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January 12, 2010

Town Council  
Town of Kittery, Maine  
P.O. Box 808  
Kittery, Maine 03904

We have audited the financial statements of the Town of Kittery, Maine, for the year ended June 30, 2009.

In planning and performing our audit of the financial statements of the Town of Kittery, Maine as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered The Town of Kittery, Maine's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the purposes described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify deficiencies in internal controls that we considered to be material weaknesses as defined above.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2009, where we expressed an unqualified opinion on our independent auditors' report dated October 21, 2009.

**Matters of deficiency:**

**Capital Plan:**

The Town should continue to review its current capital and infrastructure needs short term and long term for all Town departments. By this we mean that the Town should continue to create and continue to update the list of major capital items it may need to replace in the upcoming years with an estimated replacement cost. We recommend that Town incorporate this into a formal five or more year plan, thus a Capital Plan. With a formal Capital Plan the Town should identify items needed based on priority and identify a means a paying for these items. We would recommend that the Town pays for these items with equal annual appropriations to a capital fund and review all existing funding of capital items for adequacy.

**General Ledger Review:**

All general ledger accounts should be reconciled and reviewed on a monthly basis. While performing the audit it was noticed that some general ledger account codes were changed due to the Town making some internal fiscal changes during the year, and the general fund contained information of other funds (ie: sewer). The Town should review within 21 days from month end its general ledger accounts including revenues and expenses for all funds. Furthermore, we recommend all postings and updates be reviewed by the Town's Finance Director before posting.

This communication is intended solely for the information and use of management, Town Council, others within the Town, and any oversight federal or state regulatory agency, and is not to be and should not be used by anyone other than these specified parties.

We would like to thank Jon, Sheri, Jeannine, Meredith and all of the staff at the Town for all of their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

***Ron***

Ron H.R. Smith, C.P.A.