ 305,350	\$ -	\$ -	\$ 3,059,980
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 169,078	\$ -	\$ -	\$ 173,254
Bond anticipation note	-	-	526,060	-	-	1,201,112
Due to other funds	-	-	33,624	-	-	59,290
Total liabilities	-	-	728,762	-	-	1,433,656
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	17,487	20,743	-	-	-	2,592,029
Undesignated	-	-	(423,412)	-	-	(965,705)
Total fund equity	17,487	20,743	(423,412)	-	-	1,626,324
TOTAL LIABILITIES AND FUND EQUITY	\$ 17,487	\$ 20,743	\$ 305,350	\$ -	\$ -	\$ 3,059,980

See accompanying independent auditors' report.

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
 CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
REVENUES						
Intergovernmental revenue	\$ 209,940	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	48	-
Investment income	862	17	2	6	101	5
Total revenues	<u>210,802</u>	<u>17</u>	<u>2</u>	<u>6</u>	<u>149</u>	<u>5</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	502,883	3,508	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	49,044	1,071
Total expenditures	<u>502,883</u>	<u>3,508</u>	<u>-</u>	<u>-</u>	<u>49,044</u>	<u>1,071</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(292,081)</u>	<u>(3,491)</u>	<u>2</u>	<u>6</u>	<u>(48,895)</u>	<u>(1,066)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	166,349	6,000	-	6,682	17,262	2,000
Operating Transfers (Out)	-	-	-	(5,991)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>166,349</u>	<u>6,000</u>	<u>-</u>	<u>691</u>	<u>17,262</u>	<u>2,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(125,732)</u>	<u>2,509</u>	<u>2</u>	<u>697</u>	<u>(31,633)</u>	<u>934</u>
FUND BALANCE, JULY 1	<u>852,998</u>	<u>13,632</u>	<u>2,459</u>	<u>(696)</u>	<u>102,925</u>	<u>3,316</u>
FUND BALANCE, JUNE 30	<u>\$ 727,266</u>	<u>\$ 16,141</u>	<u>\$ 2,461</u>	<u>\$ 1</u>	<u>\$ 71,292</u>	<u>\$ 4,250</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
 CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010

	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	252	2,083	-
Investment income	5	122	4	11	192	140
Total revenues	<u>5</u>	<u>122</u>	<u>4</u>	<u>263</u>	<u>2,275</u>	<u>140</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	13,377	699,625
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,377</u>	<u>699,625</u>
EXCESS OF REVENUES OVER (UNDER)	5	122	4	263	(11,102)	(699,485)
EXPENDITURES						
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	7,500	31,617	3,500	2,500	86,216	608,438
Operating Transfers (Out)	-	(125,000)	-	-	(17,367)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,500</u>	<u>(93,383)</u>	<u>3,500</u>	<u>2,500</u>	<u>68,849</u>	<u>608,438</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)	7,505	(93,261)	3,504	2,763	57,747	(91,047)
EXPENDITURES AND OTHER (USES)	(580)	103,944	145	8,950	125,950	91,053
FUND BALANCE, JULY 1	\$ 6,925	\$ 10,683	\$ 3,649	\$ 11,713	\$ 183,697	\$ 6
FUND BALANCE, JUNE 30						

SCHEDULE G (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	2,900	-	-
Investment income	44	37	2	22	6	40	-
Total revenues	44	37	2	22	2,906	40	-
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	600
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	88	1,125	-	-	-
Total expenditures	-	-	88	1,125	-	-	600
EXCESS OF REVENUES OVER (UNDER)	44	37	(86)	(1,103)	2,906	40	(600)
EXPENDITURES							
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	12,983	1,554	-	-	1,500	-	-
Operating Transfers (Out)	(1,990)	(30,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	10,993	(28,446)	-	-	1,500	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)	11,037	(28,409)	(86)	(1,103)	4,406	40	(600)
EXPENDITURES AND OTHER (USES)	37,612	38,611	2,269	23,958	5,752	43,070	2,280
FUND BALANCE, JULY 1	\$ 48,649	\$ 10,202	\$ 2,183	\$ 22,855	\$ 10,158	\$ 43,110	\$ 1,680

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
 CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Public Safety	Office Restrooms
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	1,796	753	-	-	19,122	-
Investment income	45	47	22	163	3	6	-
Total revenues	<u>45</u>	<u>1,843</u>	<u>775</u>	<u>163</u>	<u>3</u>	<u>19,128</u>	<u>-</u>
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	10,883	13,619	23,080	22,700	-	-	-
Total expenditures	<u>10,883</u>	<u>13,619</u>	<u>23,080</u>	<u>22,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,838)	(11,776)	(22,305)	(22,537)	3	19,128	-
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	2,732	23,000	13,350	-	-	-
Operating Transfers (Out)	-	-	-	(150,000)	-	(20,992)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>2,732</u>	<u>23,000</u>	<u>(136,650)</u>	<u>-</u>	<u>(20,992)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(10,838)	(9,044)	695	(159,187)	3	(1,864)	-
FUND BALANCE, JULY 1	48,059	48,263	36,346	166,631	3,206	4,449	48
FUND BALANCE, JUNE 30	<u>\$ 37,221</u>	<u>\$ 39,219</u>	<u>\$ 37,041</u>	<u>\$ 7,444</u>	<u>\$ 3,209</u>	<u>\$ 2,585</u>	<u>\$ 48</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
 CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010

	Municipal Roof Depreciation	Public Works Shed Office Building	Public Works Lid Town Hall	PW Lid Rt. 1 N. Raingarden	Traffic Light Rt. 236 MRTN	Traffic Light Rt. 236 MACN
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
Investment income	50	-	-	-	-	-
Total revenues	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	540,352	887	1,054	-	-
Total expenditures	<u>-</u>	<u>540,352</u>	<u>887</u>	<u>1,054</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50	(540,352)	(887)	(1,054)	-	-
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	50,000	-	-	-	10,000	100,000
Operating Transfers (Out)	-	-	-	-	-	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	50,050	(540,352)	(887)	(1,054)	10,000	-
FUND BALANCE, JULY 1	-	-	-	-	-	-
FUND BALANCE, JUNE 30	<u>\$ 50,050</u>	<u>\$(540,352)</u>	<u>\$ (887)</u>	<u>\$ (1,054)</u>	<u>\$ 10,000</u>	<u>\$ -</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2010

	Fort Foster Restrooms	Seapoint Rd. Causeway Upgrade	Haley Field Project	Computer Repair Replacement	Municipal Facility Maint. Resrv.	Emergency Ambulance Services
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	21,227	-	-	-	-	-
Investment income	-	-	-	-	-	-
Total revenues	<u>21,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	113,287	4,126	107,740	14,469	70,088	75,840
Total expenditures	<u>113,287</u>	<u>4,126</u>	<u>107,740</u>	<u>14,469</u>	<u>70,088</u>	<u>75,840</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,060)	(4,126)	(107,740)	(14,469)	(70,088)	(75,840)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	130,306	35,000	160,336	33,000	157,215	75,840
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>130,306</u>	<u>35,000</u>	<u>160,336</u>	<u>33,000</u>	<u>157,215</u>	<u>75,840</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	38,246	30,874	52,596	18,531	87,127	-
FUND BALANCE, JULY 1	-	-	-	-	-	-
FUND BALANCE, JUNE 30	<u>\$ 38,246</u>	<u>\$ 30,874</u>	<u>\$ 52,596</u>	<u>\$ 18,531</u>	<u>\$ 87,127</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
 CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010

	Bond Hill Creek Drive	Fort Foster Park Bench	Sewer Vehicle Reserve	Sewer Depreciation	Treatment Plant Upgrade II	Records Preservation
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	2,720	57	76,368	-	-
Investment income	-	-	137	663	1,219	1
Total revenues	-	2,720	194	77,031	1,219	1
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	994	12,138	84,505	-	-
Total expenditures	-	994	12,138	84,505	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	1,726	(11,944)	(7,474)	1,219	1
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	1,000	5,138	154,205	782,802	649,339	8,000
Operating Transfers (Out)	-	-	(74,029)	-	(539,792)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,000	5,138	80,176	782,802	109,547	8,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	1,000	6,864	68,232	775,328	110,766	8,001
FUND BALANCE, JULY 1	-	-	-	-	-	(7,504)
FUND BALANCE, JUNE 30	\$ 1,000	\$ 6,864	\$ 68,232	\$ 775,328	\$ 110,766	\$ 497

SCHEDULE G (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
 CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2010

	Architectural Barrier	Treatment Plant Upgrade	School Capital	Irving Oil Road	Mercury UW Facility	Totals
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209,940
Other income	-	-	-	-	-	127,326
Investment income	126	52	-	-	-	4,152
Total revenues	<u>126</u>	<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,418</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	600
Public works	-	-	-	-	-	506,391
Education	-	-	730,030	-	-	730,030
Capital outlay	-	41,540	-	40,173	-	1,941,805
Total expenditures	<u>-</u>	<u>41,540</u>	<u>730,030</u>	<u>40,173</u>	<u>-</u>	<u>3,178,826</u>
EXCESS OF REVENUES OVER (UNDER)						
EXPENDITURES	126	(41,488)	(730,030)	(40,173)	-	(2,837,408)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	12,357	22,838	19,069	-	3,206	3,402,834
Operating Transfers (Out)	(120,000)	-	-	-	-	(1,185,161)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(107,643)</u>	<u>22,838</u>	<u>19,069</u>	<u>-</u>	<u>3,206</u>	<u>2,217,673</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)						
EXPENDITURES AND OTHER (USES)	(107,517)	(18,650)	(710,961)	(40,173)	3,206	(619,735)
FUND BALANCE, JULY 1	125,004	39,393	287,549	40,173	(3,206)	\$2,246,059
FUND BALANCE, JUNE 30	<u>\$ 17,487</u>	<u>\$ 20,743</u>	<u>\$(423,412)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,626,324</u>

See accompanying independent auditors' report.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kittery, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of the cemeteries, Public Health Trust and Lester Rayes Trust and the school department scholarships.

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2010

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
ASSETS				
Cash	\$ -	\$ -	\$ 17,393	\$ -
Investments	127,297	27,040	671,944	8,931
Accounts receivable (net of allowance)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 127,297</u>	<u>\$ 27,040</u>	<u>\$ 689,337</u>	<u>\$ 8,931</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY				
Fund balance:				
Reserved:				
Designated for subsequent years'	127,297	27,040	689,337	8,931
Total fund equity	<u>127,297</u>	<u>27,040</u>	<u>689,337</u>	<u>8,931</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 127,297</u>	<u>\$ 27,040</u>	<u>\$ 689,337</u>	<u>\$ 8,931</u>

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2010

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
ASSETS				
Cash	\$ 102,049	\$ -	\$ -	\$ 119,442
Investments	-	30,615	57,055	922,882
Accounts receivable (net of allowance)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 102,049</u>	<u>\$ 30,615</u>	<u>\$ 57,055</u>	<u>\$ 1,042,324</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
FUND EQUITY				
Fund balance:				
Reserved:				
Designated for subsequent years'	102,049	30,615	57,055	1,042,324
Total fund equity	<u>102,049</u>	<u>30,615</u>	<u>57,055</u>	<u>1,042,324</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 102,049</u>	<u>\$ 30,615</u>	<u>\$ 57,055</u>	<u>\$ 1,042,324</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES - NONMAJOR
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	750	-	105,713	-
Investment income	141	30	28,538	10
Total revenues	<u>891</u>	<u>30</u>	<u>134,251</u>	<u>10</u>
EXPENDITURES				
Administration	4,620	-	95,488	-
Public safety	-	-	-	-
Education	-	-	-	-
Capital outlay	-	-	-	205
Total expenditures	<u>4,620</u>	<u>-</u>	<u>95,488</u>	<u>205</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,729)</u>	<u>30</u>	<u>38,763</u>	<u>(195)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	3,870	-	-	-
Operating Transfers (Out)	-	-	(12,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,870</u>	<u>-</u>	<u>(12,500)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>141</u>	<u>30</u>	<u>26,263</u>	<u>(195)</u>
FUND BALANCE, JULY 1	<u>127,156</u>	<u>27,010</u>	<u>663,074</u>	<u>9,126</u>
FUND BALANCE, JUNE 30	<u>\$ 127,297</u>	<u>\$ 27,040</u>	<u>\$ 689,337</u>	<u>\$ 8,931</u>

SCHEDULE I (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	1,275	815	-	108,553
Investment income	436	35	54	29,244
Total revenues	<u>1,711</u>	<u>850</u>	<u>54</u>	<u>137,797</u>
EXPENDITURES				
Administration	-	-	-	100,108
Public safety	-	-	-	-
Education	3,058	-	-	3,058
Capital outlay	-	1,750	786	2,741
Total expenditures	<u>3,058</u>	<u>1,750</u>	<u>786</u>	<u>105,907</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,347)</u>	<u>(900)</u>	<u>(732)</u>	<u>31,890</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	3,870
Operating Transfers (Out)	-	-	-	(12,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,630)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(1,347)</u>	<u>(900)</u>	<u>(732)</u>	<u>23,260</u>
FUND BALANCE, JULY 1	103,396	31,515	57,787	1,019,064
FUND BALANCE, JUNE 30	<u>\$ 102,049</u>	<u>\$ 30,615</u>	<u>\$ 57,055</u>	<u>\$ 1,042,324</u>

See accompanying independent auditors' report.

General Capital Assets

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

TOWN OF KITTYRY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2010

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Police	\$ -	\$ 84,458	\$ 863,960	\$ -	\$ 948,418
General government	-	2,689,485	200,716	-	2,890,201
Fire	358,894	3,478,843	2,200,300	-	6,038,037
Highway	9,134,813	2,724,812	2,942,996	9,661,465	24,464,086
Recycling	-	98,226	45,288	-	143,514
Recreation	-	151,254	86,159	-	237,413
Library	-	8,711	-	-	8,711
Town-wide	1,973,300	358,935	61,058	-	2,393,293
School Department	774,168	21,608,689	520,995	-	22,903,852
Sewer Department	3,882,062	14,884,282	346,601	-	19,112,945
School Lunch Program	-	-	98,255	-	98,255
Total General Capital Assets	16,123,237	46,087,695	7,366,328	9,661,465	79,238,725
Less: Accumulated Depreciation	-	(21,119,591)	(4,237,661)	(6,897,018)	(32,254,270)
Net General Capital Assets	\$ 16,123,237	\$ 24,968,104	\$ 3,128,667	\$ 2,764,447	\$ 46,984,455

See accompanying independent auditors' report.

SCHEDULE K

TOWN OF KITTEERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2010

	General Capital Assets 7/1/09	Additions	Deletions	General Capital Assets 6/30/10
Police	\$ 1,085,742	\$ 64,807	\$ (202,131)	\$ 948,418
General government	2,890,201	-	-	2,890,201
Fire	5,336,808	701,229	-	6,038,037
Highway	23,785,433	678,653	-	24,464,086
Recycling	120,814	22,700	-	143,514
Recreation	237,413	-	-	237,413
Library	8,711	-	-	8,711
Town-wide	2,318,568	74,725	-	2,393,293
School Department	22,054,304	849,548	-	22,903,852
Sewer Department	18,499,124	613,821	-	19,112,945
School Lunch Program	98,255	-	-	98,255
Total General Capital Assets	76,435,373	3,005,483	(202,131)	79,238,725
Less: Accumulated Depreciation	(30,110,527)	(2,296,310)	152,567	(32,254,270)
Net General Capital Assets	\$ 46,324,846	\$ 709,173	\$ (49,564)	\$ 46,984,455

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through State of Maine -			
Department of Education and Cultural Services			
Food distribution	10.550	N/A	\$ 19,408
School lunch program	10.555	013-05A-7128-05	90,995
School Breakfast Program	10.555	013-06A-7127-05	28,052
Total Department of Agriculture			<u>138,455</u>
U.S. Department of Education			
Passed Through State of Maine -			
Department of Education and Cultural Services			
Title IA - Educationally Deprived	84.010	013-05A-6334-13	105,623
Handicapped Programs - Local Entitlement	84.027	013-05A-6317-12	235,311
State Stabilization	84.394A	013-06A-2077-01	189,310
ARRA Title IA	84.389A	020-06A-6334-13	13,541
ARRA Medicaid			8,925
ARRA Local Entitlement IDEA	84.391A	020-06A-6317-12	83,658
ARRA Local Entitlement - Part B Section 619	84.392A	020-06A-6241-23	1,664
Adult Education and Family Literacy	84.048	013-06A-3030-08	11,212
ARRA Title IID	84.386X	020-06A-3003-02	1,158
Title IIA Teaching Quality Grant	84.367	013-05A-1138-11	38,280
Total Department of Education			<u>688,682</u>
U.S. Department of Mental Health, Mental Retardation, and Substance Abuse Services			
Passed Through State of Maine -			
Department of Mental Health, Mental Retardation, and Substance Abuse Services			
Drug Free Schools Act	84.186	013-075-6346-57	1,629
Total Department of Mental Health, Mental Retardation, and Substance Abuse Services			<u>1,629</u>
Department of Housing and Urban Development			
Passed Through State of Maine -			
Department of Economic and Community Development			
Community Development Block Grant	14.228	G205127	10,000
Total Department of Housing and Urban Development			<u>10,000</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 838,766</u>

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2010

1. General

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

2. Basis of Accounting

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

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

- 1) 84.027- Local Entitlement
- 2) 84.394 - State Stabilization



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

October 6, 2010

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of the Town of Kittery, Maine, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

Compliance and Other Matters

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

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

RHR Smith & Company

Certified Public Accountants



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 6, 2010

Town Council
Town of Kittery
Kittery, Maine

Compliance

We have audited the compliance of Town of Kittery, Maine, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Kittery, Maine's management. Our responsibility is to express an opinion on Town of Kittery, Maine's compliance based on our audit.

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

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www.rhrsmith.com

In our opinion, Town of Kittery, Maine, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Town of Kittery, Maine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Kittery, Maine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133,, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material with a type of compliance requirement of a federal program will not be prevented or detected and correct, on a timely basis.

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

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

RHR Smith & Company

Certified Public Accountants

TOWN OF KITTEERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Local Entitlement
84.394	State Stabilization

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None



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INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

October 6, 2010

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of Town of Kittery for the year ended June 30, 2010 and have issued our report thereon dated October 6, 2010. 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 Department for accuracy. In addition we have reviewed quarterly EF-U-415 reports for the year ended June 30, 2010 and the Town'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 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 was in noncompliance with, or in violation of, those provisions.

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

This report is intended solely for the information of the Town Council, School Board, management and the 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

Certified Public Accountants

KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund (100)	Special Revenue Funds (200)	Capital Projects Fund (300)	Totals
June 30 balance per MEDMS financial system	\$ (537,953)	\$ 168,452	\$ 203,820	\$ (165,681)
Revenue Adjustments:				
Net Income(loss)	380,704	(51,426)	(710,961)	(381,683)
Expenditure Adjustments:				
Other adjustments:				
Beginning balances not reported on MEDMS	756,113	473,969	287,549	1,517,631
Amounts reported on MEDMS (Posted activity in FB)	537,953	(168,452)	(203,820)	165,681
Audited GAAP Basis Fund balance June 30	<u>\$ 1,136,817</u>	<u>\$ 422,543</u>	<u>\$ (423,412)</u>	<u>\$ 1,135,948</u>