

Audited Financial Statements

Kittery Sewer Department

June 30, 2009



*Proven Expertise and Integrity*

KITTERY SEWER DEPARTMENT

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JUNE 30, 2009

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## INDEPENDENT AUDITORS' REPORT

October 21, 2009

Town Council  
Town of Kittery  
Kittery, Maine

We have audited the basic financial statements of the Kittery Sewer Department, as of and for the year ended June 30, 2009, as listed in the table of contents. The Kittery Sewer Department is included in the Town of Kittery, Maine's financial statements which have a year-end of June 30, 2009. These financial statements are the responsibility of the Department'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. 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.

As discussed in Note 1, the financial statements of the Kittery Sewer Department are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities of the Kittery Sewer Department that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the Town of Kittery as a whole and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Kittery Sewer Department, as of and for the year ended June 30, 2009, and the results of its operations and its cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States.

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The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*RHR Smith & Co.*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**(UNAUDITED)**

The following management's discussion and analysis of Kittery Sewer Department's financial performance provides an overview of the Department's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

The Kittery Sewer Department's basic financial statements include the following components: 1) government-wide financial statements and 2) notes to the financial statements. This report does not include any required supplementary information as the Department does not prepare a legally adopted budget.

**Basic Financial Statements**

The basic financial statements include financial information in the government-wide financial statements. There are no fund financial statements as the Department only has one fund. 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 Department'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 Department'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 been presented for the Department's only type of activity:

- *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. This activity for the Department include all the activities of the Sewer Department.

There are no fund financial statements presented as all activity for the Department is proprietary in nature and are presented for only once activity. The activity of the Department is presented for the following:

*Proprietary Funds:* The Kittery Sewer Department maintains one proprietary fund, the Sewer Department General Fund. Proprietary 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 as they are presented on the same basis of accounting and therefore only shown in the government-wide financials.

### **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 Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

### **Financial Analysis**

Our analysis below focuses on the net assets, and changes in net assets of the Department's business-type activities. The Department's total net assets increased by \$1,235,668 from \$10,365,156 to \$11,600,824.

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 – decreased by \$521,725 from \$2,425,384 to a balance of \$1,903,659 at the end of this year.

**Table 1**  
**Kittery Sewer Department**  
**Net Assets**  
**June 30,**

	<u><b>2009</b></u>	<u><b>2008</b></u>
Assets:		
Current and other assets	\$ 2,498,255	\$ 4,234,641
Capital Assets	14,643,873	13,341,673
Other Assets	18,650	23,046
Total Assets	<u><u>\$ 17,160,778</u></u>	<u><u>\$ 17,599,360</u></u>
Liabilities:		
Current Liabilities	\$ 3,921,099	\$ 5,318,031
Long-term Debt Outstanding	1,638,855	1,916,173
Total Liabilities	<u><u>5,559,954</u></u>	<u><u>7,234,204</u></u>
Net Assets:		
Invested in Capital Assets,		
Net of related Debt	9,672,165	7,939,772
Restricted Net Assets	25,000	-
Other Net Assets	<u>1,903,659</u>	<u>2,425,384</u>
Total Net Assets	<u><u>\$ 11,600,824</u></u>	<u><u>\$ 10,365,156</u></u>

### **Revenues and Expenses**

Revenues for the Department's business-type activities increased by 13.40%, while total expenses increased by 13.74%. This increase was due to the increase in interest expense due the to \$187,000 payment for the bond anticipation note.

**Table 2**  
**Kittery Sewer Department**  
**Change in Net Assets**  
**For The Years Ended June 30,**

	<b>2009</b>	<b>2008</b>
<b>Revenues</b>		
User Charges	\$ 1,745,233	\$ 1,571,196
Special Entrance Fees	-	24,999
Miscellaneous	128,676	-
Interest income	81,705	128,335
Total Revenue	<u>1,955,614</u>	<u>1,724,530</u>
<b>Expenses</b>		
Salaries and wages	211,172	138,758
Payroll Taxes	23,324	28,031
Employee Benefits	98,343	92,850
Pumping stations	228,115	189,339
Treatment Plant	809,239	856,940
Sewer Line expense	35,810	36,552
Professional Services	4,352	5,018
Insurance	22,892	22,973
Rent	-	18,000
Interest expense	230,175	43,778
Depreciation	430,193	429,644
Other	28,478	3,843
Total Expenses	<u>2,122,093</u>	<u>1,865,726</u>
Change in Net Assets	(166,479)	(141,196)
Net Transfers	1,402,147	67,169
Net Assets - July 1	<u>10,365,156</u>	<u>10,439,183</u>
Net Assets - June 30	<u><u>\$ 11,600,824</u></u>	<u><u>\$ 10,365,156</u></u>

The cost of all business-type activities this year was \$2,122,093 compared to \$1,865,726 last year. However, as shown in the Statement of Activities on page 10, the amount that was ultimately financed for these activities through other revenue was only \$166,479 because all of the cost was paid by those who directly benefited from the programs (\$1,955,614).



## Analysis of Balances and Transactions of Individual Funds

**Table 3**  
**Kittery Sewer Department**  
**Net Cost of Services**  
**For The Year Ended June 30, 2009**

	Total Cost of Services	Total Revenue	Net Cost of Services
Kittery Sewer Department	<u>\$ 2,122,093</u>	<u>\$ 1,955,614</u>	<u>\$ 166,479</u>
Totals	<u><u>\$ 2,122,093</u></u>	<u><u>\$ 1,955,614</u></u>	<u><u>\$ 166,479</u></u>

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2009, the net book value of capital assets recorded by the Department increased by \$1,302,200 over the prior year. This was an increase in construction in progress less depreciation.

**Table 4**  
**Kittery Sewer Department**  
**Capital Assets June 30,**  
**(Net of Depreciation)**

	<u><b>2009</b></u>	<u><b>2008</b></u>
Land and construction in progress	\$ 3,342,270	\$ 1,609,877
Depreciated assets:		
Buildings/building improvements	14,884,282	14,884,282
Machinery & equipment	190,175	190,175
Vehicles	82,397	82,397
Less: accumulated depreciation	<u>(3,855,251)</u>	<u>(3,425,058)</u>
Total	<u><u>\$ 14,643,873</u></u>	<u><u>\$ 13,341,673</u></u>

## **Debt**

At June 30, 2009, the Department had \$1.76 million in bonds outstanding versus \$2.02 million last year, a decrease of 12.9 percent, as shown in Note 4 of the financial statements.

### **Currently Known Facts, Decisions, or Conditions**

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

The Department has steadily maintained a sufficient 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 Department's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Department's finances and to show the Department'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

## KITTERY SEWER DEPARTMENT

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Business-type Activities
ASSETS	
Current assets:	
Cash	\$ 8,252
Investments	2,010,756
Accounts receivable	298,720
Prepaid expenses	180,527
Total current assets	<u>2,498,255</u>
Noncurrent assets:	
Capital assets:	
Land, Buildings, Machinery & Equipment	18,499,124
Less: Accumulated Depreciation	<u>(3,855,251)</u>
Total noncurrent assets	<u>14,643,873</u>
Bond Costs (net of amortization)	<u>18,650</u>
TOTAL ASSETS	<u><u>\$ 17,160,778</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 100,249
Accrued expenses	8,982
Due to other funds	149,368
Bond anticipation note	3,400,000
Current portion of long-term obligations	262,500
Total current liabilities	<u>3,921,099</u>
Noncurrent liabilities	
Noncurrent portion of long-term obligations:	
Bonds payable	1,500,724
Accrued compensated absences	138,131
Total noncurrent liabilities	<u>1,638,855</u>
TOTAL LIABILITIES	<u>5,559,954</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,672,165
Restricted Net Assets	25,000
Other Net Assets	1,903,659
TOTAL NET ASSETS	<u>11,600,824</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,160,778</u></u>
See accompanying independent auditors' report and notes to financial statements	

## KITTERY SEWER DEPARTMENT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

REVENUES	
User Charges	\$ 1,745,233
Special Entrance Fees	-
Miscellaneous	128,676
TOTAL REVENUES	<u>1,873,909</u>
EXPENSES	
Salaries and wages	211,172
Payroll Taxes	23,324
Employee Benefits	98,343
Pumping stations	228,115
Treatment Plant	809,239
Sewer Line expense	35,810
Professional Services	4,352
Insurance	22,892
Depreciation	430,193
Other	28,478
TOTAL EXPENDITURES	<u>1,891,918</u>
OPERATING INCOME (LOSS)	<u>(18,009)</u>
NON-OPERATING REVENUE (EXPENSES)	
Interest income	81,705
Interest expense	(230,175)
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(148,470)</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	1,420,147
Transfers Out	(18,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,402,147</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,235,668
NET ASSETS - JULY 1, 2008	<u>10,365,156</u>
NET ASSETS - JUNE 30, 2009	<u><u>\$ 11,600,824</u></u>

See accompanying independent auditors' report and notes to financial statements

## KITTERY SEWER DEPARTMENT

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	Sewer Department
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,561,747
Other receipts	128,676
Internal activity - receipts (payments) from/to other funds	(1,137,587)
Payments to employees	(211,172)
Payments to suppliers	(1,216,651)
Net cash used by operating activities	(874,987)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(1,732,393)
Invested cash	1,063,149
Interest income	81,705
Net cash used by investing activities	(587,539)
CASH FLOWS FROM FINANCING ACTIVITIES	
Interest payments on bond payable	(43,175)
Interest payments on ban	(187,000)
Principal payments on bond payable	(261,723)
Transfers	1,402,147
Net cash used by financing activities	910,249
NET INCREASE (DECREASE) IN CASH	(552,277)
CASH & CASH EQUIVALENTS - JULY 1	560,529
CASH & CASH EQUIVALENTS- JUNE 30	\$ 8,252
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss) and other financing	\$ (18,009)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	430,193
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(178,030)
(Increase) decrease in due from other governments	(5,456)
(Decrease) increase in accounts payable	70,811
(Decrease) increase in accrued expenses	(36,909)
(Decrease) increase in due to other funds	(1,137,587)
NET CASH PROVIDED (USED) BY ACTIVITIES	\$ (874,987)
See accompanying independent auditors' report and notes to financial statements	

KITTERY SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

The Department'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 Department has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Department has chosen not to do so.

The Department's combined financial statements include all accounts and all operations of the Department. We have determined that the Department 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 Department's basic financial statements include government-wide statements (reporting the Department as a whole).

The government-wide financial statements categorize primary activities as business-type.

In the government-wide Statement of Net Assets, the 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 Department's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Department first utilizes restricted resources to finance qualifying activities.

KITTERY SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

1. 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 Department:

- 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.

**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 are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

KITTERY SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deposits and Investments**

The Department'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 Department's policy to value investments at fair value. None of the Department's investments are reported at amortized cost. The Department 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 Kittery Sewer Department has no formal investment policy but instead follows the State of Maine Statutes.

**Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2009.

**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



KITTERY SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

. 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 Department.

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.

KITTERY SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Reserves**

The Department 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 Department'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 Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**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 Department does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Department'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.

# KITTERY SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### NOTE 2 - CASH AND INVESTMENTS

The Department's investment policies, which follow state statutes, authorize the Department 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 Department funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Department 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 Department does not have a policy covering custodial credit risk.

At June 30, 2009, all of the Department's deposits amounting to \$8,252 were comprised of \$33,233 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and zero 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	\$ 33,233
	<u>\$ 33,233</u>

At June 30, 2009, all of the Department's investments amounting to \$2,010,756 were collateralized with securities held by the financial institution in the Town's name and consequently were not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Current</u>	<u>1 Year</u>	<u>2 - 5 Years</u>
Investment Management	\$ 749,257	\$ -	\$ -
Equities	1,261,499	-	-
	<u>\$ 2,010,756</u>	<u>\$ -</u>	<u>\$ -</u>

# KITTERY SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2009:

	Balance, 7/1/08	Additions	Disposals	Balance, 6/30/09
Business-type activities				
Non-depreciated assets:				
Land	\$ 275,200	\$ -	\$ -	\$ 275,200
Construction in progress	1,334,677	1,732,393	-	3,067,070
	<u>1,609,877</u>	<u>1,732,393</u>	<u>-</u>	<u>3,342,270</u>
Depreciated assets:				
Buildings/building improvements	14,884,282	-	-	14,884,282
Machinery & equipment	190,175	-	-	190,175
Vehicles	82,397	-	-	82,397
	<u>15,156,854</u>	<u>-</u>	<u>-</u>	<u>15,156,854</u>
Less: accumulated depreciation	<u>(3,425,058)</u>	<u>(430,193)</u>	<u>-</u>	<u>(3,855,251)</u>
	<u>11,731,796</u>	<u>(430,193)</u>	<u>-</u>	<u>11,301,603</u>
Net capital assets	<u>\$ 13,341,673</u>	<u>\$ 1,302,200</u>	<u>\$ -</u>	<u>\$ 14,643,873</u>

### NOTE 4 – GENERAL LONG TERM DEBT

The following is a summary of changes in Long-Term Debt for the year ended June 30, 2009:

	Balance, 7/1/08	Additions	Deletions	Balance, 6/30/09	Current Portion
Bonds payable	\$ 2,024,947	\$ -	\$ (261,723)	\$ 1,763,224	\$ 262,500
Accrued compensated absences	152,949	-	(14,818)	138,131	-
	<u>\$ 2,177,896</u>	<u>\$ -</u>	<u>\$ (276,541)</u>	<u>\$ 1,901,355</u>	<u>\$ 262,500</u>

KITTERY SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 4 – GENERAL LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

\$4,000,000, 1992 General Obligation Bond due in annual installments and semiannual interest installments through October 2012. Interest is charged at a rate of 4.10% per annum. Annual Installments are \$200,000.      \$ 800,000

\$1,323,000, 2003A Waste Water State Revolving Loan due in annual installments and semiannual interest installments through October 2022. Interest is charged at 1.94% per annum. Annual Installments vary.      963,224  
\$ 1,763,224

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

	Principal	Interest	Total Debt Service
2010	\$ 262,500	\$ 43,721	\$ 306,221
2011	263,310	35,810	299,120
2012	264,156	27,863	292,019
2013	265,038	19,879	284,917
2014	65,959	12,396	78,355
2015-2019	345,064	46,374	391,438
2020-2024	297,197	15,485	312,682
	<u>\$ 1,763,224</u>	<u>\$ 201,528</u>	<u>\$ 1,964,752</u>

All bonds payable and notes payable are direct obligations of the Department, for which its full faith and credit are pledged.

# KITTERY SEWER DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

### NOTE 5 – OTHER SUPPLEMENTAL INFORMATION

This supplementary information, which has been excerpted from the Town of Kittery's financial statements, 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. These financial statements, which are governmental activities, can be found on schedules D and E on the Town's financial statements.

	Sewer Impact Fees	Sewer Betterment Fees	Sewer Capital Reserve	Totals
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	711,540	23,097	-	734,637
Accounts receivable	-	61,539	-	61,539
Due from other funds	32,600	-	1,154,000	1,186,600
<b>TOTAL ASSETS</b>	<u>\$ 744,140</u>	<u>\$ 84,636</u>	<u>\$ 1,154,000</u>	<u>1,982,776</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	4,439	-	4,439
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>4,439</u>
<b>FUND EQUITY</b>				
Fund balance:				
Designated for subsequent years' expenditures	744,140	80,197	1,154,000	1,978,337
Undesignated	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<u>744,140</u>	<u>80,197</u>	<u>1,154,000</u>	<u>1,978,337</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 744,140</u>	<u>\$ 84,636</u>	<u>\$ 1,154,000</u>	<u>\$ 1,982,776</u>

KITTERY SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 5 - OTHER SUPPLEMENTAL INFORMATION (CONTINUED)

	Sewer Impact Fees	Sewer Betterment Fees	Sewer Capital Reserve	Totals
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	11,600	11,425	-	23,025
Investment income	20,389	476	-	20,865
TOTAL REVENUES	<u>31,989</u>	<u>11,901</u>	<u>-</u>	<u>43,890</u>
EXPENDITURES				
Program Expenses	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>31,989</u>	<u>11,901</u>	<u>-</u>	<u>43,890</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	135,200	10,445	-	145,645
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>135,200</u>	<u>10,445</u>	<u>-</u>	<u>145,645</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>167,189</u>	<u>22,346</u>	<u>-</u>	<u>189,535</u>
FUND BALANCE, JULY 1	<u>576,951</u>	<u>57,851</u>	<u>1,154,000</u>	<u>1,788,802</u>
FUND BALANCE, JUNE 30	<u>\$ 744,140</u>	<u>\$ 80,197</u>	<u>\$ 1,154,000</u>	<u>\$ 1,978,337</u>

KITTERY SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 6 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Department carries commercial insurance.

Based on the coverage provided by the commercial insurance purchased, the Department is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2009. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past four fiscal years. The Department is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2009.

NOTE 7 - CONTINGENCIES

The Department is a participant in a Federal Loan program, which is governed by various rules and regulations of the grantor agencies. Costs charged to the respective program are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Department has not complied with the rules and regulations governing the loan, refunds of any money received may be required and the collectability of any related receivable at June 30, 2009 may be impaired. In the opinion of the Department, there are no significant contingent liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 8 – COMMITMENTS

At June 30, 2009 the Town had a bond anticipation note for the sewer in the amount of \$3,400,000. The term of the bond is six months with an interest rate of 1.75% and maturity being September 30, 2009.

NOTE 9 – RESTRICTED NET ASSETS

There is \$25,000 in restricted net assets for the purpose of special entrance fees.