

Federal Compliance Audit

Town of Kittery, Maine

June 30, 2011



*Proven Expertise and Integrity*

TOWN OF KITTERY, MAINE

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JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

September 16, 2011

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, 2011, 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011 on our consideration of the Town of Kittery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**(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, 2011. 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 four 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 funds are the general fund, the Mitchell Shapleigh Building Project and the Community Center 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 are \$31.2 million compared to \$32.9 million in the prior year, a decrease of 5.39%. For the business-type activities total net assets are \$10.7 million as compared to \$10.4 million in the prior year, an increase of 2.17%.

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 \$5.84 million at the end of this year for governmental activities and \$483,393 for the business-type activities.

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

	<b>2011</b>		<b>2010</b>	
	<b>Governmental</b>	<b>Business-type</b>	<b>Governmental</b>	<b>Business-type</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>
<b>Assets:</b>				
Current and Other Assets	\$ 15,335,230	\$ 623,909	\$ 12,658,736	\$ 493,075
Capital Assets	35,233,432	14,542,683	32,151,068	14,833,387
Other Assets	-	9,867	-	14,258
Total Assets	<u>\$ 50,568,662</u>	<u>\$ 15,176,459</u>	<u>\$ 44,809,804</u>	<u>\$ 15,340,720</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 5,191,365	\$ 468,422	\$ 3,823,349	\$ 425,095
Long-Term Debt Outstanding	14,169,941	4,044,199	8,001,971	4,478,611
Total Liabilities	<u>\$ 19,361,306</u>	<u>\$ 4,512,621</u>	<u>\$ 11,825,320</u>	<u>\$ 4,903,706</u>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 21,359,381	\$ 10,180,445	\$ 24,178,955	\$ 10,059,173
Restricted: General Fund	978,690	-	9,415	-
Special Revenue Funds	118,204	-	237,219	-
Capital Project Funds	1,833,772	-	-	-
Permanent Funds	1,074,064	-	1,042,324	-
Unrestricted	<u>5,843,245</u>	<u>483,393</u>	<u>7,516,571</u>	<u>377,841</u>
Total Net Assets	<u>\$ 31,207,356</u>	<u>\$ 10,663,838</u>	<u>\$ 32,984,484</u>	<u>\$ 10,437,014</u>

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

	<b>2011</b>		<b>2010</b>	
	<b>Governmental</b>	<b>Business-type</b>	<b>Governmental</b>	<b>Business-type</b>
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>
<b>Revenues</b>				
Taxes:				
Property	\$ 19,450,652	\$ -	\$ 18,915,447	\$ -
Excise	1,363,252	-	1,414,791	-
Intergovernmental	2,690,952	165,301	3,206,694	151,900
State of Maine on - behalf payments	1,195,709	-	1,164,450	-
Charges for services	803,292	2,045,734	761,608	1,892,373
Miscellaneous	1,511,174	75,032	1,133,929	9,257
Total Revenues	<u>27,015,032</u>	<u>2,286,067</u>	<u>26,596,919</u>	<u>2,053,530</u>
<b>Expenses</b>				
Current:				
General government	1,053,425	-	2,038,508	-
Public safety	3,480,447	-	2,822,194	-
Public works	2,006,465	-	1,319,598	-
Health and welfare	669,727	-	675,938	-
Social Services	55,722	-	66,905	-
Recreation and culture	1,009,959	-	1,020,296	-
Education	15,712,257	-	15,359,022	-
County tax	862,802	-	792,584	-
Capital outlay	2,062,668	-	889,911	-
Grant funds/misc. accounts	156,019	-	-	-
Overlay	101,600	-	-	-
Unallocated depreciation expense	112,027	-	18,496	-
Interest expense	105,301	-	107,317	-
State of Maine on - behalf payments	1,195,709	-	1,164,450	-
Enterprise fund	-	2,267,275	-	2,304,640
Total Expenses	<u>28,584,128</u>	<u>2,267,275</u>	<u>26,275,219</u>	<u>2,304,640</u>
Total transfers	<u>(208,032)</u>	<u>208,032</u>	<u>809,039</u>	<u>(809,039)</u>
Change in Net Assets	(1,777,128)	226,824	1,130,739	(1,060,149)
Net Assets - July 1	<u>32,984,484</u>	<u>10,437,014</u>	<u>31,853,745</u>	<u>11,497,163</u>
Net Assets - June 30	<u>\$ 31,207,356</u>	<u>\$ 10,663,838</u>	<u>\$ 32,984,484</u>	<u>\$ 10,437,014</u>

## **Revenues and Expenses**

Revenues for the Town's governmental activities increased by 1.57%, while total expenses increased by 8.79%. 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.

Revenues increased by 11.32% in the Town's business type activities, while the total expenses decreased by 1.62%. Most of the proprietary funds expenses were consistent with the previous year with minor increases or decreases. The biggest increase in revenues was in the charges for services.

## **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,**

	<u>2011</u>	<u>2010</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 2,350	\$ 9,415
Restricted	978,690	1,136,817
Unassigned	4,344,502	4,173,523
Mitchell/Shapleigh building project		
Restricted	1,057,513	(728,762)
Community center		
Unassigned	(280,513)	-
Total Major Funds	<u>\$ 6,102,542</u>	<u>\$ 4,590,993</u>
Nonmajor Funds:		
Permanent funds		
Restricted	\$ 1,074,064	\$ 1,042,324
Capital project funds		
Restricted	776,259	942,104
Committed	1,467,072	1,955,275
Unassigned	(29,089)	(542,293)
Special revenue funds		
Restricted	118,204	237,219
Committed	1,105,035	1,291,807
Assigned	117,905	-
Unassigned	(329,207)	(78,603)
Total Nonmajor Funds	<u>\$ 4,300,243</u>	<u>\$ 4,847,833</u>

The general fund total fund balance increased by \$5,787 over the prior fiscal year. The Mitchell Shapleigh Building Project increased by \$1,786,275 and the Community Center decreased by \$280,513. The non-major fund balances decreased by \$547,590 over the prior fiscal year.

*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 an operating income for the current year of \$51,258, while the sewer fund had an operating income of \$175,566.

## 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 as well as use of designated and undesignated fund balances.

The general fund actual revenues exceeded the budget by \$257,043. This was a result of all revenues being receipted over budget with the exception of investment income.

The general fund actual expenditures were under the budget by \$1,082,881. All expenditures were under budget with the exception of public safety and public works.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2011 the net book value of capital assets recorded by the Town increased by \$2,791,660. The increase was caused by capital additions of \$5,136,940 less current year depreciation of \$2,345,280.

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

	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 12,661,066	\$ 12,659,864
Buildings and improvements	21,946,084	23,534,346
Machinery and equipment	979,688	1,166,822
Vehicles	1,705,600	1,961,845
Construction in progress	9,901,019	4,897,131
Infrastructure	<u>2,582,658</u>	<u>2,764,447</u>
Total	<u>\$ 49,776,115</u>	<u>\$ 46,984,455</u>

### Debt

At June 30, 2011, the Town had \$17.98 million in bonds outstanding versus \$12.37 million last year, an increase of 45.28%, as shown in Note 5 of the financial statements. The Town had new bonds issued in the amount of \$7,200,000 for construction of the Mitchell/Shapleigh Building Project.

### ***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, 2011

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 9,783,979	\$ -	\$ 9,783,979
Investments	4,704,982	-	4,704,982
Accounts receivable (net of allowance for uncollectibles):			
Taxes	1,017,253	-	1,017,253
Due from other governments	23,780	-	23,780
Other	-	410,532	410,532
Prepaid expenses	2,350	-	2,350
Inventory	-	16,263	16,263
Internal balances	(197,114)	197,114	-
Total current assets	15,335,230	623,909	15,959,139
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	17,138,258	3,988,867	21,127,125
Buildings and vehicles net of accumulated depreciation	18,095,174	10,553,816	28,648,990
Total noncurrent assets	35,233,432	14,542,683	49,776,115
Other assets:			
Bond issuance costs (net of amortization)	-	9,867	9,867
<b>TOTAL ASSETS</b>	<b>\$ 50,568,662</b>	<b>\$ 15,176,459</b>	<b>\$ 65,745,121</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 344,582	\$ 28,096	\$ 372,678
Accrued expenses	809,022	21,283	830,305
Deferred revenue	12,380	4,734	17,114
Bond anticipation note	3,046,659	-	3,046,659
Other liabilities	46,213	-	46,213
Current portion of long-term obligations	932,509	414,309	1,346,818
Total current liabilities	5,191,365	468,422	5,659,787
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	12,775,000	3,947,929	16,722,929
Capital lease payable	166,542	-	166,542
Accrued compensated absences	1,228,399	96,270	1,324,669
Total noncurrent liabilities	14,169,941	4,044,199	18,214,140
<b>TOTAL LIABILITIES</b>	<b>19,361,306</b>	<b>4,512,621</b>	<b>23,873,927</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,359,381	10,180,445	31,539,826
Restricted: General Fund	978,690	-	978,690
Special Revenue Funds	118,204	-	118,204
Capital Project Funds	1,833,772	-	1,833,772
Permanent Funds	1,074,064	-	1,074,064
Unrestricted	5,843,245	483,393	6,326,638
<b>TOTAL NET ASSETS</b>	<b>31,207,356</b>	<b>10,663,838</b>	<b>41,871,194</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 50,568,662</b>	<b>\$ 15,176,459</b>	<b>\$ 65,745,121</b>

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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating	Capital	Governmental Activities	Business-	Total
			Grants & Contributions	Grants & Contributions		type Activities	
Governmental activities							
Current:							
General government	\$ 1,053,425	\$ 197,213	\$ 37,540	\$ -	\$ (818,672)	\$ -	\$ (818,672)
Public safety	3,480,447	97,567	-	-	(3,382,880)	-	(3,382,880)
Public works	2,006,465	-	-	-	(2,006,465)	-	(2,006,465)
Recreation and culture	1,009,959	258,125	-	-	(751,834)	-	(751,834)
Health and sanitation	669,727	250,387	-	-	(419,340)	-	(419,340)
Social services	55,722	-	-	-	(55,722)	-	(55,722)
Education	15,712,257	-	998,347	-	(14,713,910)	-	(14,713,910)
County tax	862,802	-	-	-	(862,802)	-	(862,802)
State of Maine on-behalf payments	1,195,709	-	1,195,709	-	-	-	-
Capital outlay	2,062,668	-	-	-	(2,062,668)	-	(2,062,668)
Grant funds/misc. accounts	156,019	-	-	-	(156,019)	-	(156,019)
Overlay	101,600	-	-	-	(101,600)	-	(101,600)
Unallocated depreciation expense	112,027	-	-	-	(112,027)	-	(112,027)
Interest expense	105,301	-	-	-	(105,301)	-	(105,301)
Total governmental activities	28,584,128	803,292	2,231,596	-	(25,549,240)	-	(25,549,240)
Business-type activities:							
Sewer department	1,817,307	1,799,715	-	-	-	(17,592)	(17,592)
School lunch program	449,968	246,019	165,301	-	-	(38,648)	(38,648)
Total business-type activities	2,267,275	2,045,734	165,301	-	-	(56,240)	(56,240)
Total government	30,851,403	2,849,026	2,396,897	-	(25,549,240)	(56,240)	(25,605,480)

STATEMENT B (CONTINUED)

TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Activities	Business- type Activities	Total
Changes in net assets:			
Net (expense) revenue	<u>(25,549,240)</u>	<u>(56,240)</u>	<u>(25,605,480)</u>
General revenue:			
Taxes			
Property taxes, levied for general purposes	19,450,652	-	19,450,652
Excise taxes, levied for general purposes	1,363,252	-	1,363,252
Grants and contributions not restricted to specific programs	1,655,065	-	1,655,065
Investment income	120,628	-	120,628
Miscellaneous	<u>1,390,546</u>	<u>75,032</u>	<u>1,465,578</u>
Total revenue	<u>23,980,144</u>	<u>75,032</u>	<u>24,055,176</u>
Transfers	(208,032)	208,032	-
Change in net assets	(1,777,128)	226,824	(1,550,304)
NET ASSETS - JULY 1, 2010	<u>32,984,484</u>	<u>10,437,014</u>	<u>43,350,908</u>
NET ASSETS - JUNE 30, 2011	<u><u>\$ 31,207,356</u></u>	<u><u>\$ 10,663,838</u></u>	<u><u>\$ 41,871,194</u></u>

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

## STATEMENT C

## TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Mitchell/ Shapleigh Bldg Project	Community Center	Other Governmental Funds	Totals Governmental Funds
<b>ASSETS</b>					
Cash	\$ 9,670,152	\$ -	\$ -	\$ 113,827	\$ 9,783,979
Investments	1,178,803	-	-	3,526,179	4,704,982
Receivables (net of allowance for uncollectibles)					
Taxes/liens	1,017,253	-	-	-	1,017,253
Due from other governments	-	-	-	23,780	23,780
Prepaid expenses	2,350	-	-	-	2,350
Due from other funds	479,016	1,057,513	2,796,146	1,238,842	5,571,517
<b>TOTAL ASSETS</b>	<b>\$ 12,347,574</b>	<b>\$ 1,057,513</b>	<b>\$ 2,796,146</b>	<b>\$ 4,902,628</b>	<b>\$ 21,103,861</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accounts payable	\$ 159,888	\$ -	\$ 30,000	\$ 154,694	\$ 344,582
Accrued payroll	809,022	-	-	-	809,022
Due to other funds	5,320,940	-	-	447,691	5,768,631
Prepaid taxes	12,380	-	-	-	12,380
Bond anticipation note	-	-	3,046,659	-	3,046,659
Deferred tax revenues	673,589	-	-	-	673,589
Other liabilities	46,213	-	-	-	46,213
<b>TOTAL LIABILITIES</b>	<b>7,022,032</b>	<b>-</b>	<b>3,076,659</b>	<b>602,385</b>	<b>10,701,076</b>
Fund Equity					
Nonspendable	2,350	-	-	-	2,350
Restricted	978,690	1,057,513	-	1,968,527	4,004,730
Committed	-	-	-	2,572,107	2,572,107
Assigned	-	-	-	117,905	117,905
Unassigned	4,344,502	-	(280,513)	(358,296)	3,705,693
<b>TOTAL FUND EQUITY</b>	<b>5,325,542</b>	<b>1,057,513</b>	<b>(280,513)</b>	<b>4,300,243</b>	<b>10,402,785</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 12,347,574</b>	<b>\$ 1,057,513</b>	<b>\$ 2,796,146</b>	<b>\$ 4,902,628</b>	<b>\$ 21,103,861</b>

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

## TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Total Governmental Funds
Total Fund Equity	\$ 10,402,785
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	35,233,432
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	673,589
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(13,615,000)
Capital lease payable	(259,051)
Accrued compensated absences	<u>(1,228,399)</u>
Net assets of governmental activities	<u><u>\$ 31,207,356</u></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, 2011

	General Fund	Mitchell/ Shapleigh Bldg Project	Community Center	Nonmajor Funds	Totals Governmental Funds
REVENUES					
General tax revenue	\$ 20,861,570	\$ -	\$ -	\$ -	\$ 20,861,570
Intergovernmental revenue	1,934,398	-	-	756,554	2,690,952
Charges for services	803,292	-	-	-	803,292
Investment income	27,074	-	-	93,554	120,628
State of Maine on - behalf payments	1,195,709	-	-	-	1,195,709
Other revenue	159,222	-	-	1,231,324	1,390,546
TOTAL REVENUES	<u>24,981,265</u>	<u>-</u>	<u>-</u>	<u>2,081,433</u>	<u>27,062,698</u>
EXPENDITURES					
Current:					
General government	1,564,941	-	-	399,866	1,964,807
Public safety	3,091,473	-	-	35,713	3,127,186
Public works	1,089,664	-	-	518,483	1,608,147
Recreation and culture	992,567	-	-	-	992,567
Health and sanitation	669,727	-	-	-	669,727
Social services	55,722	-	-	-	55,722
Education	13,712,967	-	-	1,076,354	14,789,321
County tax	862,802	-	-	-	862,802
State of Maine on - behalf payments	1,195,709	-	-	-	1,195,709
Debt service	390,301	-	-	-	390,301
Overlay	101,600	-	-	-	101,600
Grant funds/misc. accounts	156,019	-	-	-	156,019
Capital outlay	-	4,760,176	280,513	2,158,919	7,199,608
TOTAL EXPENDITURES	<u>23,883,492</u>	<u>4,760,176</u>	<u>280,513</u>	<u>4,189,335</u>	<u>33,113,516</u>
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	<u>1,097,773</u>	<u>(4,760,176)</u>	<u>(280,513)</u>	<u>(2,107,902)</u>	<u>(6,050,818)</u>
OTHER FINANCING SOURCES					
Bond proceeds	-	6,546,451	-	676,358	7,222,809
Operating transfers in	218,922	-	-	1,401,836	1,620,758
Operating transfers (out)	(1,310,908)	-	-	(517,882)	(1,828,790)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,091,986)</u>	<u>6,546,451</u>	<u>-</u>	<u>1,560,312</u>	<u>7,014,777</u>
EXCESS OF REVENUES AND OTHER					
SOURCES OVER (UNDER) EXPENDITURES					
AND OTHER (USES)	5,787	1,786,275	(280,513)	(547,590)	963,959
FUND BALANCES - JULY 1	<u>5,319,755</u>	<u>(728,762)</u>	<u>-</u>	<u>4,847,833</u>	<u>9,438,826</u>
FUND BALANCES - JUNE 30	<u>\$ 5,325,542</u>	<u>\$ 1,057,513</u>	<u>\$ (280,513)</u>	<u>\$ 4,300,243</u>	<u>\$ 10,402,785</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, 2011

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 963,959</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	4,987,460
Capital asset purchases disposed	-
Depreciation expense	<u>(1,905,096)</u>
	<u>3,082,364</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(47,666)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>(7,200,000)</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>1,298,062</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>126,153</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ (1,777,128)</u></u>

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

## STATEMENT G

## TOWN OF KITTERY, MAINE

BALANCE SHEET – PROPRIETARY FUNDS  
JUNE 30, 2011

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
<b>ASSETS</b>			
Current assets:			
Accounts receivable (net of allowance for uncollectibles)	\$ 400,153	\$ 10,379	\$ 410,532
Inventory	-	16,263	16,263
Due from other funds	228,439	-	228,439
Total current assets	628,592	26,642	655,234
Noncurrent assets:			
Land and buildings	921,797	-	921,797
Construction in progress	3,067,070	-	3,067,070
Vehicles and equipment	389,276	98,255	487,531
Plant / infrastructure	14,884,282	-	14,884,282
Total capital assets	19,262,425	98,255	19,360,680
Less: accumulated depreciation	(4,722,776)	(95,221)	(4,817,997)
Net capital assets	14,539,649	3,034	14,542,683
Other assets:			
Bond issuance costs (net of amortization)	9,867	-	9,867
<b>TOTAL ASSETS</b>	<b>\$ 15,178,108</b>	<b>\$ 29,676</b>	<b>\$ 15,207,784</b>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 27,901	\$ 195	\$ 28,096
Accrued payroll	-	21,283	21,283
Deferred revenue	-	4,734	4,734
Due to other funds	-	31,325	31,325
Current portion of long-term debt	414,309	-	414,309
Total current liabilities	442,210	57,537	499,747
Noncurrent liabilities			
Bonds payable	3,947,929	-	3,947,929
Accrued compensated absences	96,270	-	96,270
Total noncurrent liabilities	4,044,199	-	4,044,199
<b>TOTAL LIABILITIES</b>	<b>4,486,409</b>	<b>57,537</b>	<b>4,543,946</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,177,411	3,034	10,180,445
Restricted	-	-	-
Unrestricted	514,288	(30,895)	483,393
<b>TOTAL NET ASSETS</b>	<b>10,691,699</b>	<b>(27,861)</b>	<b>10,663,838</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,178,108</b>	<b>\$ 29,676</b>	<b>\$ 15,207,784</b>

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, 2011

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
OPERATING REVENUES			
Intergovernmental revenue	\$ -	\$ 165,301	\$ 165,301
Charges for services	1,799,715	246,019	2,045,734
Other	61,678	13,354	75,032
TOTAL OPERATING REVENUES	1,861,393	424,674	2,286,067
OPERATING EXPENSES			
Payroll and taxes	164,366	171,615	335,981
Benefits	126,523	21,621	148,144
Treatment plant	775,075	-	775,075
Pump stations	219,443	-	219,443
Food expense	-	197,160	197,160
Supplies	-	12,763	12,763
Line expense	18,105	-	18,105
Depreciation	437,869	2,315	440,184
Other	8,392	44,494	52,886
TOTAL OPERATING EXPENSES	1,749,773	449,968	2,199,741
OPERATING INCOME (LOSS)	111,620	(25,294)	86,326
NON-OPERATING INCOME (EXPENSE)			
Transfers in	149,480	76,552	226,032
Transfers (out)	(18,000)	-	(18,000)
Interest expense	(67,534)	-	(67,534)
TOTAL NON-OPERATING INCOME (EXPENSE)	63,946	76,552	140,498
NET INCOME	175,566	51,258	226,824
NET ASSETS - JULY 1	10,516,133	(79,119)	10,437,014
NET ASSETS - JUNE 30	\$ 10,691,699	\$ (27,861)	\$ 10,663,838

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, 2011

	Sewer Department	School Lunch Program	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,905,329	\$ 245,142	\$ 2,150,471
Intergovernmental receipts	-	165,301	165,301
Other receipts	61,678	13,354	75,032
Internal activity - receipts (payments) from/to other funds	(156,501)	-	(156,501)
Payments to employees	(310,993)	(193,236)	(504,229)
Payments to suppliers	(1,002,003)	(307,113)	(1,309,116)
Net cash provide (used) by operating activities	<u>497,510</u>	<u>(76,552)</u>	<u>420,958</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest payments on bond payable	(67,534)	-	(67,534)
Principal payments on bond payable	(411,976)	-	(411,976)
Transfers	131,480	76,552	208,032
(Purchase) sale of fixed assets	(149,480)	-	(149,480)
Net cash provided (used) by capital and related financing activities	<u>(497,510)</u>	<u>76,552</u>	<u>(420,958)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH - JULY 1</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH - JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss) and other financing	\$ 111,620	\$ (25,294)	\$ 86,326
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	437,869	-	437,869
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	101,223	(725)	100,498
(Increase) decrease in inventory	-	(152)	(152)
(Increase) decrease in due from other funds	(156,501)	-	(156,501)
(Increase) decrease in bond costs	4,391	-	4,391
(Decrease) increase in deferred revenue	-	1,051	1,051
(Decrease) increase in accounts payable	27,872	(351)	27,521
(Decrease) increase in accrued payroll	(8,860)	21,283	12,423
(Decrease) increase in due to other funds	-	(74,679)	(74,679)
(Decrease) increase in compenstaed absences	(20,104)	-	(20,104)
<b>NET CASH PROVIDED (USED) BY ACTIVITIES</b>	<u>\$ 497,510</u>	<u>\$ (78,867)</u>	<u>\$ 418,643</u>

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

## TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS  
JUNE 30, 2011

	Agency Funds
ASSETS	
Current assets:	
Cash	\$ 67,978
TOTAL ASSETS	<u>\$ 67,978</u>
LIABILITIES	
Deposits held for others	\$ 67,978
TOTAL LIABILITIES	<u>67,978</u>
NET ASSETS	
Held in trust for special purposes	-
TOTAL NET ASSETS	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 67,978</u>

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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	\$24,004,478
Add: On-behalf payments	<u>1,195,709</u>
Total GAAP basis	<u>\$25,200,187</u>
Expenditures per budgetary basis	\$23,998,691
Add: On-behalf basis	<u>1,195,709</u>
Total GAAP basis	<u>\$25,194,400</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, 2011

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, 2011. The allowance is for property/real estate taxes in the general fund.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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, 2011

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, 2011 the Town's liability for compensated absences is \$1,324,669.

**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.

**Fund Equity**

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The Town is in the process of adopting a set of financial policies to guide the financial operation of the Town. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

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

The Town's property tax for the current year was levied October 13, 2010 on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. Taxes were due on December 10, 2010. Interest on unpaid taxes commenced on December 11, 2010, at 7% per annum.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$130,210 for the year ended June 30, 2011.

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, 2011

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, 2011, the Town's cash balance of \$9,851,957 was comprised of deposits amounting to \$10,542,098. This amount was comprised of \$695,768 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$9,846,330 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	\$ 389,601
Savings	12,003
Money market	89,244
Sweep account	10,051,251
	<u>\$ 10,542,098</u>

At June 30, 2011, the Town's investments were comprised of investment management funds, and equities, fixed income and cash equivalents. The investment accounts amounting to \$4,704,982 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	\$ 3,986,908	\$ -	\$ -
Equities	718,074	-	-
	<u>\$ 4,704,982</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables.

	Receivables <u>(Due from)</u>	Payables <u>(Due to)</u>
General fund	\$ 479,016	\$ 5,320,940
Mitchell/Shapleigh building project	1,057,513	-
Community center	2,796,146	-
Special revenue fund	760,221	321,541
Capital project fund	478,621	116,575
Permanent fund	-	9,575
Enterprise fund	228,439	31,325
	<u>\$ 5,799,956</u>	<u>\$ 5,799,956</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2011:

	Balance, <u>7/1/10</u>	Additions	Disposals	Balance, <u>6/30/11</u>
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	1,284,575	4,902,777	-	6,187,352
	<u>10,950,906</u>	<u>4,902,777</u>	<u>-</u>	<u>17,138,258</u>
Depreciated assets:				
Land Improvements	1,802,184	84,683	-	1,886,867
Buildings	27,848,474	-	-	27,848,474
Building improvements	1,605,018	-	-	1,605,018
Machinery & equipment	3,277,225	-	-	3,277,225
Vehicles	3,597,678	-	-	3,597,678
Infrastructure	9,661,465	-	-	9,661,465
	46,887,088	84,683	-	47,876,727
Less: accumulated depreciation	(27,876,457)	(1,905,096)	-	(29,781,553)
	<u>20,722,403</u>	<u>(1,820,413)</u>	<u>-</u>	<u>18,095,174</u>
Net capital assets	<u>\$ 31,673,309</u>	<u>\$ 3,082,364</u>	<u>\$ -</u>	<u>\$ 35,233,432</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation expense:	Police	\$ 89,323
	General government	101,162
	Fire	263,938
	Highway	398,318
	Recycling	8,144
	Recreation	8,004
	Library	1,244
	Town-wide	112,027
	School Department	922,936
	Total depreciation expense	<u>\$ 1,905,096</u>

	Balance, 7/1/10	Additions	Disposals	Balance, 6/30/11
<u>Business-type activities</u>				
Non-depreciated assets:				
Land / construction in progress	\$ 3,882,062	\$ 106,805	\$ -	\$ 3,988,867
	<u>3,342,270</u>	<u>106,805</u>	<u>-</u>	<u>3,988,867</u>
Depreciated assets:				
Buildings	14,884,282	-	-	14,884,282
Vehicles	156,426	-	-	156,426
Machinery & equipment	288,430	42,675	-	331,105
	<u>15,255,109</u>	<u>42,675</u>	<u>-</u>	<u>15,371,813</u>
Less: accumulated depreciation	(4,377,813)	(440,184)	-	(4,817,997)
	<u>11,309,267</u>	<u>(397,509)</u>	<u>-</u>	<u>10,553,816</u>
Net capital assets	<u>\$ 14,651,537</u>	<u>\$ (290,704)</u>	<u>\$ -</u>	<u>\$ 14,542,683</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 5 –LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2011:

	Balance, 7/1/10	Additions	Deletions	Balance, 6/30/11	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable	\$ 7,600,000	\$ 7,200,000	\$ (1,185,000)	\$ 13,615,000	\$ 840,000
Capital leases payable	372,113	-	(113,062)	259,051	92,509
Accrued compensated absences	1,354,552	-	(126,153)	1,228,399	-
Total Governmental Activities	<u>\$ 10,967,839</u>	<u>\$ 7,200,000</u>	<u>\$ (1,424,215)</u>	<u>\$ 15,102,450</u>	<u>\$ 932,509</u>
<b>Business-type Activities</b>					
Bonds payable	\$ 4,774,214	\$ -	\$ (411,976)	\$ 4,362,238	\$ 414,309
Accrued compensated absences	116,374	-	(20,104)	96,270	-
Total Business-type Activities	<u>\$ 4,890,588</u>	<u>\$ -</u>	<u>\$ (432,080)</u>	<u>\$ 4,458,508</u>	<u>\$ 414,309</u>



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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>
\$7,200,000, 2010 General Obligation Bonds due in annual principal and interest installments through December 2032. Interest is charged at a rate from 2.00 % to 4.00 %.	\$ 7,200,000	\$ -
\$3,105,000, 2006 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2015. Interest is charged at a rate from 5.25% to 5.75% per annum.	1,725,000	-
\$2,000,000, 1997 General Obligation Bond due in annual principal installments and semiannual interest installments through January 2012. Interest is charged at a rate from 4.8% to 6.5% per annum.	130,000	-
\$2,660,000, 2006 General Obligation Bond due in annual principal 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.	2,040,000	-
\$4,000,000, 1992 General Obligation Bond due in annual principal installments and semiannual interest installments through October 2012. Interest is charged at a rate of 4.10% per annum. Annual principal Installments are \$200,000.	-	400,000
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual principal installments and semiannual interest installments through October 2022. Interest is charged at 1.94% per annum. Annual principal installments vary.	-	837,414
\$4,220,000, 2002 General Obligation Bond due in annual principal installments and semiannual interest installments through December 2022. Interest is charged at a rate from 3.25% to 4.75% per annum.	2,520,000	-
\$3,400,000, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through April 2030. Interest is charged at 1.00% per annum. Annual principal installments vary.	-	3,124,824
	<u>\$ 13,615,000</u>	<u>\$ 4,362,238</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

	Principal	Interest	Total Debt Service
2012	\$ 840,000	\$ 304,550	\$ 1,144,550
2013	1,070,000	455,390	1,525,390
2014	1,070,000	418,990	1,488,990
2015	1,070,000	376,427	1,446,427
2016	1,070,000	333,752	1,403,752
2017-2021	3,445,000	1,257,299	4,702,299
2022-2026	2,780,000	695,100	3,475,100
2027-2031	2,270,000	261,675	2,531,675
	<u>\$ 13,615,000</u>	<u>\$ 4,103,183</u>	<u>\$ 17,718,183</u>

Business - Type Activities

	Principal	Interest	Total Debt Service
2012	\$ 414,309	\$ 94,543	\$ 508,852
2013	416,693	68,521	485,214
2014	219,130	52,398	271,528
2015	221,622	46,026	267,648
2016	224,171	47,312	271,483
2017-2021	1,161,237	192,047	1,353,284
2022-2026	997,253	116,775	1,114,028
2027-2031	707,823	54,061	761,884
	<u>\$ 4,362,238</u>	<u>\$ 671,683</u>	<u>\$ 5,033,921</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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. Annual payments are \$10,798. Interest is charged at a rate of 3.53% per annum	\$ 20,506	\$ -
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.	29,700	-
\$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.	81,817	-
\$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.	75,418	-
\$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.	51,611	-
	<u>\$ 259,051</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 5 – LONG TERM DEBT (CONTINUED)

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

2012	\$ 103,226
2013	102,920
2014	51,758
2015	22,865
2016	-
2016-2020	<u>-</u>
Total minimum lease payments	280,769
Less: Amount representing interest	<u>(21,718)</u>
Present value of future minimum lease payments	<u><u>\$ 259,051</u></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, 2011 for the following purposes:

Restricted for general funds:	
Education	\$ 978,690
Mitchell/Shapleigh building project	1,057,513
Restricted for special revenue funds:	
GMH police/fire/rescue	4,321
Storm damage/FEMA	27,745
Fire haxmat spill cleanup	3,468
Police new office grant	10,828
Grant matching funds	5,180
UNH spruce creek grant	7,926
Wood Island state grant	1,971
Tree planting grant	1,198
York hospital scholarship	5,866
School grant	<u>49,701</u>
Subtotal special revenue funds	<u><u>118,204</u></u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 6 – RESTRICTED NET ASSETS (CONTINUED)

Restricted for capital project funds:

State aid to roads	677,838
Badgers Island cemetery	43,342
Police drug forfeiture	28,958
Bond hill creek drive	1,000
Treatment plant upgrade II	25,081
Treatment plant upgrade	40
Subtotal capital project funds	<u>776,259</u>
Restricted for permanent funds	<u>1,074,064</u>
Total	<u><u>\$ 4,004,730</u></u>

NOTE 7– NONSPENDABLE FUND EQUITY

At June 30, 2011, the general fund had the following nonspendable fund balance:

Prepaid Expenses	<u>\$ 2,350</u>
Total	<u><u>\$ 2,350</u></u>

NOTE 8– RESTRICTED FUND EQUITY

At June 30, 2011, the general fund had the following restricted fund balance:

Education	<u>\$ 978,690</u>
Total	<u><u>\$ 978,690</u></u>

NOTE 9 – 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 10 – OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2011 the Town's share was as follows:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 12,821,105	5.41%	<u>\$ 693,429</u>

NOTE 11 – 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.

**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 2011, 2010, and 2009 were \$30,534, \$55,295 and \$61,749, 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 \$6,732,595 for the year ended June 30, 2011. 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 \$1,195,709 for the year ended June 30, 2011. There is no contribution required by the Department, except

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

for federally funded teachers. For the year ended June 30, 2011, the Department contributed approximately \$59,091 for these federally funded employees. The funding status and progress for the System may be obtained by contacting the Maine State Retirement System.

NOTE 12 – 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.

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 13 – EXPENDITURES OVER APPROPRIATIONS

At June 30, 2011, the Town had the following overspent appropriations:

Public Safety	\$ 3,804
Public Works	<u>7,971</u>
Total	<u><u>\$ 11,775</u></u>

# TOWN OF KITTERY, MAINE

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

### NOTE 14 – DEFICIT FUND BALANCES

At June 30, 2011 the Town had the following deficit fund balances / net assets:

Major funds:	
Community center	\$ 280,513
Non-major funds:	
Munis loan	11,572
Sub host program	776
Memorial day activities	24
Accrued compensated absences	167,378
Legal ads	2,185
Outfall pipe water test	155
Harbor planning grant	518
Spruce creek 319 grant	33,777
Shellfish conservation commission	265
Defibulators	3,241
School grants	109,316
Highway vehicle	2,976
Public works shed/office building	6,595
Public works lid Town hall	887
PW lid Rt. 1 northgarden	1,054
Haley field project	13,850
Municipal facility maint. Reserve	3,727
Total	<u>\$ 638,809</u>

### NOTE 15 – CONTINGENCIES

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

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



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 16 – 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, 2011:

Active members	\$	70
Retirees and spouses		<u>14</u>
Total	\$	<u><u>84</u></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, 2011

NOTE 16 – 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. The information for June 30, 2011 is not available.

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, 2011

NOTE 16 – 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, 2011**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 5,319,755	\$ 5,319,755	\$ 5,319,755	\$ -
Resources (Inflows):				
General tax revenue	20,754,281	20,754,281	20,861,570	107,289
Intergovernmental revenue	1,917,140	1,911,544	1,934,398	22,854
Charges for services	722,370	722,370	803,292	80,922
Investment income	50,000	50,000	27,074	(22,926)
Other revenue	96,000	126,418	159,222	32,804
Transfers from other funds	181,400	182,822	218,922	36,100
Amounts Available for Appropriation	29,040,946	29,067,190	29,324,233	257,043
Charges to Appropriation (Outflows):				
Current:				
General government	1,635,969	1,635,969	1,564,941	71,028
Public safety	3,087,669	3,087,669	3,091,473	(3,804)
Public works	1,081,693	1,081,693	1,089,664	(7,971)
Recreation and culture	994,714	994,714	992,567	2,147
Health and sanitation	673,635	673,635	669,727	3,908
Social services	56,298	56,298	55,722	576
Education	13,997,596	14,691,657	13,712,967	978,690
County tax	862,802	862,802	862,802	-
Debt service	390,302	390,302	390,301	1
Overlay	130,210	130,210	101,600	28,610
Grant funds/misc accounts	165,715	165,715	156,019	9,696
Transfers to other funds	1,310,908	1,310,908	1,310,908	-
Total Charges to Appropriations	24,387,511	25,081,572	23,998,691	1,082,881
Budgetary Fund Balance, June 30	\$ 4,653,435	\$ 3,985,618	\$ 5,325,542	\$ 1,339,924
Utilization of undesignated fund balance	\$ 197,320	\$ 197,320	\$ -	\$ (197,320)
Utilization of designated fund balance	469,000	1,136,817	-	(1,136,817)
	\$ 666,320	\$ 1,334,137	\$ -	\$ (1,334,137)

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, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
General tax revenues				
Property taxes	\$ 19,412,631	\$ 19,412,631	\$ 19,498,318	\$ 85,687
Vehicle excise taxes	1,310,150	1,310,150	1,332,610	22,460
Boat excise taxes	31,500	31,500	30,642	(858)
Intergovernmental revenues				
Education subsidy	1,003,943	977,680	977,680	-
State revenue sharing	545,705	545,705	550,186	4,481
Homestead exemption	97,692	97,692	91,767	(5,925)
Other education revenue	-	20,667	20,667	-
GMH Housing	256,200	256,200	254,760	(1,440)
Tree growth	-	-	1,798	1,798
General assistance	13,600	13,600	37,540	23,940
Charges for services				
Recreation fees	12,100	12,100	12,000	(100)
Code enforcement fees	235,000	235,000	132,912	(102,088)
Registration fees	25,000	25,000	27,755	2,755
Town clerk fees	13,165	13,165	19,568	6,403
Planning fees	4,000	4,000	7,981	3,981
Sign / ordinances	5,760	5,760	2,944	(2,816)
Solid waste / recycling	90,000	90,000	137,380	47,380
Solid waste / permits	76,000	76,000	113,007	37,007
Fort Foster fees	115,000	115,000	161,861	46,861
Eliot dispatching services	60,000	60,000	60,000	-
Police department	20,050	20,050	24,017	3,967
Animal control	2,000	2,000	13,550	11,550
Mooring/launch fees	57,825	57,825	84,264	26,439
Other	6,470	6,470	6,053	(417)
Investment income:				
Investment income	50,000	50,000	27,074	(22,926)
Other income:				
Interest / fees on taxes	52,000	52,000	71,568	19,568
Other income	20,000	20,000	33,236	13,236
Other education	24,000	54,418	54,418	-
Transfers from other funds				
Enterprise fund	14,400	14,400	18,000	3,600
Special revenue funds	142,000	142,000	162,000	20,000
Capital project funds	-	1,422	1,422	-
Permanent funds	25,000	25,000	37,500	12,500
<b>Total revenues</b>	<b>\$ 23,721,191</b>	<b>\$ 23,747,435</b>	<b>\$ 24,004,478</b>	<b>\$ 257,043</b>

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Budget Adjustments	Final Available	Actual	Balances	
	Budget	Adjustments	Available	Actual	Lapsed	Carried
<b>General government</b>						
Administration	\$ 826,410	\$ -	\$ 826,410	\$ 804,602	\$ 21,808	\$ -
Assessing	183,853	-	183,853	182,510	1,343	-
Code enforcement	122,122	-	122,122	111,491	10,631	-
Town planner	204,229	-	204,229	197,596	6,633	-
Insurance	261,158	-	261,158	233,188	27,970	-
Planning board	16,779	-	16,779	16,346	433	-
Elections	10,688	-	10,688	5,544	5,144	-
Council	10,550	-	10,550	5,278	5,272	-
Bank fees	180	-	180	8,386	(8,206)	-
	<u>1,635,969</u>	<u>-</u>	<u>1,635,969</u>	<u>1,564,941</u>	<u>71,028</u>	<u>-</u>
<b>Public safety</b>						
Police department	2,555,257	-	2,555,257	2,561,794	(6,537)	-
Fire department	238,749	-	238,749	238,749	-	-
Street lights	98,100	-	98,100	96,706	1,394	-
Hydrants	193,213	-	193,213	193,213	-	-
Civil emergency preparedness	2,350	-	2,350	1,011	1,339	-
	<u>3,087,669</u>	<u>-</u>	<u>3,087,669</u>	<u>3,091,473</u>	<u>(3,804)</u>	<u>-</u>
<b>Public works:</b>						
Highways	<u>1,081,693</u>	<u>-</u>	<u>1,081,693</u>	<u>1,089,664</u>	<u>(7,971)</u>	<u>-</u>
	<u>1,081,693</u>	<u>-</u>	<u>1,081,693</u>	<u>1,089,664</u>	<u>(7,971)</u>	<u>-</u>
<b>Health and sanitation:</b>						
Solid waste	<u>673,635</u>	<u>-</u>	<u>673,635</u>	<u>669,727</u>	<u>3,908</u>	<u>-</u>
	<u>673,635</u>	<u>-</u>	<u>673,635</u>	<u>669,727</u>	<u>3,908</u>	<u>-</u>
<b>Social services</b>						
General assistance	40,000	-	40,000	40,000	-	-
Community agencies	15,713	-	15,713	15,157	556	-
Public health services	<u>585</u>	<u>-</u>	<u>585</u>	<u>565</u>	<u>20</u>	<u>-</u>
	<u>56,298</u>	<u>-</u>	<u>56,298</u>	<u>55,722</u>	<u>576</u>	<u>-</u>



## TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Budget Adjustments	Final Available	Actual	Balances Lapsed	Carried
<b>Recreation and culture:</b>						
Parks	272,870	-	272,870	272,421	449	-
Recreation	194,173	-	194,173	194,817	(644)	-
Library	434,400	-	434,400	434,400	-	-
Port Authority	93,271	-	93,271	90,929	2,342	-
	<u>994,714</u>	<u>-</u>	<u>994,714</u>	<u>992,567</u>	<u>2,147</u>	<u>-</u>
<b>Education</b>	<u>13,997,596</u>	<u>694,061</u>	<u>14,691,657</u>	<u>13,712,967</u>	<u>-</u>	<u>978,690</u>
<b>County tax</b>	<u>862,802</u>	<u>-</u>	<u>862,802</u>	<u>862,802</u>	<u>-</u>	<u>-</u>
<b>Debt service</b>						
Principal	285,000	-	285,000	285,000	-	-
Interest	105,302	-	105,302	105,301	1	-
	<u>390,302</u>	<u>-</u>	<u>390,302</u>	<u>390,301</u>	<u>1</u>	<u>-</u>
<b>Overlay</b>	<u>130,210</u>	<u>-</u>	<u>130,210</u>	<u>101,600</u>	<u>28,610</u>	<u>-</u>
<b>Grant funds/misc accounts</b>						
Growth management	5,000	-	5,000	1,162	3,838	-
EPA storm water program	20,000	-	20,000	21,954	(1,954)	-
PSAP paid to York police dept.	14,315	-	14,315	14,315	-	-
Codif/tele/harbor/loan	-	-	-	13,306	(13,306)	-
Frisbee school facility	126,400	-	126,400	105,282	21,118	-
	<u>165,715</u>	<u>-</u>	<u>165,715</u>	<u>156,019</u>	<u>9,696</u>	<u>-</u>

## TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Budget Adjustments	Final Available	Actual	Balances	
	Budget	Adjustments	Available	Actual	Lapsed	Carried
<b>Transfers</b>						
Accrued compensated absences	100,000	-	100,000	100,000	-	-
Munis Loan	18,687	-	18,687	18,687	-	-
GIS web account	3,600	-	3,600	3,600	-	-
Memorial day activities	650	-	650	650	-	-
Seacoast Shipyard Association	1,500	-	1,500	1,500	-	-
Self insurance claim	25,000	-	25,000	25,000	-	-
Grant matching	100,000	-	100,000	100,000	-	-
Emergency fuel account	40,000	-	40,000	40,000	-	-
Mosquito/tick control	57,200	-	57,200	57,200	-	-
General assistance	40,000	-	40,000	40,000	-	-
Town pier	40,000	-	40,000	40,000	-	-
Shellfish conservation committee	2,411	-	2,411	2,411	-	-
Property valuation	40,000	-	40,000	40,000	-	-
Traip mechanical retrofit	15,000	-	15,000	15,000	-	-
Defibrillators	8,000	-	8,000	8,000	-	-
State aid to roads	172,472	-	172,472	172,472	-	-
Drainage projects	8,000	-	8,000	8,000	-	-
Sidewalk program	10,000	-	10,000	10,000	-	-
Asphalt surface maintenance	7,500	-	7,500	7,500	-	-
Solid waste vehicle	16,267	-	16,267	16,267	-	-
Recreation vehicle	20,000	-	20,000	20,000	-	-

## TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Final		Balances	
	Budget	Adjustments	Available	Actual	Lapsed	Carried
Highway vehicle	86,216	-	86,216	86,216	-	-
Fire department vehicle	79,000	-	79,000	79,000	-	-
Parks dept. vehicle	12,983	-	12,983	12,983	-	-
Police vehicle equipment	23,000	-	23,000	23,000	-	-
Solid waste equipment	13,350	-	13,350	13,350	-	-
Office restrooms	10,000	-	10,000	10,000	-	-
Buildings and grounds	15,000	-	15,000	15,000	-	-
Computer repair/replacement	32,680	-	32,680	32,680	-	-
Emergency ambulance services	75,840	-	75,840	75,840	-	-
Records preservation	10,000	-	10,000	10,000	-	-
School capital projects	50,000	-	50,000	50,000	-	-
School special revenues	100,000	-	100,000	100,000	-	-
Food Service	76,552	-	76,552	76,552	-	-
	<u>1,310,908</u>	<u>-</u>	<u>1,310,908</u>	<u>1,310,908</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 24,387,511</u>	<u>\$ 694,061</u>	<u>\$ 25,081,572</u>	<u>\$ 23,998,691</u>	<u>\$ 104,191</u>	<u>\$ 978,690</u>

See accompanying independent auditors' report.

## SCHEDULE B

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 305	\$ -	\$ 113,522	\$ 113,827
Investments	695,183	1,860,879	970,117	3,526,179
Accounts receivable (net of allowance for uncollectibles)	23,780	-	-	23,780
Due from other funds	760,221	478,621	-	1,238,842
Total assets	<u>\$ 1,479,489</u>	<u>\$ 2,339,500</u>	<u>\$ 1,083,639</u>	<u>\$ 4,902,628</u>
LIABILITIES				
Accounts payable	\$ 146,011	\$ 8,683	\$ -	\$ 154,694
Bond anticipation note	-	-	-	-
Due to other funds	321,541	116,575	9,575	447,691
Total liabilities	<u>467,552</u>	<u>125,258</u>	<u>9,575</u>	<u>602,385</u>
FUND EQUITY				
Fund balance:				
Nonspendable	-	-	-	-
Restricted	118,204	776,259	1,074,064	1,968,527
Committed	1,105,035	1,467,072	-	2,572,107
Assigned	117,905	-	-	117,905
Unassigned	(329,207)	(29,089)	-	(358,296)
Total fund equity	<u>1,011,937</u>	<u>2,214,242</u>	<u>1,074,064</u>	<u>4,300,243</u>
Total liabilities and fund equity	<u>\$ 1,479,489</u>	<u>\$ 2,339,500</u>	<u>\$ 1,083,639</u>	<u>\$ 4,902,628</u>

See accompanying independent auditors' report.

SCHEDULE C

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 556,234	\$ 200,320	\$ -	\$ 756,554
Other income	1,155,200	48,650	27,474	1,231,324
Investment income	3,788	12,141	77,625	93,554
TOTAL REVENUES	<u>1,715,222</u>	<u>261,112</u>	<u>105,099</u>	<u>2,081,433</u>
EXPENDITURES				
Administration	366,751	7,180	25,935	399,866
Public safety	23,749	11,964	-	35,713
Public works	-	518,483	-	518,483
Education	989,568	84,683	2,103	1,076,354
Capital outlay	<u>1,171,826</u>	<u>979,272</u>	<u>7,821</u>	<u>2,158,919</u>
TOTAL EXPENDITURES	<u>2,551,894</u>	<u>1,601,582</u>	<u>35,859</u>	<u>4,189,335</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(836,672)</u>	<u>(1,340,470)</u>	<u>69,240</u>	<u>(2,107,902)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	676,358	-	676,358
Operating Transfers In	597,048	804,788	-	1,401,836
Operating Transfers (Out)	<u>(198,862)</u>	<u>(281,520)</u>	<u>(37,500)</u>	<u>(517,882)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>398,186</u>	<u>1,199,626</u>	<u>(37,500)</u>	<u>1,560,312</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(438,486)</u>	<u>(140,844)</u>	<u>31,740</u>	<u>(547,590)</u>
FUND BALANCE, JULY 1	<u>1,450,423</u>	<u>2,355,086</u>	<u>1,042,324</u>	<u>4,847,833</u>
FUND BALANCE, JUNE 30	<u>\$ 1,011,937</u>	<u>\$ 2,214,242</u>	<u>\$ 1,074,064</u>	<u>\$ 4,300,243</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, 2011

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Fire Hazmat Spill Cleanup	Highway Internal Services
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	628,831	38,607	-	27,745	-	-
Accounts receivable (net of allowance)	-	23,780	-	-	-	-
Due from other funds	-	4,017	4,321	-	3,468	3,181
TOTAL ASSETS	<u>\$ 628,831</u>	<u>\$ 66,404</u>	<u>\$ 4,321</u>	<u>\$ 27,745</u>	<u>\$ 3,468</u>	<u>\$ 3,181</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ 14,227	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	20,836	-	-	-	-	-
TOTAL LIABILITIES	<u>35,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	4,321	27,745	3,468	-
Committed	593,768	66,404	-	-	-	-
Assigned	-	-	-	-	-	3,181
Unassigned	-	-	-	-	-	-
TOTAL FUND EQUITY	<u>593,768</u>	<u>66,404</u>	<u>4,321</u>	<u>27,745</u>	<u>3,468</u>	<u>3,181</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 628,831</u>	<u>\$ 66,404</u>	<u>\$ 4,321</u>	<u>\$ 27,745</u>	<u>\$ 3,468</u>	<u>\$ 3,181</u>

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	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	10,828	-	21,035	-	12,016	1,800
TOTAL ASSETS	<u>\$ 10,828</u>	<u>\$ -</u>	<u>\$ 21,035</u>	<u>\$ -</u>	<u>\$ 12,016</u>	<u>\$ 1,800</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	11,572	-	776	-	-
TOTAL LIABILITIES	<u>-</u>	<u>11,572</u>	<u>-</u>	<u>776</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	10,828	-	-	-	-	-
Committed	-	-	21,035	-	12,016	1,800
Assigned	-	-	-	-	-	-
Unassigned	-	(11,572)	-	(776)	-	-
TOTAL FUND EQUITY	<u>10,828</u>	<u>(11,572)</u>	<u>21,035</u>	<u>(776)</u>	<u>12,016</u>	<u>1,800</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,828</u>	<u>\$ -</u>	<u>\$ 21,035</u>	<u>\$ -</u>	<u>\$ 12,016</u>	<u>\$ 1,800</u>



## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	<u>Volunteer Recognition</u>	<u>Memorial Day Activities</u>	<u>Accrued Compensated Absences</u>	<u>Seacoast Shipyard Association</u>	<u>Self Insurance Claim</u>	<u>Grant Matching Funds</u>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-
Due from other funds	49	-	-	-	29,644	5,180
TOTAL ASSETS	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,644</u>	<u>\$ 5,180</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	24	167,378	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>24</u>	<u>167,378</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	5,180
Committed	-	-	-	-	29,644	-
Assigned	49	-	-	-	-	-
Unassigned	-	(24)	(167,378)	-	-	-
TOTAL FUND EQUITY	<u>49</u>	<u>(24)</u>	<u>(167,378)</u>	<u>-</u>	<u>29,644</u>	<u>5,180</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,644</u>	<u>\$ 5,180</u>

## SCHEDULE D (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	Emergency Fuel Account	Mosquito/ Tick Control Program	Ballot Counting Machines	General Assistance Program	Legal Ads	Frisbee Revitalization Committee	Kittery Energy/Earth Day
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-	-
Due from other funds	20,000	-	10,428	9,870	-	-	95
TOTAL ASSETS	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 10,428</u>	<u>\$ 9,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	2,185	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>-</u>	<u>-</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	20,000	-	10,428	9,870	-	-	95
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(2,185)	-	-
TOTAL FUND EQUITY	<u>20,000</u>	<u>-</u>	<u>10,428</u>	<u>9,870</u>	<u>(2,185)</u>	<u>-</u>	<u>95</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 10,428</u>	<u>\$ 9,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95</u>

## SCHEDULE D (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	UNH Spruce Creek Grant	Outfall Pipe Water Test	Rural Fire Assist Grant	Harbor Planning Grant	Spruce Creek 319 Grant	Spruce Creek 319 Grant	Wood Island State Grant
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-	-
Due from other funds	7,926	-	-	-	1,017	-	1,971
TOTAL ASSETS	<u>\$ 7,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017</u>	<u>\$ -</u>	<u>\$ 1,971</u>
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ -
Due to other funds	-	155	-	518	-	32,977	-
TOTAL LIABILITIES	<u>-</u>	<u>155</u>	<u>-</u>	<u>518</u>	<u>-</u>	<u>33,777</u>	<u>-</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	7,926	-	-	-	-	-	1,971
Committed	-	-	-	-	1,017	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	(155)	-	(518)	-	(33,777)	-
TOTAL FUND EQUITY	<u>7,926</u>	<u>(155)</u>	<u>-</u>	<u>(518)</u>	<u>1,017</u>	<u>(33,777)</u>	<u>1,971</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 7,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017</u>	<u>\$ -</u>	<u>\$ 1,971</u>

## SCHEDULE D (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	Tree Planting Grant	ASA Applicant Code Enforcement	Town Pier Repair	Pier Condition Report	Harbor Pier	York Hospital Scholarship	Concerts In The Park
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-	-
Due from other funds	1,198	13,094	15,472	1,098	5,000	5,866	1,225
TOTAL ASSETS	<u>\$ 1,198</u>	<u>\$ 13,094</u>	<u>\$ 15,472</u>	<u>\$ 1,098</u>	<u>\$ 5,000</u>	<u>\$ 5,866</u>	<u>\$ 1,225</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>	<u>-</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,198	-	-	-	-	5,866	-
Committed	-	-	15,472	1,098	5,000	-	1,225
Assigned	-	13,094	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND EQUITY	<u>1,198</u>	<u>13,094</u>	<u>15,472</u>	<u>1,098</u>	<u>5,000</u>	<u>5,866</u>	<u>1,225</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,198</u>	<u>\$ 13,094</u>	<u>\$ 15,472</u>	<u>\$ 1,098</u>	<u>\$ 5,000</u>	<u>\$ 5,866</u>	<u>\$ 1,225</u>

## SCHEDULE D (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Phase 2 Spruce Creek Pipe Test	Alternative Energy Fund	Recreation
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Accounts receivable (net of allowance)	-	-	-	-	-	-	-
Due from other funds	51,573	-	1,712	39,829	12,450	24,716	99,040
TOTAL ASSETS	<u>\$ 51,573</u>	<u>\$ -</u>	<u>\$ 1,712</u>	<u>\$ 39,829</u>	<u>\$ 12,450</u>	<u>\$ 24,716</u>	<u>\$ 99,040</u>
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,235	\$ -	\$ 3,127
Due to other funds	-	265	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>265</u>	<u>-</u>	<u>-</u>	<u>1,235</u>	<u>-</u>	<u>3,127</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	51,573	-	1,712	39,829	11,215	24,716	-
Assigned	-	-	-	-	-	-	95,913
Unassigned	-	(265)	-	-	-	-	-
TOTAL FUND EQUITY	<u>51,573</u>	<u>(265)</u>	<u>1,712</u>	<u>39,829</u>	<u>11,215</u>	<u>24,716</u>	<u>95,913</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 51,573</u>	<u>\$ -</u>	<u>\$ 1,712</u>	<u>\$ 39,829</u>	<u>\$ 12,450</u>	<u>\$ 24,716</u>	<u>\$ 99,040</u>

## SCHEDULE D (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	Property Valuation	Traip Mechanical Retrofit	Defibrillators	Langdon Gravel Pit	Block Party	School Grants	Totals
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 305	\$ 305
Investments	-	-	-	-	-	-	695,183
Accounts receivable (net of allowance)	-	-	-	-	-	-	23,780
Due from other funds	40,000	15,000		7,000	9,742	269,360	760,221
TOTAL ASSETS	<u>\$ 40,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 9,742</u>	<u>\$ 269,665</u>	<u>\$ 1,479,489</u>
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 220	\$ 126,402	\$ 146,011
Due to other funds	-	-	3,241	-	-	81,614	321,541
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>3,241</u>	<u>-</u>	<u>220</u>	<u>208,016</u>	<u>467,552</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	49,701	118,204
Committed	40,000	15,000	-	7,000	9,522	115,596	1,105,035
Assigned	-	-	-	-	-	5,668	117,905
Unassigned	-	-	(3,241)	-	-	(109,316)	(329,207)
TOTAL FUND EQUITY	<u>40,000</u>	<u>15,000</u>	<u>(3,241)</u>	<u>7,000</u>	<u>9,522</u>	<u>61,649</u>	<u>1,011,937</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 40,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 9,742</u>	<u>\$ 269,665</u>	<u>\$ 1,479,489</u>

See accompanying independent auditors' report.

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Fire Hazmat Spill Cleanup	Highway Internal Services
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	255,211	-	-	11,583	1,615	6,012
Investment income	-	3,617	-	171	-	-
Total revenues	<u>255,211</u>	<u>3,617</u>	<u>-</u>	<u>11,754</u>	<u>1,615</u>	<u>6,012</u>
EXPENDITURES						
Administration	-	-	-	-	-	2,831
Public safety	-	-	-	-	548	-
Education	-	-	-	-	-	-
Capital outlay	167,981	-	-	18,754	-	-
Total expenditures	<u>167,981</u>	<u>-</u>	<u>-</u>	<u>18,754</u>	<u>548</u>	<u>2,831</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>87,230</u>	<u>3,617</u>	<u>-</u>	<u>(7,000)</u>	<u>1,067</u>	<u>3,181</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>87,230</u>	<u>3,617</u>	<u>-</u>	<u>(7,000)</u>	<u>1,067</u>	<u>3,181</u>
FUND BALANCE, JULY 1	<u>506,538</u>	<u>62,787</u>	<u>4,321</u>	<u>34,745</u>	<u>2,401</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 593,768</u>	<u>\$ 66,404</u>	<u>\$ 4,321</u>	<u>\$ 27,745</u>	<u>\$ 3,468</u>	<u>\$ 3,181</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, 2011

	Police New Officer Grant	Munis Loan	Oil & More	Sub Host Program	GIS Work	GIS Web Account
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	51,204	-	-	-
Investment income	-	-	-	-	-	-
Total revenues	-	-	51,204	-	-	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	10,713	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	30,259	58,479	1,126	5,600	3,600
Total expenditures	10,713	30,259	58,479	1,126	5,600	3,600
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,713)	(30,259)	(7,275)	(1,126)	(5,600)	(3,600)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	18,687	-	-	-	3,600
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	18,687	-	-	-	3,600
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(10,713)	(11,572)	(7,275)	(1,126)	(5,600)	-
FUND BALANCE, JULY 1	21,541	-	28,310	350	17,616	1,800
FUND BALANCE, JUNE 30	\$ 10,828	\$ (11,572)	\$ 21,035	\$ (776)	\$ 12,016	\$ 1,800



## 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, 2011

	Volunteer Recognition	Memorial Day Activities	Accrued Compensated Absences	Seacoast Shipyard Association	Self Insurance Claim	Grant Matching Funds
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	315,051	-
Investment income	-	-	-	-	-	-
Total revenues	-	-	-	-	315,051	-
EXPENDITURES						
Administration	-	650	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	192,382	1,500	309,955	89,820
Total expenditures	-	650	192,382	1,500	309,955	89,820
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(650)	(192,382)	(1,500)	5,096	(89,820)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	650	100,000	1,500	25,000	100,000
Operating Transfers (Out)	-	-	-	-	(452)	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	650	100,000	1,500	24,548	95,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	-	(92,382)	-	29,644	5,180
FUND BALANCE, JULY 1	49	(24)	(74,996)	-	-	-
FUND BALANCE, JUNE 30	\$ 49	\$ (24)	\$ (167,378)	\$ -	\$ 29,644	\$ 5,180

## 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, 2011

	Emergency Fuel Account	Mosquito/ Tick Control Program	Ballot Counting Machines	General Assistance Program	Legal Ads	Frisbee Revitalization Committee	Kittery Energy/Earth Day
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Education	-	-	-	-	-	6,000	-
Capital outlay	-	57,200	2,572	30,130	2,185	-	-
Total expenditures	-	57,200	2,572	30,130	2,185	6,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(57,200)	(2,572)	(30,130)	(2,185)	(6,000)	-
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	40,000	57,200	-	40,000	-	-	-
Operating Transfers (Out)	(20,000)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,000	57,200	-	40,000	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	20,000	-	(2,572)	9,870	(2,185)	(6,000)	-
FUND BALANCE, JULY 1	-	-	13,000	-	-	6,000	95
FUND BALANCE, JUNE 30	\$ 20,000	\$ -	\$ 10,428	\$ 9,870	\$ (2,185)	\$ -	\$ 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, 2011

	UNH Spruce Creek Grant	Outfall Pipe Water Test	Rural Fire Assist Grant	Harbor Planning Grant	Spruce Creek 319 Grant	Spruce Creek 319 Grant Phase II	Wood Island State Grant
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	7,975	-	1,247	2,861	-	-	-
Investment income	-	-	-	-	-	-	-
Total revenues	<u>7,975</u>	<u>-</u>	<u>1,247</u>	<u>2,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	1,247	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	10,148	33,777	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,247</u>	<u>-</u>	<u>10,148</u>	<u>33,777</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,975</u>	<u>-</u>	<u>-</u>	<u>2,861</u>	<u>(10,148)</u>	<u>(33,777)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>7,975</u>	<u>-</u>	<u>-</u>	<u>2,861</u>	<u>(10,148)</u>	<u>(33,777)</u>	<u>-</u>
FUND BALANCE, JULY 1	<u>(49)</u>	<u>(155)</u>	<u>-</u>	<u>(3,379)</u>	<u>11,165</u>	<u>-</u>	<u>1,971</u>
FUND BALANCE, JUNE 30	<u>\$ 7,926</u>	<u>\$ (155)</u>	<u>\$ -</u>	<u>\$ (518)</u>	<u>\$ 1,017</u>	<u>\$ (33,777)</u>	<u>\$ 1,971</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, 2011

	Tree Planting Grant	ASA Applicant Code Enforcement	Town Pier Repair	Pier Condition Report	Harbor Pier	York Hospital Scholarship	Concerts In The Park
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	24,570	-	-	7,170	20,199	2,400
Investment income	-	-	-	-	-	-	-
Total revenues	-	24,570	-	-	7,170	20,199	2,400
EXPENDITURES							
Administration	-	11,476	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	70,000	-	7,170	15,251	1,900
Total expenditures	-	11,476	70,000	-	7,170	15,251	1,900
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	13,094	(70,000)	-	-	4,948	500
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	-	40,000	-	5,000	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	40,000	-	5,000	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	13,094	(30,000)	-	5,000	4,948	500
FUND BALANCE, JULY 1	1,198	-	45,472	1,098	-	918	725
FUND BALANCE, JUNE 30	\$ 1,198	\$ 13,094	\$ 15,472	\$ 1,098	\$ 5,000	\$ 5,866	\$ 1,225

## 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, 2011

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Phase 2 Spruce Creek Pipe Test	Alternative Energy Fund	Recreation
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	2,164	12,675	-	296,819
Investment income	-	-	-	-	-	-	-
Total revenues	-	-	-	2,164	12,675	-	296,819
EXPENDITURES							
Administration	-	-	-	-	-	-	351,794
Public safety	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	45,427	3,493	175	-	1,460	-	-
Total expenditures	45,427	3,493	175	-	1,460	-	351,794
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,427)	(3,493)	(175)	2,164	11,215	-	(54,975)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	2,411	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	(31,410)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	2,411	-	-	-	(31,410)	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(45,427)	(1,082)	(175)	2,164	11,215	(31,410)	(54,975)
FUND BALANCE, JULY 1	97,000	817	1,887	37,665	-	56,126	150,888
FUND BALANCE, JUNE 30	\$ 51,573	\$ (265)	\$ 1,712	\$ 39,829	\$ 11,215	\$ 24,716	\$ 95,913

## 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, 2011

	Property Valuation	Traip Mechanical Retrofit	Defibrillators	Langdon Gravel Pit	Block Party	Other School Grants	Totals
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 556,234	\$ 556,234
Other income	-	-	-	7,000	21,004	108,440	1,155,200
Investment income	-	-	-	-	-	-	3,788
Total revenues	-	-	-	7,000	21,004	664,674	1,715,222
EXPENDITURES							
Administration	-	-	-	-	-	-	366,751
Public safety	-	-	11,241	-	-	-	23,749
Education	-	-	-	-	-	983,568	989,568
Capital outlay	-	-	-	-	11,482	-	1,171,826
Total expenditures	-	-	11,241	-	11,482	983,568	2,551,894
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(11,241)	7,000	9,522	(318,894)	(836,672)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	40,000	15,000	8,000	-	-	100,000	597,048
Operating Transfers (Out)	-	-	-	-	-	(142,000)	(198,862)
TOTAL OTHER FINANCING SOURCES (USES)	40,000	15,000	8,000	-	-	(42,000)	398,186
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	40,000	15,000	(3,241)	7,000	9,522	(360,894)	(438,486)
FUND BALANCE, JULY 1	-	-	-	-	-	422,543	1,450,423
FUND BALANCE, JUNE 30	<u>\$ 40,000</u>	<u>\$ 15,000</u>	<u>\$ (3,241)</u>	<u>\$ 7,000</u>	<u>\$ 9,522</u>	<u>\$ 61,649</u>	<u>\$ 1,011,937</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, 2011

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	557,573	18,854	2,475	888	22	14,187
Due from other funds	125,520	-	-	-	-	-
Total assets	<u>\$ 683,093</u>	<u>\$ 18,854</u>	<u>\$ 2,475</u>	<u>\$ 888</u>	<u>\$ 22</u>	<u>\$ 14,187</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 5,255	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>5,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	677,838	-	-	-	-	-
Committed	-	18,854	2,475	888	22	14,187
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund equity	<u>677,838</u>	<u>18,854</u>	<u>2,475</u>	<u>888</u>	<u>22</u>	<u>14,187</u>
Total liabilities and fund equity	<u>\$ 683,093</u>	<u>\$ 18,854</u>	<u>\$ 2,475</u>	<u>\$ 888</u>	<u>\$ 22</u>	<u>\$ 14,187</u>



## TOWN OF KITTERY, MAINE

## SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	428	2,717	3,668	39,241	-	5,221
Due from other funds	-	-	-	5,632	-	-
Total assets	<u>\$ 428</u>	<u>\$ 2,717</u>	<u>\$ 3,668</u>	<u>\$ 44,873</u>	<u>\$ -</u>	<u>\$ 5,221</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,976	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	428	2,717	3,668	44,873	-	5,221
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(2,976)	-
Total fund equity	<u>428</u>	<u>2,717</u>	<u>3,668</u>	<u>44,873</u>	<u>(2,976)</u>	<u>5,221</u>
Total liabilities and fund equity	<u>\$ 428</u>	<u>\$ 2,717</u>	<u>\$ 3,668</u>	<u>\$ 44,873</u>	<u>\$ -</u>	<u>\$ 5,221</u>

## TOWN OF KITTERY, MAINE

## SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	64,458	10,257	2,194	5,723	8,855	43,342	175
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 64,458</u>	<u>\$ 10,257</u>	<u>\$ 2,194</u>	<u>\$ 5,723</u>	<u>\$ 8,855</u>	<u>\$ 43,342</u>	<u>\$ 175</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-	-
Due to other funds	37,228	-	-	4,698	-	-	-
Total liabilities	<u>37,228</u>	<u>-</u>	<u>-</u>	<u>4,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	43,342	-
Committed	27,230	10,257	2,194	1,025	8,855	-	175
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund equity	<u>27,230</u>	<u>10,257</u>	<u>2,194</u>	<u>1,025</u>	<u>8,855</u>	<u>43,342</u>	<u>175</u>
Total liabilities and fund equity	<u>\$ 64,458</u>	<u>\$ 10,257</u>	<u>\$ 2,194</u>	<u>\$ 5,723</u>	<u>\$ 8,855</u>	<u>\$ 43,342</u>	<u>\$ 175</u>

## TOWN OF KITTERY, MAINE

## SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	<u>Computer</u>	<u>Police Drug Forfeiture</u>	<u>Police Vehicle Equipment</u>	<u>Solid Waste Equipment</u>	<u>Computer Mapping</u>	<u>Public Safety</u>	<u>Office Restrooms</u>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	37,421	28,958	11,594	22,345	3,226	16,287	-
Due from other funds	-	-	-	-	-	4,000	452
Total assets	<u>\$ 37,421</u>	<u>\$ 28,958</u>	<u>\$ 11,594</u>	<u>\$ 22,345</u>	<u>\$ 3,226</u>	<u>\$ 20,287</u>	<u>\$ 452</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 452
Bond anticipation note	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>452</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	28,958	-	-	-	-	-
Committed	37,421	-	11,594	22,345	3,226	20,287	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund equity	<u>37,421</u>	<u>28,958</u>	<u>11,594</u>	<u>22,345</u>	<u>3,226</u>	<u>20,287</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 37,421</u>	<u>\$ 28,958</u>	<u>\$ 11,594</u>	<u>\$ 22,345</u>	<u>\$ 3,226</u>	<u>\$ 20,287</u>	<u>\$ 452</u>

## TOWN OF KITTERY, MAINE

## SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	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
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	50,320	-	-	-	-	-
Due from other funds	-	-	-	-	10,000	14,782
Total assets	<u>\$ 50,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 14,782</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	6,595	887	1,054	-	-
Total liabilities	<u>-</u>	<u>6,595</u>	<u>887</u>	<u>1,054</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	50,320	-	-	-	10,000	14,782
Assigned	-	-	-	-	-	-
Unassigned	-	(6,595)	(887)	(1,054)	-	-
Total fund equity	<u>50,320</u>	<u>(6,595)</u>	<u>(887)</u>	<u>(1,054)</u>	<u>10,000</u>	<u>14,782</u>
Total liabilities and fund equity	<u>\$ 50,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 14,782</u>

## TOWN OF KITTERY, MAINE

## SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	Fort Foster <u>Restrooms</u>	Seapoint Rd. Causeway <u>Upgrade</u>	Haley Field <u>Project</u>	Buildings and <u>Grounds</u>	Computer Repair <u>Replacement</u>	Municipal Facility <u>Maint. Resrv.</u>	Emergency Ambulance <u>Services</u>
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Due from other funds	3,174	-	-	13,990	24,414	-	-
Total assets	<u>\$ 3,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,990</u>	<u>\$ 24,414</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-	-
Due to other funds	-	-	13,850	-	-	3,727	-
Total liabilities	<u>-</u>	<u>-</u>	<u>13,850</u>	<u>-</u>	<u>-</u>	<u>3,727</u>	<u>-</u>
FUND EQUITY							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	3,174	-	-	13,990	24,414	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	(13,850)	-	-	(3,727)	-
Total fund equity	<u>3,174</u>	<u>-</u>	<u>(13,850)</u>	<u>13,990</u>	<u>24,414</u>	<u>(3,727)</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 3,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,990</u>	<u>\$ 24,414</u>	<u>\$ -</u>	<u>\$ -</u>

## TOWN OF KITTERY, MAINE

## SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	Bond Hill Creek Drive	Fort Foster Park Bench	Sewer Vehicle Reserve	Sewer Depreciation	Treatment Plant Upgrade II	Records Preservation
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	68,600	772,151	30,942	3,367
Due from other funds	1,000	6,412	-	-	-	-
Total assets	<u>\$ 1,000</u>	<u>\$ 6,412</u>	<u>\$ 68,600</u>	<u>\$ 772,151</u>	<u>\$ 30,942</u>	<u>\$ 3,367</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	42,675	-	5,861	-
Total liabilities	<u>-</u>	<u>-</u>	<u>42,675</u>	<u>-</u>	<u>5,861</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	1,000	-	-	-	25,081	-
Committed	-	6,412	25,925	772,151	-	3,367
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund equity	<u>1,000</u>	<u>6,412</u>	<u>25,925</u>	<u>772,151</u>	<u>25,081</u>	<u>3,367</u>
Total liabilities and fund equity	<u>\$ 1,000</u>	<u>\$ 6,412</u>	<u>\$ 68,600</u>	<u>\$ 772,151</u>	<u>\$ 30,942</u>	<u>\$ 3,367</u>

## TOWN OF KITTERY, MAINE

## SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	Architectural Barrier	Treatment Plant Upgrade	School Maintenance Reserve	Irving Oil Road	Mercury UW Facility	Totals
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	35,350	40	-	-	-	1,860,879
Due from other funds	-	-	269,245	-	-	478,621
Total assets	<u>\$ 35,350</u>	<u>\$ 40</u>	<u>\$ 269,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,339,500</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,683
Bond anticipation note	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	116,575
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,258</u>
<b>FUND EQUITY</b>						
Fund balance:						
Nonspendable	-	-	-	-	-	-
Restricted	-	40	-	-	-	776,259
Committed	35,350	-	269,245	-	-	1,467,072
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(29,089)
Total fund equity	<u>35,350</u>	<u>40</u>	<u>269,245</u>	<u>-</u>	<u>-</u>	<u>2,214,242</u>
Total liabilities and fund equity	<u>\$ 35,350</u>	<u>\$ 40</u>	<u>\$ 269,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,339,500</u>

See accompanying independent auditors' report.

## SCHEDULE G

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2011

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
REVENUES						
Intergovernmental revenue	\$ 200,320	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	795
Investment income	3,636	101	14	1	24	76
Total revenues	<u>203,957</u>	<u>101</u>	<u>14</u>	<u>1</u>	<u>24</u>	<u>871</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	425,857	5,388	-	-	71,294	934
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>425,857</u>	<u>5,388</u>	<u>-</u>	<u>-</u>	<u>71,294</u>	<u>934</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(221,900)</u>	<u>(5,287)</u>	<u>14</u>	<u>1</u>	<u>(71,270)</u>	<u>(63)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Operating Transfers In	172,472	8,000	-	886	-	10,000
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>172,472</u>	<u>8,000</u>	<u>-</u>	<u>886</u>	<u>-</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(49,428)</u>	<u>2,713</u>	<u>14</u>	<u>887</u>	<u>(71,270)</u>	<u>9,937</u>
FUND BALANCE, JULY 1	<u>727,266</u>	<u>16,141</u>	<u>2,461</u>	<u>1</u>	<u>71,292</u>	<u>4,250</u>
FUND BALANCE, JUNE 30	<u>\$ 677,838</u>	<u>\$ 18,854</u>	<u>\$ 2,475</u>	<u>\$ 888</u>	<u>\$ 22</u>	<u>\$ 14,187</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, 2011

	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	3,687	-	12,965	-	4,886
Investment income	3	31	19	195	891	329
Total revenues	3	3,718	19	13,160	891	5,215
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	14,000	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	46,428	-	-	275,621	-
Total expenditures	14,000	46,428	-	-	275,621	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,997)	(42,710)	19	13,160	(274,730)	5,215
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Operating Transfers In	7,500	34,744	-	20,000	88,057	79,000
Operating Transfers (Out)	-	-	-	-	-	(79,000)
TOTAL OTHER FINANCING SOURCES (USES)	7,500	34,744	-	20,000	88,057	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(6,497)	(7,966)	19	33,160	(186,673)	5,215
FUND BALANCE, JULY 1	6,925	10,683	3,649	11,713	183,697	6
FUND BALANCE, JUNE 30	\$ 428	\$ 2,717	\$ 3,668	\$ 44,873	\$ (2,976)	\$ 5,221

## 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, 2011

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	5,679	-	-	-	-	-	-
Investment income	315	55	11	65	47	232	1
Total revenues	<u>5,994</u>	<u>55</u>	<u>11</u>	<u>65</u>	<u>47</u>	<u>232</u>	<u>1</u>
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	1,506
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	40,396	-	-	21,895	1,350	-	-
Total expenditures	<u>40,396</u>	<u>-</u>	<u>-</u>	<u>21,895</u>	<u>1,350</u>	<u>-</u>	<u>1,506</u>
EXCESS OF REVENUES OVER (UNDER)							
EXPENDITURES	<u>(34,402)</u>	<u>55</u>	<u>11</u>	<u>(21,830)</u>	<u>(1,303)</u>	<u>232</u>	<u>(1,505)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	12,983	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(21,419)</u>	<u>55</u>	<u>11</u>	<u>(21,830)</u>	<u>(1,303)</u>	<u>232</u>	<u>(1,505)</u>
FUND BALANCE, JULY 1	<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>
FUND BALANCE, JUNE 30	<u>\$ 27,230</u>	<u>\$ 10,257</u>	<u>\$ 2,194</u>	<u>\$ 1,025</u>	<u>\$ 8,855</u>	<u>\$ 43,342</u>	<u>\$ 175</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, 2011

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Public Safety	Office Restrooms
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	888	-	-	14,550	-
Investment income	200	197	184	39	17	49	19
Total revenues	200	197	1,072	39	17	14,599	19
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	10,458	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	49,519	20,661	-	-	10,519
Total expenditures	-	10,458	49,519	20,661	-	-	10,519
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	200	(10,261)	(48,447)	(20,622)	17	14,599	(10,500)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	-	-	23,000	35,523	-	3,103	10,452
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	23,000	35,523	-	3,103	10,452
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	200	(10,261)	(25,447)	14,901	17	17,702	(48)
FUND BALANCE, JULY 1	37,221	39,219	37,041	7,444	3,209	2,585	48
FUND BALANCE, JUNE 30	\$ 37,421	\$ 28,958	\$ 11,594	\$ 22,345	\$ 3,226	\$ 20,287	\$ -

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2011

	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	270	-	-	-	-	-
Total revenues	270	-	-	-	-	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	142,601	-	-	-	-
Total expenditures	-	142,601	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	270	(142,601)	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	676,358	-	-	-	-
Operating Transfers In	-	-	-	-	-	14,782
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	676,358	-	-	-	14,782
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	270	533,757	-	-	-	14,782
FUND BALANCE, JULY 1	50,050	(540,352)	(887)	(1,054)	10,000	-
FUND BALANCE, JUNE 30	\$ 50,320	\$ (6,595)	\$ (887)	\$ (1,054)	\$ 10,000	\$ 14,782

## 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, 2011

	Fort Foster Restrooms	Seapoint Rd. Causeway Upgrade	Haley Field Project	Buildings and Grounds	Computer Repair Replacement	Municipal Facility Maint. Resrv.	Emergency Ambulance Services
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	2,500	-	-	-	-
Investment income	-	-	-	-	-	-	-
Total revenues	-	-	2,500	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	1,010	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	35,072	-	99,820	-	26,797	122,264	75,840
Total expenditures	35,072	-	99,820	1,010	26,797	122,264	75,840
EXCESS OF REVENUES OVER (UNDER)							
EXPENDITURES	(35,072)	-	(97,320)	(1,010)	(26,797)	(122,264)	(75,840)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	-	-	30,874	15,000	32,680	31,410	75,840
Operating Transfers (Out)	-	(30,874)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(30,874)	30,874	15,000	32,680	31,410	75,840
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(35,072)	(30,874)	(66,446)	13,990	5,883	(90,854)	-
FUND BALANCE, JULY 1	38,246	30,874	52,596	-	18,531	87,127	-
FUND BALANCE, JUNE 30	\$ 3,174	\$ -	\$ (13,850)	\$ 13,990	\$ 24,414	\$ (3,727)	\$ -

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2011

	Bond Hill Creek Drive	Fort Foster Park Bench	Sewer Vehicle Reserve	Sewer Depreciation	Treatment Plant Upgrade II	Records Preservation
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	2,700	-	-	-	-
Investment income	-	-	368	4,160	376	50
Total revenues	-	2,700	368	4,160	376	50
EXPENDITURES						
Administration	-	-	-	-	-	7,180
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	3,152	-	7,337	-	-
Total expenditures	-	3,152	-	7,337	-	7,180
EXCESS OF REVENUES OVER (UNDER)						
EXPENDITURES	-	(452)	368	(3,177)	376	(7,130)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	20,744	10,000
Operating Transfers (Out)	-	-	(42,675)	-	(106,805)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(42,675)	-	(86,061)	10,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	(452)	(42,307)	(3,177)	(85,685)	2,870
FUND BALANCE, JULY 1	1,000	6,864	68,232	775,328	110,766	497
FUND BALANCE, JUNE 30	\$ 1,000	\$ 6,412	\$ 25,925	\$ 772,151	\$ 25,081	\$ 3,367

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2011

	Architectural Barrier	Treatment Plant Upgrade	School Maintenance Reserve	Irving Oil Road	Mercury UW Facility	Totals
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,320
Other income	-	-	-	-	-	48,650
Investment income	125	41	-	-	-	12,141
Total revenues	125	41	-	-	-	261,112
EXPENDITURES						
Administration	-	-	-	-	-	7,180
Public safety	-	-	-	-	-	11,964
Public works	-	-	-	-	-	518,483
Education	-	-	84,683	-	-	84,683
Capital outlay	-	-	-	-	-	979,272
Total expenditures	-	-	84,683	-	-	1,601,582
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125	41	(84,683)	-	-	(1,340,470)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	676,358
Operating Transfers In	17,738	-	50,000	-	-	804,788
Operating Transfers (Out)	-	(20,744)	-	(1,422)	-	(281,520)
TOTAL OTHER FINANCING SOURCES (USES)	17,738	(20,744)	50,000	(1,422)	-	1,199,626
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	17,863	(20,703)	(34,683)	(1,422)	-	(140,844)
FUND BALANCE, JULY 1	17,487	20,743	303,928	1,422	-	\$ 2,355,086
FUND BALANCE, JUNE 30	\$ 35,350	\$ 40	\$ 269,245	\$ -	\$ -	\$ 2,214,242

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 Raynes Trust and the school department scholarships.



## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2011

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
ASSETS				
Cash	\$ -	\$ -	\$ 10,316	\$ -
Investments	124,079	27,185	719,032	8,979
Accounts receivable (net of allowance)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 124,079</u>	<u>\$ 27,185</u>	<u>\$ 729,348</u>	<u>\$ 8,979</u>
LIABILITIES				
Due to other funds	<u>\$ 3,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>3,575</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY				
Fund balance:				
Nonspendable	-	-	-	-
Restricted	120,504	27,185	729,348	8,979
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund equity	<u>120,504</u>	<u>27,185</u>	<u>729,348</u>	<u>8,979</u>
Total liabilities and fund equity	<u>\$ 124,079</u>	<u>\$ 27,185</u>	<u>\$ 729,348</u>	<u>\$ 8,979</u>

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2011

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
ASSETS				
Cash	\$ 103,206	\$ -	\$ -	\$ 113,522
Investments	-	33,479	57,363	970,117
Accounts receivable (net of allowance)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 103,206</u>	<u>\$ 33,479</u>	<u>\$ 57,363</u>	<u>\$ 1,083,639</u>
LIABILITIES				
Due to other funds	\$ -	\$ 6,000	\$ -	\$ 9,575
Total liabilities	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>9,575</u>
FUND EQUITY				
Fund balance:				
Nonspendable	-	-	-	-
Restricted	103,206	27,479	57,363	1,074,064
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund equity	<u>103,206</u>	<u>27,479</u>	<u>57,363</u>	<u>1,074,064</u>
Total liabilities and fund equity	<u>\$ 103,206</u>	<u>\$ 33,479</u>	<u>\$ 57,363</u>	<u>\$ 1,083,639</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, 2011

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Other income	750	-	19,100	-
Investment income	667	145	76,136	48
Total revenues	<u>1,417</u>	<u>145</u>	<u>95,236</u>	<u>48</u>
EXPENDITURES				
Administration	8,210	-	17,725	-
Public safety	-	-	-	-
Education	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>8,210</u>	<u>-</u>	<u>17,725</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,793)</u>	<u>145</u>	<u>77,511</u>	<u>48</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	(37,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(37,500)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(6,793)</u>	<u>145</u>	<u>40,011</u>	<u>48</u>
FUND BALANCE, JULY 1	<u>127,297</u>	<u>27,040</u>	<u>689,337</u>	<u>8,931</u>
FUND BALANCE, JUNE 30	<u>\$ 120,504</u>	<u>\$ 27,185</u>	<u>\$ 729,348</u>	<u>\$ 8,979</u>

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Other income	3,070	4,554	-	27,474
Investment income	190	131	308	77,625
Total revenues	<u>3,260</u>	<u>4,685</u>	<u>308</u>	<u>105,099</u>
EXPENDITURES				
Administration	-	-	-	25,935
Public safety	-	-	-	-
Education	2,103	-	-	2,103
Capital outlay	-	7,821	-	7,821
Total expenditures	<u>2,103</u>	<u>7,821</u>	<u>-</u>	<u>35,859</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,157</u>	<u>(3,136)</u>	<u>308</u>	<u>69,240</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	(37,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,500)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>1,157</u>	<u>(3,136)</u>	<u>308</u>	<u>31,740</u>
FUND BALANCE, JULY 1	<u>102,049</u>	<u>30,615</u>	<u>57,055</u>	<u>1,042,324</u>
FUND BALANCE, JUNE 30	<u>\$ 103,206</u>	<u>\$ 27,479</u>	<u>\$ 57,363</u>	<u>\$ 1,074,064</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 KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2011

	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	9,271,720	2,724,812	2,948,690	9,661,465	24,606,687
Recycling	-	98,226	45,288	-	143,514
Recreation	-	151,254	86,159	-	237,413
Library	-	8,711	-	-	8,711
Town-wide	1,973,300	3,258,904	61,058	-	5,293,262
School Department	5,534,344	18,793,403	520,995	-	24,848,742
Sewer Department	3,988,867	14,884,282	389,276	-	19,262,425
School Lunch Program	-	-	98,255	-	98,255
Total General Capital Assets	21,127,125	46,172,378	7,414,697	9,661,465	84,375,665
Less: Accumulated Depreciation	-	(22,791,334)	(4,729,409)	(7,078,807)	(34,599,550)
Net General Capital Assets	<u>\$ 21,127,125</u>	<u>\$ 23,381,044</u>	<u>\$ 2,685,288</u>	<u>\$ 2,582,658</u>	<u>\$ 49,776,115</u>

See accompanying independent auditors' report.

## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2011

	General Capital Assets 7/1/10	Additions	Deletions	General Capital Assets 6/30/11
Police	\$ 948,418	\$ -	\$ -	\$ 948,418
General government	2,890,201	-	-	2,890,201
Fire	6,038,037	-	-	6,038,037
Highway	24,464,086	142,601	-	24,606,687
Recycling	143,514	-	-	143,514
Recreation	237,413	-	-	237,413
Library	8,711	-	-	8,711
Town-wide	5,293,262	-	-	5,293,262
School Department	20,003,883	4,844,859	-	24,848,742
Sewer Department	19,112,945	149,480	-	19,262,425
School Lunch Program	98,255	-	-	98,255
Total General Capital Assets	79,238,725	5,136,940	-	84,375,665
Less: Accumulated Depreciation	(32,254,270)	(2,345,280)	-	(34,599,550)
Net General Capital Assets	<u>\$ 46,984,455</u>	<u>\$ 2,791,660</u>	<u>\$ -</u>	<u>\$ 49,776,115</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2011

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State of Maine -			
of Education and Cultural Services:			
Food Distribution	10.550	N/A	\$ 26,825
School Breakfast Program	10.555	013-06A-7127-05	31,714
School Lunch Program	10.555	013-06A-7128-95	126,167
Total Department of Agriculture			<u>184,706</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-3057-13	105,616
Local Entitlement	84.027	013-05A-3046-12	211,896
Local Entitlement - Part B Section 619	84.173	013-05A-6241-23	6,059
Title IID Grant	84.318	013-06A-3003-02	1,225
Title IIA-Teaching Quality	84.367	013-05A-3042-11	25,790
State Stabilization	84.394	020-05A-2077-01	81,963
ARRA Title IA	84.389A	020-05A-3057-13	45,464
ARRA Local Entitlement IDEA	84.391A	020-05A-3046-12	151,130
ARRA Local Entitlement - Part B Section 619	84.392A	020-05A-6241-23	547
Adult Ed and Family Literacy	84.048	013-05A-6296-64	13,413
Education Jobs Fund	84.410	013-05A-3099-10	79,150
ARRA Title IID	84.386A	020-05A-3003-02	1,852
Total Department of Education			<u>724,106</u>
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	2,000
Total Department of Mental Health, Mental			
Retardation, and Substance Abuse Services			<u>2,000</u>
Department of Homeland Security			
Federal Emergency Management Agency			
Public Assistance Grants	97.036	N/A	44,395
Total Department of Homeland Security			<u>44,395</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 955,206</u>



TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF FEDERAL AWARDS  
JUNE 30, 2011

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

September 16, 2011

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, 2011, and have issued our report thereon dated September 16, 2011. 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of 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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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

September 16, 2011

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, 2011. 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.

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, 2011.

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## 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.

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

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

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

*RHR Smith & Company*

Certified Public Accountants

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

**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

September 16, 2011

Town Council  
Town of Kittery  
Kittery, Maine

We have audited the financial statements of Town of Kittery for the year ended June 30, 2011 and have issued our report thereon dated September 16, 2011. 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, 2011 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.

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Certified Public Accountants

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KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund (100)	Special Revenue Funds (200)	Capital Projects Fund (300)	Totals
June 30 balance per MEDMS financial system	\$ 309,450	\$ (224,031)	\$ (5,320,922)	\$ (5,235,503)
<b>Revenue Adjustments:</b>				
Bond proceeds	-	-	6,546,455	6,546,455
Accounts receivable adjustments	-	32,573	-	32,573
<b>Expenditure Adjustments:</b>				
Bond adjustment clean up	-	-	526,059	526,059
Transfer out to reserve accounts	(150,000)	-	-	(150,000)
Transfer out to food service	(76,552)	-	-	(76,552)
Accounts payable adjustments	-	(98,855)	-	(98,855)
Adult ed transfer out	-	(30,000)	-	(30,000)
<b>Other adjustments:</b>				
Beginning balances not reported on MEDMS	1,138,239	436,351	(424,834)	1,149,756
Operating income (loss) variance	(242,447)	-	-	(242,447)
Operating income (loss) variance title IA	-	(45,464)	-	(45,464)
Operating income (loss) variance ARRA mainecare	-	(8,925)	-	(8,925)
Audited GAAP Basis Fund balance June 30	<u>\$ 978,690</u>	<u>\$ 61,649</u>	<u>\$ 1,326,758</u>	<u>\$ 2,367,097</u>