

Federal Compliance Audit

Town of Kittery, Maine

June 30, 2016



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

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JUNE 30, 2016

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Town Council
Town of Kittery
Kittery, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 66 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kittery, Maine's basic financial statements. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016, on our consideration of the Town of Kittery, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kittery, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine

December 30, 2016, except for Note 23 in Notes to Financial Statements, the Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs, as to which the date is February 6, 2017.

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

(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, 2016. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Kittery's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension schedules, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

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

Government-Wide Financial Statements

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

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

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

Both of the above mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Kittery are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation and culture, health and sanitation, social services and education.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Kittery include the sewer department.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kittery, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Kittery can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues, are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The Town of Kittery presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Kittery maintains one proprietary fund, the Sewer Department Fund. This fund is used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Kittery. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Changes in Fiduciary Net Position – Fiduciary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, Notes to Required Supplementary Information and a Schedule of Funding Progress for Retiree Healthcare Plan.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental funds is \$31,121,112 compared to \$30,126,145 in the prior year, an increase of \$994,967. For the business-type activities, total net position is \$9,857,102 compared to \$10,592,529 in the prior year, a decrease of \$735,427.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$6,265,992 at the end of this year for governmental activities and \$143,815 for the business-type activities.

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

| | Governmental Activities | | Business-type Activities | |
|--|--------------------------------|-------------------|---------------------------------|---------------|
| | | 2015 | | |
| | 2016 | (Restated) | 2016 | 2015 |
| Assets: | | | | |
| Current Assets | \$ 18,269,599 | \$ 13,950,886 | \$ 1,111,513 | \$ 5,531,176 |
| Capital Assets | 37,446,766 | 38,194,297 | 23,639,663 | 19,169,280 |
| Total Assets | 55,716,365 | 52,145,183 | 24,751,176 | 24,700,456 |
| Deferred Outflows of Resources: | | | | |
| Deferred Outflows Related to Pensions | 2,177,022 | 880,351 | 201,344 | 120,424 |
| Total Deferred Outflows of Resources | 2,177,022 | 880,351 | 201,344 | 120,424 |
| Liabilities: | | | | |
| Current Liabilities | 4,280,805 | 2,098,485 | 1,207,797 | 10,371,486 |
| Long-Term Debt Outstanding | 20,899,932 | 19,289,866 | 13,718,539 | 3,537,748 |
| Total Liabilities | 25,180,737 | 21,388,351 | 14,926,336 | 13,909,234 |
| Deferred Inflows of Resources: | | | | |
| Deferred Revenue | 11,313 | 17,388 | - | - |
| Prepaid Taxes | 5,440 | 88,708 | - | - |
| Deferred Inflows Related to Pensions | 1,574,785 | 1,404,942 | 169,082 | 319,117 |
| Total Deferred Inflows of Resources | 1,591,538 | 1,511,038 | 169,082 | 319,117 |
| Net Position: | | | | |
| Net Investment in Capital Assets | 20,853,820 | 23,501,366 | 8,786,730 | 10,875,526 |
| Restricted | 4,001,300 | 1,944,642 | 926,557 | 1,075,764 |
| Unrestricted | 6,265,992 | 4,680,137 | 143,815 | (1,358,761) |
| Total Net Position | \$ 31,121,112 | \$ 30,126,145 | \$ 9,857,102 | \$ 10,592,529 |

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

| | Governmental Activities | | Business-type Activities | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | |
| <i>Program Revenues:</i> | | | | |
| Charges for services | \$ 2,214,051 | \$ 2,024,157 | \$ 1,942,243 | \$ 1,913,533 |
| Operating grants and contributions | 2,389,020 | 2,481,409 | - | - |
| <i>General Revenues:</i> | | | | |
| Taxes | 24,169,852 | 23,520,275 | - | - |
| Grants and contributions not restricted to specific programs | 2,003,827 | 2,047,153 | - | - |
| Investment income | 77,364 | 36,380 | 626 | 4,106 |
| Miscellaneous | 769,575 | 569,218 | 15,285 | 84,271 |
| Total Revenues | <u>31,623,689</u> | <u>30,678,592</u> | <u>1,958,154</u> | <u>2,001,910</u> |
| Expenses | | | | |
| General government | 2,475,282 | 1,991,533 | - | - |
| Public safety | 3,756,395 | 3,906,362 | - | - |
| Public works | 2,436,768 | 1,867,899 | - | - |
| Recreation and culture | 2,321,987 | 2,305,440 | - | - |
| Health and sanitation | 646,156 | 576,899 | - | - |
| Social services | 59,972 | 76,117 | - | - |
| Education | 16,454,376 | 15,713,389 | - | - |
| County tax | 912,948 | 908,475 | - | - |
| Program expenses | 527,737 | - | - | - |
| State of Maine on-behalf payments | 1,307,323 | 1,242,999 | - | - |
| Grant funds/misc. accounts | 182,673 | 568,623 | - | - |
| Overlay | 10,873 | - | - | - |
| Unallocated depreciation (Note 4)* | 111,315 | 439,720 | - | - |
| Interest on long-term debt | 80,943 | 426,669 | - | - |
| Sewer department | - | - | 2,037,555 | 2,174,110 |
| Total Expenses | <u>31,284,748</u> | <u>30,024,125</u> | <u>2,037,555</u> | <u>2,174,110</u> |
| Transfers | <u>656,026</u> | <u>(27,500)</u> | <u>(656,026)</u> | <u>27,500</u> |
| Change in Net Position | 994,967 | 626,967 | (735,427) | (144,700) |
| Net Position - July 1, Restated | <u>30,126,145</u> | <u>29,499,178</u> | <u>10,592,529</u> | <u>10,737,229</u> |
| Net Position - June 30 | <u>\$ 31,121,112</u> | <u>\$ 30,126,145</u> | <u>\$ 9,857,102</u> | <u>\$ 10,592,529</u> |

Revenues and Expenses

Revenues for the Town's governmental activities increased by 3.08%, while total expenses increased by 4.20%.

Revenues decreased by 2.19% in the Town's business type activities, while the total expenses decreased by 6.28%. Most of the proprietary funds revenues and expenses were consistent with the previous year with minor increases or decreases.

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Kittery, Maine
Fund Balances - Governmental Funds
June 30,

| | <u>2016</u> | <u>2015</u> (Restated) |
|-------------------------|---------------------|---------------------------|
| Major Funds: | | |
| General Fund: | | |
| Nonspendable | \$ 282,279 | \$ 211,937 |
| Restricted | 760,594 | 861,397 |
| Committed | - | 2,287,406 |
| Assigned | 74,000 | 51,719 |
| Unassigned | 5,088,925 | 3,955,501 |
| Total Major Funds | <u>\$ 6,205,798</u> | <u>\$ 7,367,960</u> |
| Nonmajor Funds: | | |
| Special Revenue Funds: | | |
| Nonspendable | \$ 11,188 | \$ 15,449 |
| Restricted | 167,608 | 95,474 |
| Committed | 4,368,453 | 1,390,792 |
| Assigned | 65,856 | 75,271 |
| Unassigned | (127,755) | (3,356) |
| Capital Projects Funds: | | |
| Restricted | 2,261,464 | 879,244 |
| Committed | 1,360,682 | 522,199 |
| Unassigned | (64,629) | - |
| Permanent Funds: | | |
| Nonspendable | 60,000 | 60,000 |
| Restricted | 751,634 | 769,678 |
| Unassigned | (772) | - |
| Total Nonmajor Funds | <u>\$ 8,853,729</u> | <u>\$ 3,804,751</u> |

The general fund total fund balance decreased by \$1,162,162 from the prior fiscal year. The nonmajor fund balances increased by \$5,048,978 from the prior fiscal year. The large decrease in the general fund and the large increase in the nonmajor funds was the result of amounts previously committed in the general fund being transferred and reflected as nonmajor funds.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The sewer department fund had a reduction in net position of \$735,427 from the prior year.

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 restricted, committed, assigned and unassigned fund balances.

The general fund actual revenues exceeded the budget by \$1,168,193. This was a result of all revenue categories being receipted in excess of budgeted amounts with the exception of other revenue.

The general fund actual expenditures were under budget by \$216,642. All expenditure categories were under budget with the exception of public safety, social services, county tax, debt service – interest, grant funds/misc. accounts and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Town increased by \$3,722,852. This increase is a result of capital additions of \$6,270,412 less current year depreciation expense of \$2,547,560. Refer to Note 4 of Notes to Financial Statements for additional information.

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|----------------------|----------------------|
| Land | \$ 11,236,886 | \$ 11,236,886 |
| Construction in progress | 11,570,571 | 6,511,552 |
| Land improvements | 1,252,874 | 1,359,741 |
| Buildings and improvements | 30,866,758 | 32,613,832 |
| Machinery, equipment and vehicles | 2,687,038 | 2,111,702 |
| Infrastructure | <u>3,472,302</u> | <u>3,529,864</u> |
| Total | <u>\$ 61,086,429</u> | <u>\$ 57,363,577</u> |

Debt

At June 30, 2016, the Town had \$31,245,890 in bonds outstanding versus \$17,476,854 last year. Other obligations include capital leases payable, accrued compensated absences, pension benefit obligations and net pension liability. Refer to Note 6 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs. The FY 17 school department budget could be severely impacted by the reduction of funding from the State.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Department at 200 Rogers Road, Kittery, Maine 03904.

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 13,244,007 | \$ 453,407 | \$ 13,697,414 |
| Investments | 3,160,166 | - | 3,160,166 |
| Accounts receivable (net of allowance for uncollectibles): | | | |
| Taxes | 917,443 | - | 917,443 |
| Other | 126,890 | 524,194 | 651,084 |
| Due from other governments | 614,660 | 46,878 | 661,538 |
| Prepaid items | 257,913 | - | 257,913 |
| Inventory | 35,554 | - | 35,554 |
| Internal balances | (87,034) | 87,034 | - |
| Total current assets | 18,269,599 | 1,111,513 | 19,381,112 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land and other assets not being depreciated | 10,956,219 | 11,851,238 | 22,807,457 |
| Buildings and vehicles net of accumulated depreciation | 26,490,547 | 11,788,425 | 38,278,972 |
| Total noncurrent assets | 37,446,766 | 23,639,663 | 61,086,429 |
| TOTAL ASSETS | 55,716,365 | 24,751,176 | 80,467,541 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 2,177,022 | 201,344 | 2,378,366 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,177,022 | 201,344 | 2,378,366 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 57,893,387 | \$ 24,952,520 | \$ 82,845,907 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 945,461 | \$ 69,029 | \$ 1,014,490 |
| Accrued payroll | 902,425 | - | 902,425 |
| Accrued expenses | 732,900 | 504,852 | 1,237,752 |
| Due to other governments | 686 | - | 686 |
| Escrows | 36,411 | - | 36,411 |
| Current portion of long-term obligations | 1,662,922 | 633,916 | 2,296,838 |
| Total current liabilities | 4,280,805 | 1,207,797 | 5,488,602 |
| Noncurrent liabilities | | | |
| Noncurrent portion of long-term obligations: | | | |
| Bonds payable | 15,097,881 | 13,270,707 | 28,368,588 |
| Capital leases payable | 42,645 | 2,948 | 45,593 |
| Accrued compensated absences | 842,008 | 115,046 | 957,054 |
| Pension benefit obligations | 1,753,676 | - | 1,753,676 |
| Net pension liability | 3,163,722 | 329,838 | 3,493,560 |
| Total noncurrent liabilities | 20,899,932 | 13,718,539 | 34,618,471 |
| TOTAL LIABILITIES | 25,180,737 | 14,926,336 | 40,107,073 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | 11,313 | - | 11,313 |
| Prepaid taxes | 5,440 | - | 5,440 |
| Deferred inflows related to pensions | 1,574,785 | 169,082 | 1,743,867 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,591,538 | 169,082 | 1,760,620 |
| NET POSITION | | | |
| Net investment in capital assets | 20,853,820 | 8,786,730 | 29,640,550 |
| Restricted | 4,001,300 | 926,557 | 4,927,857 |
| Unrestricted | 6,265,992 | 143,815 | 6,409,807 |
| TOTAL NET POSITION | 31,121,112 | 9,857,102 | 40,978,214 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 57,893,387 | \$ 24,952,520 | \$ 82,845,907 |

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, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position | | |
|------------------------------------|----------------------|-------------------------|--|--------------------------------------|--|---------------------------------|---------------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business- type Activities | Total |
| <u>Governmental activities:</u> | | | | | | | |
| General government | \$ 2,475,282 | \$ 331,066 | \$ 39,297 | \$ - | \$ (2,104,919) | \$ - | \$ (2,104,919) |
| Public safety | 3,756,395 | 196,576 | - | - | (3,559,819) | - | (3,559,819) |
| Public works | 2,436,768 | 11,500 | - | - | (2,425,268) | - | (2,425,268) |
| Recreation and culture | 2,321,987 | 1,161,652 | - | - | (1,160,335) | - | (1,160,335) |
| Health and sanitation | 646,156 | 175,490 | - | - | (470,666) | - | (470,666) |
| Social services | 59,972 | - | - | - | (59,972) | - | (59,972) |
| Education | 16,454,376 | 337,767 | 1,042,400 | - | (15,074,209) | - | (15,074,209) |
| County tax | 912,948 | - | - | - | (912,948) | - | (912,948) |
| Program expenses | 527,737 | - | - | - | (527,737) | - | (527,737) |
| State of Maine on-behalf payments | 1,307,323 | - | 1,307,323 | - | - | - | - |
| Grant funds/misc. accounts | 182,673 | - | - | - | (182,673) | - | (182,673) |
| Overlay | 10,873 | - | - | - | (10,873) | - | (10,873) |
| Unallocated depreciation (Note 4)* | 111,315 | - | - | - | (111,315) | - | (111,315) |
| Interest on long-term debt | 80,943 | - | - | - | (80,943) | - | (80,943) |
| Total governmental activities | <u>31,284,748</u> | <u>2,214,051</u> | <u>2,389,020</u> | <u>-</u> | <u>(26,681,677)</u> | <u>-</u> | <u>(26,681,677)</u> |
| <u>Business-type activities:</u> | | | | | | | |
| Sewer department | <u>2,037,555</u> | <u>1,942,243</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(95,312)</u> | <u>(95,312)</u> |
| Total business-type activities | <u>2,037,555</u> | <u>1,942,243</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(95,312)</u> | <u>(95,312)</u> |
| Total government | <u>\$ 33,322,303</u> | <u>\$ 4,156,294</u> | <u>\$ 2,389,020</u> | <u>\$ -</u> | <u>(26,681,677)</u> | <u>(95,312)</u> | <u>(26,776,989)</u> |

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

STATEMENT B (CONTINUED)
TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| | Governmental Activities | Business- type Activities | Total |
|---|----------------------------|---------------------------------|---------------|
| Changes in net position: | | | |
| Net (expense) revenue | (26,681,677) | (95,312) | (26,776,989) |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | 22,391,389 | - | 22,391,389 |
| Excise taxes | 1,778,463 | - | 1,778,463 |
| Grants and contributions not restricted to specific programs | 2,003,827 | - | 2,003,827 |
| Investment income, net of unrealized gains/(losses) | 77,364 | 626 | 77,990 |
| Miscellaneous | 769,575 | 15,285 | 784,860 |
| Transfers | 656,026 | (656,026) | - |
| Total general revenues and transfers | 27,676,644 | (640,115) | 27,036,529 |
| Change in net position | 994,967 | (735,427) | 259,540 |
| NET POSITION - JULY 1, RESTATED | 30,126,145 | 10,592,529 | 40,718,674 |
| NET POSITION - JUNE 30 | \$ 31,121,112 | \$ 9,857,102 | \$ 40,978,214 |

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

TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 13,214,264 | \$ 29,743 | \$ 13,244,007 |
| Investments | 2,500,000 | 660,166 | 3,160,166 |
| Accounts receivables (net of allowance for uncollectibles): | | | |
| Taxes/liens | 917,443 | - | 917,443 |
| Other | 90,251 | 36,639 | 126,890 |
| Due from other governments | 33,580 | 581,080 | 614,660 |
| Prepaid items | 257,804 | 109 | 257,913 |
| Inventory | 24,475 | 11,079 | 35,554 |
| Due from other funds | 584,054 | 8,695,612 | 9,279,666 |
| TOTAL ASSETS | <u>\$ 17,621,871</u> | <u>\$ 10,014,428</u> | <u>\$ 27,636,299</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 547,974 | \$ 397,487 | \$ 945,461 |
| Accrued payroll | 902,425 | - | 902,425 |
| Accrued expenses | 553,742 | 179,158 | 732,900 |
| Due to other governments | 686 | - | 686 |
| Escrows | 36,411 | - | 36,411 |
| Due to other funds | 8,782,646 | 584,054 | 9,366,700 |
| TOTAL LIABILITIES | <u>10,823,884</u> | <u>1,160,699</u> | <u>11,984,583</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | 11,313 | - | 11,313 |
| Prepaid taxes | 5,440 | - | 5,440 |
| Deferred tax revenues | 575,436 | - | 575,436 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>592,189</u> | <u>-</u> | <u>592,189</u> |
| FUND BALANCES | | | |
| Nonspendable | 282,279 | 71,188 | 353,467 |
| Restricted | 760,594 | 3,180,706 | 3,941,300 |
| Committed | - | 5,729,135 | 5,729,135 |
| Assigned | 74,000 | 65,856 | 139,856 |
| Unassigned | 5,088,925 | (193,156) | 4,895,769 |
| TOTAL FUND BALANCES | <u>6,205,798</u> | <u>8,853,729</u> | <u>15,059,527</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 17,621,871</u> | <u>\$ 10,014,428</u> | <u>\$ 27,636,299</u> |

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

TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

| | <u>Total Governmental Funds</u> |
|---|---|
| Total Fund Balances | \$ 15,059,527 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 37,446,766 |
| 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 | 575,436 |
| Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds | 2,177,022 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds payable | (16,392,957) |
| Capital leases payable | (199,989) |
| Accrued compensated absences | (1,052,510) |
| Pension benefit obligations | (1,753,676) |
| Net pension liability | (3,163,722) |
| Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds | <u>(1,574,785)</u> |
| Net position of governmental activities | <u><u>\$ 31,121,112</u></u> |

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

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| General tax revenue | \$ 24,307,752 | \$ - | \$ 24,307,752 |
| Intergovernmental revenue | 1,895,331 | 1,190,193 | 3,085,524 |
| Charges for services | 1,885,427 | 328,624 | 2,214,051 |
| Investment income, net of unrealized gains/(losses) | 40,429 | 36,935 | 77,364 |
| State of Maine on-behalf payments | 928,686 | - | 928,686 |
| Other revenue | 146,285 | 623,290 | 769,575 |
| TOTAL REVENUES | 29,203,910 | 2,179,042 | 31,382,952 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,801,778 | 372,934 | 2,174,712 |
| Public safety | 3,478,582 | 565,333 | 4,043,915 |
| Public works | 1,116,406 | 1,026,465 | 2,142,871 |
| Recreation and culture | 2,081,407 | 105,024 | 2,186,431 |
| Health and sanitation | 571,321 | 339,692 | 911,013 |
| Social services | 59,972 | - | 59,972 |
| Education | 15,102,707 | 1,617,796 | 16,720,503 |
| County tax | 912,948 | - | 912,948 |
| State of Maine on-behalf payments | 928,686 | - | 928,686 |
| Overlay | 10,873 | - | 10,873 |
| Grant funds/misc. accounts | 182,673 | - | 182,673 |
| Program expenses | - | 539,837 | 539,837 |
| Debt service: | | | |
| Principal | 471,043 | - | 471,043 |
| Interest | 220,685 | - | 220,685 |
| TOTAL EXPENDITURES | 26,939,081 | 4,567,081 | 31,506,162 |
| EXCESS REVENUES OVER (UNDER) | | | |
| EXPENDITURES | 2,264,829 | (2,388,039) | (123,210) |
| OTHER FINANCING SOURCES | | | |
| Bond proceeds | - | 3,354,000 | 3,354,000 |
| Premiums on bond issuance | - | 48,637 | 48,637 |
| Bond issuance costs | - | (48,637) | (48,637) |
| Transfers in | 324,798 | 4,537,897 | 4,862,695 |
| Transfers (out) | (3,751,789) | (454,880) | (4,206,669) |
| TOTAL OTHER FINANCING SOURCES (USES) | (3,426,991) | 7,437,017 | 4,010,026 |
| NET CHANGE IN FUND BALANCES | (1,162,162) | 5,048,978 | 3,886,816 |
| FUND BALANCES - JULY 1, RESTATED | 7,367,960 | 3,804,751 | 11,172,711 |
| FUND BALANCES - JUNE 30 | \$ 6,205,798 | \$ 8,853,729 | \$ 15,059,527 |

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, 2016

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ 3,886,816</u> |
| Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: | |
| Capital asset acquisitions | 1,207,708 |
| Depreciation expense | <u>(1,955,239)</u> |
| | <u>(747,531)</u> |
| Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds | <u>1,296,671</u> |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported. | |
| Taxes and liens receivable | <u>(137,900)</u> |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position | <u>(3,406,517)</u> |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position | <u>1,506,502</u> |
| Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds | <u>(169,843)</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 interest | 139,742 |
| Accrued compensated absences | 348,033 |
| Net pension liability | <u>(1,721,006)</u> |
| | <u>(1,233,231)</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ 994,967</u></u> |

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

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2016

| | <u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u> |
|--|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 453,407 |
| Accounts receivable (net of allowance for uncollectibles) | 524,194 |
| Due from other governments | 46,878 |
| Due from other funds | 87,034 |
| Total current assets | <u>1,111,513</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land | 285,980 |
| Construction in progress | 11,565,258 |
| Buildings and improvements | 18,646,324 |
| Machinery, equipment and vehicles | 627,629 |
| Infrastructure | 44,668 |
| Total capital assets | <u>31,169,859</u> |
| Less: accumulated depreciation | <u>(7,530,196)</u> |
| Total noncurrent assets | <u>23,639,663</u> |
| TOTAL ASSETS | <u>24,751,176</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 201,344 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>201,344</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 24,952,520</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 69,029 |
| Accrued expenses | 504,852 |
| Due to other funds | - |
| Current portion of long-term obligations | 633,916 |
| Total current liabilities | <u>1,207,797</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations: | |
| Bonds payable | 13,270,707 |
| Capital leases payable | 2,948 |
| Accrued compensated absences | 115,046 |
| Net pension liability | 329,838 |
| Total noncurrent liabilities | <u>13,718,539</u> |
| TOTAL LIABILITIES | <u>14,926,336</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 169,082 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>169,082</u> |
| NET POSITION | |
| Net investment in capital assets | 8,786,730 |
| Restricted | 926,557 |
| Unrestricted | 143,815 |
| TOTAL NET POSITION | <u>9,857,102</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u><u>\$ 24,952,520</u></u> |

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

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u> |
|---|---|
| OPERATING REVENUES | |
| Charges for services | \$ 1,942,243 |
| Other | 15,285 |
| TOTAL OPERATING REVENUES | <u>1,957,528</u> |
| OPERATING EXPENSES | |
| Salaries and wages | 515,966 |
| Benefits | 265,063 |
| Reduction in expenses related to net pension liability, deferred outflows and inflows of resources related to pensions | (201,586) |
| Contracted services | 166,302 |
| Rent | 22,900 |
| Utilities | 179,291 |
| Repairs, maintenance and equipment | 126,186 |
| Supplies | 60,240 |
| Chemicals | 122,907 |
| Sludge management | 102,796 |
| Depreciation | 592,321 |
| Other | 23,610 |
| TOTAL OPERATING EXPENSES | <u>1,975,996</u> |
| OPERATING INCOME (LOSS) | <u>(18,468)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 626 |
| Interest expense | (61,559) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(60,933)</u> |
| NET INCOME (LOSS) BEFORE TRANSFERS | <u>(79,401)</u> |
| TRANSFERS | |
| Transfers in | 447,238 |
| Transfers out | (1,103,264) |
| TOTAL TRANSFERS | <u>(656,026)</u> |
| CHANGE IN NET POSITION | (735,427) |
| NET POSITION - JULY 1 | <u>10,592,529</u> |
| NET POSITION - JUNE 30 | <u><u>\$ 9,857,102</u></u> |

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

TOWN OF KITTEERY, MAINE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Enterprise Fund Sewer Department |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 2,087,183 |
| Other receipts | 15,285 |
| Internal activity - receipts (payments) from/to other funds | (131,308) |
| Payments to employees | (787,646) |
| Payments to suppliers | (1,582,295) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(398,781)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | 626 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>626</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers | (656,026) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>(656,026)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Bond proceeds | 11,012,216 |
| Capital lease proceeds | 3,685 |
| Repayment of bond anticipation note | (9,000,000) |
| Interest payments on bond payable | (61,559) |
| Principal payments on bond payable | (223,946) |
| (Purchase) sale of fixed assets | (5,062,704) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(3,332,308)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (4,386,489) |
| CASH AND CASH EQUIVALENTS - JULY 1 | <u>4,839,896</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30 | <u>\$ 453,407</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (18,468) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation and amortization expense | 592,321 |
| Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources: | |
| (Increase) decrease in accounts receivable | 150,201 |
| (Increase) decrease in due from other governments | (5,261) |
| (Increase) decrease in prepaid items | 19,542 |
| (Increase) decrease in due from other funds | (87,034) |
| (Increase) decrease in deferred outflows related to pensions | (80,920) |
| (Decrease) increase in accounts payable | (396,851) |
| (Decrease) increase in accrued expenses | (319,126) |
| (Decrease) increase in accrued interest | (81,628) |
| (Decrease) increase in due to other funds | (44,274) |
| (Decrease) increase in compensated absences | (6,617) |
| (Decrease) increase in net pension liability | 29,369 |
| (Decrease) increase in deferred inflows related to pensions | (150,035) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (398,781)</u> |

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

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2016

| | Private- Purpose Trust Funds | Agency Funds Student Activities |
|----------------------------|------------------------------------|---------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 22,682 | \$ 62,031 |
| Investments | 374,042 | - |
| TOTAL ASSETS | <u>\$ 396,724</u> | <u>\$ 62,031</u> |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ - |
| Deposits held for others | - | 62,031 |
| TOTAL LIABILITIES | <u>-</u> | <u>\$ 62,031</u> |
| NET POSITION | | |
| Restricted - held in trust | <u>\$ 396,724</u> | |

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

TOWN OF KITTERY, MAINE

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Private- Purpose Trust Funds |
|------------------------|------------------------------------|
| ADDITIONS | |
| Interest | \$ 4,863 |
| Contributions | 8,885 |
| TOTAL ADDITIONS | <u>13,748</u> |
| DEDUCTIONS | |
| Fees | 75 |
| Scholarships | 3,210 |
| TOTAL DEDUCTIONS | <u>3,285</u> |
| CHANGE IN NET POSITION | 10,463 |
| NET POSITION - JULY 1 | <u>386,261</u> |
| NET POSITION - JUNE 30 | <u><u>\$ 396,724</u></u> |

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

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

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

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

- 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)

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

established fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. Component units that are fiduciary in nature have been excluded from these financial statements.

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

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

Basis of Accounting

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

1. Accrual

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

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

| | |
|----------------------------------|---------------------|
| Revenues per budgetary basis | \$28,600,022 |
| Add: On-behalf payments | <u>928,686</u> |
| Total GAAP basis | <u>\$29,528,708</u> |
| | |
| Expenditures per budgetary basis | \$29,762,184 |
| Add: On-behalf basis | <u>928,686</u> |
| Total GAAP basis | <u>\$30,690,870</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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations.
- Prime bankers' acceptances
- Prime commercial papers
- Repurchase agreements whose underlying collateral consist of the foregoing
- Money market mutual funds whose portfolios consist of the foregoing

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

Inventories

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

Prepaid Items

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained on certain receivables that historically experience collectible amounts. Allowances are based on collection experience and management's evaluation of the current status of those receivables. The allowance for uncollectible accounts is estimated to be \$40,000 as of June 30, 2016. The allowance is for estimated uncollected personal property/real estate taxes in the general fund.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

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

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable, compensated absences, pension benefit obligations and net pension liability.

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

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the Town's liability for compensated absences is \$1,196,318.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

System Participating Local District (PLD) Consolidated Plan and State Employee and Teacher (SET) Plan and additions to/deductions from the PLD Consolidated and SET Plans' fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated and SET Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

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

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

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

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Deferred Outflows and Inflows of Resources

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 14, 2015 on the assessed value listed as of April 1, 2015, for all real and personal property located in the Town. Taxes were due on May 31, 2016. Interest on unpaid taxes commenced on June 1, 2016, at 7% per annum.

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

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 \$131,928 for the year ended June 30, 2016.

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2016, the Town's cash balance of \$13,782,127 was comprised of bank deposits amounting to \$14,373,383. Of these bank deposits, \$461,168 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$12,153 was covered by the Securities Investor Protection Corporation (SIPC). The remaining bank deposits of \$13,900,062 were collateralized with securities held by the financial institution in the Town's name or an irrevocable stand-by letter of credit.

| <u>Account Type</u> | <u>Bank Balance</u> |
|---------------------------|-------------------------|
| Checking accounts | \$ 662,386 |
| Savings accounts | 481,007 |
| Money market accounts | 4,674,760 |
| Sweep accounts | 8,543,077 |
| Cash and cash equivalents | 12,153 |
| | <u>\$ 14,373,383</u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments. However, in accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

Of the Town's investments of \$3,534,208, \$236,792 was fully covered by federal depository insurance and consequently was not exposed to custodial credit risk, \$599,273 was covered by the Securities Investor Protection Corporation (SIPC), \$50,315 of open-ended mutual funds was collateralized and not exposed to custodial credit risk and \$2,500,000 was collateralized with an irrevocable stand-by letter of credit. The remaining investments of \$147,828 were uninsured and uncollateralized.

At June 30, 2016, the Town had the following investments and maturities:

| Investment Type | Fair Value | N/A | < 1 Year | 1 - 5 Years |
|-------------------------|---------------------|-------------------|-------------------|---------------------|
| Debt securities: | | | | |
| Corporate bonds | \$ 100,144 | \$ - | \$ 100,144 | \$ - |
| Equity securities: | | | | |
| Common stock - domestic | 80,082 | 80,082 | - | - |
| Mutual funds: | | | | |
| Equity - domestic | 15,685 | 15,685 | - | - |
| Equity - foreign | 34,966 | 34,966 | - | - |
| Fixed income - domestic | 398,653 | 398,653 | - | - |
| Fixed income - foreign | 30,636 | 30,636 | - | - |
| Certificates of deposit | 2,874,042 | - | - | 2,874,042 |
| | <u>\$ 3,534,208</u> | <u>\$ 560,022</u> | <u>\$ 100,144</u> | <u>\$ 2,874,042</u> |

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2016:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

| | June 30, 2016 Total | Fair Value Measurements Using | | |
|--|------------------------|--|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
| <u>Investments by fair value level</u> | | | | |
| Debt securities: | | | | |
| Corporate bonds | \$ 100,144 | \$ - | \$ 100,144 | \$ - |
| Total debt securities | <u>100,144</u> | <u>-</u> | <u>100,144</u> | <u>-</u> |
| Equity securities: | | | | |
| Common stock - domestic | 80,082 | 80,082 | - | - |
| Mutual funds - domestic and foreign | <u>479,940</u> | <u>479,940</u> | <u>-</u> | <u>-</u> |
| Total equity securities | <u>560,022</u> | <u>560,022</u> | <u>-</u> | <u>-</u> |
| Total investments by fair value level | <u>660,166</u> | <u>\$ 560,022</u> | <u>\$ 100,144</u> | <u>\$ -</u> |
| <u>Cash equivalents measured at the net asset value (NAV)</u> | | | | |
| Money market mutual funds | <u>12,153</u> | | | |
| Total cash equivalents measured at the NAV | <u>12,153</u> | | | |
| Total investments and cash equivalents measured at fair value | <u>\$ 672,319</u> | | | |

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2016 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$2,874,042 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk – Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Credit ratings were not available for the Town's corporate bond holdings totaling \$100,144.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables.

| | Receivables (Due from) | Payables (Due to) |
|---------------------------------|---------------------------|----------------------|
| General fund | \$ 584,054 | \$ 8,782,646 |
| Nonmajor special revenue funds | 4,731,925 | 511,925 |
| Nonmajor capital projects funds | 3,832,553 | 64,629 |
| Nonmajor permanent funds | 131,134 | 7,500 |
| Proprietary funds | 87,034 | - |
| | <u>\$ 9,366,700</u> | <u>\$ 9,366,700</u> |

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

| | Balance, 7/1/15 | Additions | Disposals | Balance, 6/30/16 |
|-----------------------------------|----------------------|---------------------|-------------|----------------------|
| <u>Governmental activities</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 10,950,906 | \$ - | \$ - | \$ 10,950,906 |
| Construction in progress | 5,313 | - | - | 5,313 |
| | <u>10,956,219</u> | <u>-</u> | <u>-</u> | <u>10,956,219</u> |
| Depreciated assets: | | | | |
| Land improvements | 2,203,634 | - | - | 2,203,634 |
| Buildings and improvements | 43,175,428 | 50,440 | - | 43,225,868 |
| Machinery, equipment and vehicles | 7,855,619 | 936,765 | - | 8,792,384 |
| Infrastructure | 11,513,234 | 220,503 | - | 11,733,737 |
| | <u>64,747,915</u> | <u>1,207,708</u> | <u>-</u> | <u>65,955,623</u> |
| Less: accumulated depreciation | <u>(37,509,837)</u> | <u>(1,955,239)</u> | <u>-</u> | <u>(39,465,076)</u> |
| | <u>27,238,078</u> | <u>(747,531)</u> | <u>-</u> | <u>26,490,547</u> |
| Net capital assets | <u>\$ 38,194,297</u> | <u>\$ (747,531)</u> | <u>\$ -</u> | <u>\$ 37,446,766</u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS (CONTINUED)

| | Balance, 7/1/15 | Additions | Disposals | Balance, 6/30/16 |
|---|-----------------------------|----------------------------|--------------------|-----------------------------|
| <u>Business-type activities</u> | | | | |
| Non-depreciated assets: | | | | |
| Land | \$ 285,980 | \$ - | \$ - | \$ 285,980 |
| Construction in progress | 6,506,239 | 5,059,019 | - | 11,565,258 |
| | <u>6,792,219</u> | <u>5,059,019</u> | <u>-</u> | <u>11,851,238</u> |
| Depreciated assets: | | | | |
| Buildings and improvements | 18,646,324 | - | - | 18,646,324 |
| Machinery, equipment and vehicles | 623,944 | 3,685 | - | 627,629 |
| Infrastructure | 44,668 | - | - | 44,668 |
| | <u>19,314,936</u> | <u>3,685</u> | <u>-</u> | <u>19,318,621</u> |
| Less: accumulated depreciation | <u>(6,937,875)</u> | <u>(592,321)</u> | <u>-</u> | <u>(7,530,196)</u> |
| | <u>12,377,061</u> | <u>(588,636)</u> | <u>-</u> | <u>11,788,425</u> |
| Net capital assets | <u><u>\$ 19,169,280</u></u> | <u><u>\$ 4,470,383</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 23,639,663</u></u> |
| <u>Current year depreciation expense:</u> | | | | |
| General government | | | | \$ 107,050 |
| Police | | | | 36,748 |
| Fire | | | | 201,272 |
| Public works | | | | 514,527 |
| Recreation and culture | | | | 162,362 |
| Health and sanitation | | | | 26,478 |
| School department | | | | 795,487 |
| Town-wide | | | | 111,315 |
| Subtotal governmental | | | | <u>1,955,239</u> |
| Sewer department | | | | 592,321 |
| Subtotal business-type | | | | <u>592,321</u> |
| Total depreciation expense | | | | <u><u>\$ 2,547,560</u></u> |

NOTE 5 - SHORT-TERM DEBT

On September 11, 2014, the Town issued a bond anticipation note in anticipation of bond revenues to meet its operating obligations during the fiscal year. The note, a line of credit, allowed principal draws up to \$9,000,000 at 1.00% interest with a maturity date of September 15, 2015.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - SHORT-TERM DEBT (CONTINUED)

Short-term debt activity for the year ended June 30, 2016, was as follows:

| | Balance, 7/1/15 | Additions | Reductions | Balance, 6/30/16 |
|------------------------|--------------------|-----------|----------------|---------------------|
| Bond anticipation note | \$ 9,000,000 | \$ - | \$ (9,000,000) | \$ - |

On September 11, 2015 the note was paid in full. Interest expense for short-term debt activity during the year totaled \$17,947.

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

| | Balance, 7/1/15 (Restated) | Additions | Deletions | Balance, 6/30/16 | Due Within One Year |
|---------------------------------|----------------------------------|----------------------|-----------------------|----------------------|---------------------------|
| <u>Governmental Activities</u> | | | | | |
| Bonds payable | \$ 14,390,000 | \$ 3,354,000 | \$ (1,351,043) | \$ 16,392,957 | \$ 1,295,076 |
| Capital leases payable | 302,931 | 52,517 | (155,459) | 199,989 | 157,344 |
| Accrued compensated absences | 1,400,543 | - | (348,033) | 1,052,510 | 210,502 |
| Pension benefit obligations | 1,753,676 | - | - | 1,753,676 | - |
| Net pension liability | 1,442,716 | 2,300,808 | (579,802) | 3,163,722 | - |
| Total Governmental Activities | <u>\$ 19,289,866</u> | <u>\$ 5,707,325</u> | <u>\$ (2,434,337)</u> | <u>\$ 22,562,854</u> | <u>\$ 1,662,922</u> |
| <u>Business-type Activities</u> | | | | | |
| Bonds payable | \$ 3,086,854 | \$ 11,990,025 | \$ (223,946) | \$ 14,852,933 | \$ 604,417 |
| Capital leases payable | - | 3,685 | - | 3,685 | 737 |
| Accrued compensated absences | 150,425 | - | (6,617) | 143,808 | 28,762 |
| Net pension liability | 300,469 | 314,477 | (285,108) | 329,838 | - |
| Total Business-type Activities | <u>\$ 3,537,748</u> | <u>\$ 12,308,187</u> | <u>\$ (515,671)</u> | <u>\$ 15,330,264</u> | <u>\$ 633,916</u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds payable:

| <u>Bonds</u> | <u>Governmental</u> | <u>Business-type</u> |
|--|---------------------|----------------------|
| \$1,323,000, 2003A Waste Water State Revolving Loan due in annual principal installments and semiannual interest installments through October of 2022. Interest is charged at 1.94% per annum. Annual principal installments vary. | \$ - | \$ 507,421 |
| \$2,660,000, 2006 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2026. Interest is charged at a rate from 4.25% to 4.50% per annum. Annual principal installments are \$110,000 to \$155,000. | 1,265,000 | - |
| \$675,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a rate from 2.00% to 4.00% per annum. Annual principal installments are \$30,000 to \$35,000. | 535,000 | - |
| \$6,525,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a rate varying from 2.00% to 4.00% per annum. Annual principal installments are \$325,000 to \$330,000. | 5,225,000 | - |
| \$3,268,766, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through April of 2030. Interest is charged at 1.00% per annum. Annual principal installments vary from \$148,142 to \$179,346. | - | 2,355,487 |
| \$5,500,000, 2012 General Obligation Bond due in annual principal installments and semiannual interest installments through January of 2032. Interest is charged at a rate from 2.00% to 3.15% per annum. Annual principal installments are \$275,000. | 4,400,000 | - |
| \$2,100,000, 2013 General Obligation Bond due in annual principal installments and semiannual interest installments through December of 2022. Interest is charged at a rate from 1.50% to 2.00% per annum. Annual principal installments are \$210,000. | 1,470,000 | - |
| \$150,000, 2014 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2034. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$6,043 to \$10,111. | 143,957 | - |
| \$958,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$95,000 to \$103,000. | 958,000 | - |
| \$1,300,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments are \$130,000. | 1,300,000 | - |
| \$821,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a rate of 2.00% per annum. Annual principal installments vary from \$80,000 to \$86,000. | 821,000 | - |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - LONG-TERM DEBT (CONTINUED)

| | <u>Governmental</u> | <u>Business-type</u> |
|--|----------------------|----------------------|
| \$11,990,025, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a rate of 1.00% per annum. Annual principal installments vary from \$377,865 to \$742,381. | - | 11,990,025 |
| \$275,000, 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a rate from 0.91% to 3.50% per annum. Annual principal installments vary from \$11,352 to \$17,779. | 275,000 | - |
| | <u>\$ 16,392,957</u> | <u>\$ 14,852,933</u> |

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

Governmental Activities

| | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-----------|----------------------|---------------------|-------------------------------|
| 2017 | \$ 1,295,076 | \$ 435,465 | \$ 1,730,541 |
| 2018 | 1,297,478 | 408,016 | 1,705,494 |
| 2019 | 1,287,662 | 379,355 | 1,667,017 |
| 2020 | 1,287,884 | 349,508 | 1,637,392 |
| 2021 | 1,283,148 | 318,994 | 1,602,142 |
| 2022-2026 | 5,776,134 | 1,133,950 | 6,910,084 |
| 2027-2031 | 3,394,258 | 448,938 | 3,843,196 |
| 2032-2036 | 753,538 | 29,033 | 782,571 |
| 2037-2041 | 17,779 | 311 | 18,090 |
| | <u>\$ 16,392,957</u> | <u>\$ 3,503,570</u> | <u>\$ 19,896,527</u> |

Business-type Activities

| | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-----------|----------------------|---------------------|-------------------------------|
| 2017 | \$ 604,417 | \$ 243,853 | \$ 848,270 |
| 2018 | 669,340 | 179,874 | 849,214 |
| 2019 | 676,495 | 172,533 | 849,028 |
| 2020 | 683,757 | 163,746 | 847,503 |
| 2021 | 691,134 | 154,824 | 845,958 |
| 2022-2026 | 3,720,922 | 686,222 | 4,407,144 |
| 2027-2031 | 4,168,102 | 509,673 | 4,677,775 |
| 2032-2036 | 3,638,766 | 278,220 | 3,916,986 |
| | <u>\$ 14,852,933</u> | <u>\$ 2,388,945</u> | <u>\$ 17,241,878</u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - LONG-TERM DEBT (CONTINUED)

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2016 was \$471,037.

The total long-term debt presented for the business-type activities varies from the total amount presented on the proprietary funds statement of net position due to the undrawn portion of the 2015 General Obligation Bond as of June 30, 2016. As such, the proprietary funds statement of net position reports the amount that has been drawn down as of June 30, 2016, while the long-term debt schedule, presented above, reports the entire amount of the bond for which the Town is liable. Subsequent to the Town's year end, the amount remaining on the bond was drawn down.

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

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

| | <u>Governmental</u> | <u>Business-type</u> |
|--|---------------------|----------------------|
| <u>Capital Leases</u> | | |
| \$522,755, 2011 Capital Lease payable to Gorham Leasing Group for HVAC equipment, due in annual installments of \$115,228 through August of 2016. Interest is charged at a rate of 3.33% per annum. | \$ 111,515 | \$ - |
| \$168,719, 2011 Capital Lease payable to M.S.T. Government Leasing, LLC for photocopiers, due in annual installments of \$37,254 through August of 2016. Interest is charged at a rate of 3.49% per annum. | 35,957 | - |
| \$56,202, 2015 Capital Lease payable to Norway Savings Bank for photocopiers, due in annual installments of \$12,234 through August of 2020. Interest is charged at a rate of 2.890% per annum. | 52,517 | 3,685 |
| | <u>\$ 199,989</u> | <u>\$ 3,685</u> |

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

| | <u>Governmental</u> | <u>Business-type</u> |
|--|---------------------|----------------------|
| 2017 | \$ 163,831 | \$ 845 |
| 2018 | 11,410 | 823 |
| 2019 | 11,432 | 802 |
| 2020 | 11,453 | 781 |
| 2021 | 11,474 | 759 |
| Total minimum lease payments | 209,600 | 4,010 |
| Less: Amount representing interest | (9,611) | (325) |
| Present value of future minimum lease payments | <u>\$ 199,989</u> | <u>\$ 3,685</u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the Town had the following nonspendable fund balances:

| | |
|---|-------------------|
| General fund: | |
| Prepaid items | \$ 257,804 |
| Inventory | 24,475 |
| Nonmajor special revenue funds (Schedule E) | 11,188 |
| Nonmajor permanent funds (Schedule I) | 60,000 |
| | <u>\$ 353,467</u> |

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2016, the Town had the following restricted fund balances:

| | |
|--|---------------------|
| General fund: | |
| Education | \$ 760,594 |
| Nonmajor special revenue funds (Schedule E) | 167,608 |
| Nonmajor capital projects funds (Schedule G) | 2,261,464 |
| Nonmajor permanent funds (Schedule I) | 751,634 |
| | <u>\$ 3,941,300</u> |

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2016, the Town had the following committed fund balances:

| | |
|--|---------------------|
| Nonmajor special revenue funds (Schedule E) | \$ 4,368,453 |
| Nonmajor capital projects funds (Schedule G) | 1,360,682 |
| | <u>\$ 5,729,135</u> |

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2016, the Town had the following assigned fund balances:

| | |
|---|-------------------|
| General fund: | |
| Highway | \$ 54,000 |
| Resource recovery | 20,000 |
| Nonmajor special revenue funds (Schedule E) | 65,856 |
| | <u>\$ 139,856</u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 11 - DEFICIT FUND BALANCES

At June 30, 2016, the Town had the following deficit fund balances:

| | | |
|------------------------------|----|----------------|
| Nonmajor funds: | | |
| Accrued Compensated Absences | \$ | 1,159 |
| Town Pier | | 104,956 |
| Police Forfeiture | | 806 |
| Dispatch Center | | 1,000 |
| Drainage Products | | 15,939 |
| Office Furniture Equipment | | 3,463 |
| Fire Fighters' SCBA's | | 29,507 |
| Street Lights | | 35,122 |
| Total | \$ | <u>191,952</u> |

NOTE 12 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2016, the Town's share was as follows:

| | <u>Outstanding Debt</u> | <u>Town's Percentage</u> | <u>Total Share</u> |
|----------------|-----------------------------|------------------------------|------------------------|
| County of York | \$ 6,405,567 | 5.15% | <u>\$ 329,682</u> |

NOTE 13 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police and fire department employees are part of the PLDs special plan "1C" (effective July 1, 2007) and are required to contribute 7.5% of their annual salary, while all other employees are part of regular plan "AC" and are required to contribute 7.5% of their annual salary. The Town is required to contribute the actuarially determined rates of 14.0% for special plan "1C" members' covered payroll and 8.9% for regular plan "AC" members' covered payroll during the year. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2016 was \$463,294.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

STATE EMPLOYEE AND TEACHER PLAN

Plan Description

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

Benefits Provided

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. The Town's teachers are required to contribute 7.65% of their compensation to the retirement system. The Town's payroll for teachers covered by this program was approximately \$7,602,064 for the year ended June 30, 2016. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 10.02% of the Town's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$741,469 for the year ended June 30, 2016. Title 5 of the Maine Revised Statutes Annotated also requires the Town to contribute at an actuarially determined normal cost rate of 3.36%, which totaled \$255,431 for 2016. In addition, the Town is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 10.57% of compensation and totaled \$21,370 the year ended June 30, 2016.

Pension Liabilities

PLD Consolidated Plan

At June 30, 2016, the Town reported a liability of \$3,253,198 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2015, the Town's proportion was 1.019662%, which was an increase of 0.019945% from its proportion measured as of June 30, 2014.

SET Plan

At June 30, 2016, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | |
|---|----------------------------|
| Town's proportionate share of the net pension liability | \$ 240,362 |
| State's proportionate share of the net pension liability associated with the Town | <u>8,327,329</u> |
| Total | <u><u>\$ 8,567,691</u></u> |

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2015, the Town's proportion was 0.017804%, which was a decrease of 0.001154% from its proportion measured as of June 30, 2014.

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

For the year ended June 30, 2016, the Town recognized total pension expense of \$455,369 for the PLD plan and total pension expense of \$361,311 and revenue of \$378,637 for support provided by the State of Maine for the SET plan. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | PLD Plan | | SET Plan | |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 131,352 | \$ 417,819 | \$ - | \$ 1,669 |
| Changes of assumptions | 287,496 | - | 6,623 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,004,056 | 1,249,838 | 50,860 | 61,729 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 99,659 | - | 59,322 | 12,812 |
| Contributions subsequent to the measurement date | 463,294 | - | 275,704 | - |
| Total | <u><u>\$ 1,985,857</u></u> | <u><u>\$ 1,667,657</u></u> | <u><u>\$ 392,509</u></u> | <u><u>\$ 76,210</u></u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$463,294 for the PLD plan and \$275,704 for the SET plan were reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | PLD Plan | SET Plan |
|---------------------|--------------|-------------|
| Year ended June 30: | | |
| 2017 | \$ (100,963) | \$ 50,219 |
| 2018 | (100,963) | (14,477) |
| 2019 | (194,180) | (7,861) |
| 2020 | 251,014 | 12,715 |
| 2021 | - | - |
| Thereafter | - | - |

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2015 and 2014, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

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

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Valuation Method

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

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015 and June 30, 2014 are as follows:

Investment Rate of Return - For the PLD Plan, 7.125% per annum for the year ended June 30, 2015 and 7.25% per annum for the year ended June 30, 2014, compounded annually; for the State Employee and Teacher Plan, 7.125% per annum for the years ended June 30, 2015 and 2014, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 3.50% to 9.50% per year; state employees, 3.50% to 10.50% per year; teachers, 3.50% to 13.5% per year.

Mortality Rates - For participating local districts and state employee members, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

Cost of Living Benefit Increases – for participating local districts, 2.55% per annum for the year ended June 30, 2015, and 3.12% per annum for the year ended June 30, 2014; for state employees and teachers 2.55% per annum for the years ended June 30, 2015 and 2014.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation)

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2015 are summarized in the following table:

| Asset Class | PLD Plan | | SET Plan | |
|-----------------|-------------------|--|-------------------|--|
| | Target Allocation | Long-term Expected Real Rate of Return | Target Allocation | Long-term Expected Real Rate of Return |
| US equities | 20% | 5.2% | 20% | 5.2% |
| Non-US equities | 20% | 5.5% | 20% | 5.5% |
| Private equity | 10% | 7.6% | 10% | 7.6% |
| Real assets: | | | | |
| Real estate | 10% | 3.7% | 10% | 3.7% |
| Infrastructure | 10% | 4.0% | 10% | 4.0% |
| Hard assets | 5% | 4.8% | 5% | 4.8% |
| Fixed income | 25% | 0.7% | 25% | 0.7% |

Discount Rate

The discount rate used to measure the collective total pension liability was 7.125% for 2015 for each of the Plans and 7.125% for 2014 for the State Employee and Teacher Plan and 7.25% for 2014 for the PLD Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2015 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 7.125% for each of the Plans.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| <u>PLD Plan:</u> | | | |
| Discount rate | 6.125% | 7.125% | 8.125% |
| Town's proportionate share of the net pension liability | \$ 6,481,334 | \$ 3,253,198 | \$ 192,726 |
| <u>SET Plan:</u> | | | |
| Discount rate | 6.125% | 7.125% | 8.125% |
| Town's proportionate share of the net pension liability | \$ 420,816 | \$ 240,362 | \$ 90,064 |

Changes in Net Pension Liability

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2015 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2015 and 2014, this was 4 years for the PLD Consolidated Plan and 3 years for the SET Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There were no changes in assumptions for the SET Plan. For the PLD Plan, the discount rate was decreased from 7.25% to 7.125% and the cost of living benefit increase assumption was changed from 3.12% to 2.55%.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2015 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (800) 451-9800.

NOTE 14 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT
CORPORATION

A. Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all Town employees permits them to defer a portion of their salary, in addition to Town contributions, until future years. Employee's participation in this plan is voluntary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - DEFERRED COMPENSATION PLAN (CONTINUED)

B. Funding Policy

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

The Town's contributions to the plan including employee contributions for 2016, 2015 and 2014 were \$97,431, \$85,186, and \$71,855, respectively.

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

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

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

NOTE 15 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the Town had the following overspent appropriations:

| | | |
|----------------------------|----|----------------|
| Public safety | \$ | 63,058 |
| Social services | | 5,539 |
| County tax | | 562 |
| Debt service - interest | | 28,350 |
| Grant funds/misc. accounts | | 11,167 |
| Transfers to other funds | | 428,339 |
| Total | \$ | <u>537,015</u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 - CONTINGENCIES

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

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

NOTE 17 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2016. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 18 - 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following is the current census of Town benefit participants as of June 30, 2015 (the most current period available):

| | |
|----------------------|------------------|
| Active members | 74 |
| Retirees and spouses | <u>18</u> |
| Total | <u><u>92</u></u> |

The Town is considering its valuation of other postemployment benefits and a strategy to not only disclose a cost of the benefit, but to also comply with GASB Statement No. 45. The most recent available other postemployment benefit information follows:

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 No. 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 ended June 30, 2015 (the most current period available), the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

| | |
|--|----------------------------|
| Annual required contribution (ARC) | \$ 254,325 |
| Interest on net OPEB obligation | 65,374 |
| Adjustment to annual required contribution | <u>(92,680)</u> |
| Annual OPEB cost | 227,019 |
| Contributions made | <u>(107,695)</u> |
| Increase in net OPEB obligation | 119,324 |
| Net OPEB obligation, beginning of year | <u>1,634,352</u> |
| Net OPEB obligation, end of year | <u><u>\$ 1,753,676</u></u> |

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented below. Data is presented for the fiscal years ended June 30, 2011 through June 30, 2015 (the most current period available).

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Actual Contribution</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation</u> |
|-----------------------------------|---------------------------------------|--------------------------------|--|------------------------------------|
| 6/30/2011 | \$ 291,507 | \$ 115,000 | 39.5% | \$ 1,192,562 |
| 6/30/2012 | \$ 282,906 | \$ 121,000 | 42.8% | \$ 1,354,468 |
| 6/30/2013 | \$ 283,464 | \$ 121,000 | 42.7% | \$ 1,516,932 |
| 6/30/2014 | \$ 251,197 | \$ 133,777 | 53.3% | \$ 1,634,352 |
| 6/30/2015 | \$ 227,019 | \$ 107,695 | 47.4% | \$ 1,753,676 |

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 July 1, 2013 actuarial valuation, the projected unit credit (PUC) method was used. The actuarial assumptions include a 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.

An annual healthcare cost blended trend rate of 3.00% for pre 65 and 0.00% for post 65 were initially used, decreasing at a variable rate per year to an ultimate rate of 4.00% for 2029 and later. The remaining amortization period at June 30, 2015 was 28 years. As of July 1, 2013, the most recent actuarial valuation date, the plan was 0.00% funded. The actuarial accrued liability for benefits was approximately \$2,932,443, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$2,932,443.

These numbers are based on information that was presented for the year ending June 30, 2015 (the most recent period available). The amortization method that was used to calculate the numbers is presented below.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

| | |
|------------------------------|-----------------|
| | Level Dollar |
| Discount rate | 4.00% |
| Payroll growth assumption | N/A |
| Accrued liability | \$ 2,932,443 |
| Value of assets | - |
| Unfunded liability | \$ 2,932,443 |
| Normal cost | \$ 86,325 |
| Amortization of unfunded | 163,061 |
| Interest | 4,939 |
| Annual required contribution | \$ 254,325 |

The required schedule of funding progress, presented as required supplementary information, 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.

It is the intention of the Town to update the necessary information related to its other postemployment benefits for the year ended June 30, 2017.

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS

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

Municipal Development District #1 (Mixed Use)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #1 is 79.94 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, construction of new Town square, sewer and water system improvements including installation of lines, economic development planning and administrative expenses associated with the development effort. The original assessed

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

value of the property is \$3,156,500. The Town anticipates over the life of the district that new development, rehabilitation, and redevelopment will result in approximately \$14,750,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$4,350,411. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

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

Municipal Development District #2 (Route 1 Shopping Corridor)

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

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

Municipal Development District #3 (Business Park)

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

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

NOTE 20 - COLLATERALIZATION

At June 30, 2016, the Town has two outstanding irrevocable standby letters of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. These letters of credit, which all expire at the close of business on July 15, 2016, authorize one draw each only up to the amount of \$16,000,000 and \$2,000,000, respectively. There were no draws for the year ended June 30, 2016.

NOTE 21 - RESTATEMENTS

The beginning fund balances of the general fund, special revenue funds and capital projects funds have been restated as of July 1, 2015. These balances were restated to reclassify amounts committed in the general fund as special revenue funds and capital projects funds. The beginning fund balances of the general fund, special revenue funds and capital projects funds were restated by (\$1,127,786), \$841,307, and \$286,479, respectively.

The beginning fund balance of the permanent funds has been restated as of July 1, 2015. This balance was restated to include the George Smart Santa Fund. The permanent funds were restated by \$4,879.

The beginning net position of the governmental activities has been restated as of July 1, 2015. This balance was restated to correct the capital leases balance. The governmental activities were restated by (\$12,714).

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 21 - RESTATEMENTS (CONTINUED)

The net restatement to the general fund, special revenue funds, capital projects funds, permanent funds and governmental activities was (\$1,127,786), \$841,307, \$286,479, \$4,879 and (\$7,835), respectively.

NOTE 22 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 23 - SUBSEQUENT EVENTS

Original Issuance

On or around June of 2013, the Town voted to borrow approximately \$11.9 million, for various sewer projects. Much of this project is centered around a TIF which has already been approved by the Town and the Department of Economic and Community Development. Also as part of this sewer expansion, many sewer users, because of an existing Town ordinance, were required to hook up to this sewer expansion. There was a betterment fee incurred to the sewer users and the Town has agreed to charge a set amount for this betterment fee and work with the sewer users to allow them to finance this fee. There are many financial implications to this whole project to which the amount and the financial impact cannot be determined as of the date of these financial statements.

On September 13, 2016, the Town approved a resolution to authorize the issuance of a 2016 General Obligation Refunding Bond in the amount of \$1,140,000. Payments will be due in annual principal installments varying from \$125,000 to \$110,000 through November of 2026. Interest will be charged at a rate varying from 2.00% to 2.25% per annum. The disbursement of the bond proceeds had not been received as of June 30, 2016.

Reissuance

Due to correspondence received by the Town of Kittery dated January 31, 2017 from Maine Municipal Bond Bank, the Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs related to the Clean Water State Revolving Fund, CFDA No. 66.458, has been updated.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information
- Schedule of Funding Progress for Retiree Healthcare Plan

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual | Variance |
|--|---------------------|---------------------|---------------------|------------------------|
| | Original | Final | Amounts | Positive (Negative) |
| Budgetary Fund Balance, July 1, Restated | \$ 7,367,960 | \$ 7,367,960 | \$ 7,367,960 | \$ - |
| Resources (Inflows): | | | | |
| General tax revenue | 23,797,082 | 23,797,082 | 24,307,752 | 510,670 |
| Intergovernmental revenue | 1,719,522 | 1,719,522 | 1,895,331 | 175,809 |
| Charges for services | 1,677,940 | 1,678,260 | 1,885,427 | 207,167 |
| Investment income | 30,600 | 30,600 | 40,429 | 9,829 |
| Other revenue | 131,900 | 152,442 | 146,285 | (6,157) |
| Transfers from other funds | 53,923 | 53,923 | 324,798 | 270,875 |
| Amounts Available for Appropriation | <u>34,778,927</u> | <u>34,799,789</u> | <u>35,967,982</u> | <u>1,168,193</u> |
| Charges to Appropriations (Outflows): | | | | |
| General government | 1,856,808 | 1,870,467 | 1,801,778 | 68,689 |
| Public safety | 3,397,464 | 3,415,524 | 3,478,582 | (63,058) |
| Public works | 1,182,915 | 1,182,915 | 1,116,406 | 66,509 |
| Recreation and culture | 2,121,142 | 2,121,142 | 2,081,407 | 39,735 |
| Health and sanitation | 674,133 | 674,133 | 571,321 | 102,812 |
| Social services | 54,433 | 54,433 | 59,972 | (5,539) |
| Education | 15,461,194 | 15,461,194 | 15,102,707 | 358,487 |
| County tax | 912,386 | 912,386 | 912,948 | (562) |
| Debt service: | | | | |
| Principal | 471,043 | 471,043 | 471,043 | - |
| Interest | 192,335 | 192,335 | 220,685 | (28,350) |
| Overlay | 131,928 | 128,298 | 10,873 | 117,425 |
| Grant funds/misc. accounts | 108,423 | 171,506 | 182,673 | (11,167) |
| Transfers to other funds | 1,286,763 | 3,323,450 | 3,751,789 | (428,339) |
| Total Charges to Appropriations | <u>27,850,967</u> | <u>29,978,826</u> | <u>29,762,184</u> | <u>216,642</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 6,927,960</u> | <u>\$ 4,820,963</u> | <u>\$ 6,205,798</u> | <u>\$ 1,384,835</u> |
| Utilization of unassigned fund balance | \$ - | \$ 42,222 | \$ - | \$ (42,222) |
| Utilization of assigned fund balance | - | 51,718 | - | (51,718) |
| Utilization of committed fund balance | - | 1,907,408 | - | (1,907,408) |
| Utilization of restricted fund balance | 440,000 | 545,649 | - | (545,649) |
| | <u>\$ 440,000</u> | <u>\$ 2,546,997</u> | <u>\$ -</u> | <u>\$ (2,546,997)</u> |

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

TOWN OF KITTERY, MAINE

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

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| <u>PLD Plan:</u> | | |
| Proportion of the net pension liability | 1.02% | 1.00% |
| Proportionate share of the net pension liability | \$ 3,253,198 | \$ 1,538,376 |
| Covered employee payroll | \$ 4,437,060 | \$ 3,616,518 |
| Proportionate share of the net pension liability as a percentage of its covered employee payroll | 73.32% | 42.54% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.30% | 94.10% |
| <u>SET Plan:</u> | | |
| School Department's proportion of the net pension liability | 0.02% | 0.02% |
| School Department's proportionate share of the net pension liability | \$ 240,362 | \$ 204,809 |
| State's proportionate share of the net pension liability associated with the School Department | <u>8,327,329</u> | <u>6,502,031</u> |
| Total | <u>\$ 8,567,691</u> | <u>\$ 6,706,840</u> |
| School Department's covered employee payroll | \$ 7,602,064 | \$ 7,506,846 |
| School Department's proportionate share of the net pension liability as a percentage of its covered employee payroll | 3.16% | 2.73% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.18% | 83.91% |

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

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

TOWN OF KITTERY, MAINE

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

| | 2016 | 2015 |
|--|------------------|------------------|
| <u>PLD Plan:</u> | | |
| Contractually required contribution | \$ 463,294 | \$ 416,802 |
| Contributions in relation to the contractually required contribution | <u>(463,294)</u> | <u>(416,802)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 4,437,060 | \$ 3,616,518 |
| Contributions as a percentage of covered employee payroll | 10.44% | 11.52% |
| <u>SET Plan:</u> | | |
| Contractually required contribution | \$ 275,704 | \$ 220,876 |
| Contributions in relation to the contractually required contribution | <u>(275,704)</u> | <u>(220,876)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| School Department's covered employee payroll | \$ 7,602,064 | \$ 7,506,846 |
| Contributions as a percentage of covered employee payroll | 3.63% | 2.94% |

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

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

TOWN OF KITTERY, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.25% to 7.125%. This change was made in the other MainePERS Programs with the 2014 valuation, but is first being recognized in the PLD Consolidated Plan in 2015. In addition to this change, the cost of living benefit increase assumption was changed from 3.12% to 2.55%. Further, those PLDs who had an IUUAL Surplus account received a refund of that account. As a result, there will be no more IUUAL surplus payments reflected beginning with the 2015 valuation. Finally, the amortization methodology for the Pooled Unfunded Actuarial Liability (PUAL) was changed from a fifteen-year open level dollar method to a method where a separate twenty-year closed period is established annually for the gain or loss in that year with these amortizations being developed as a level percentage of payroll and amortizing the existing PUAL at the time of this change, July 1, 2015, over a closed fifteen-year period beginning on this date.

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

TOWN OF KITTEERY, MAINE

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTHCARE PLAN
FOR THE YEARS ENDED JUNE 30,

| 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) |
|--------------------------------|--|---|--------------------------|---------------------------|--|
| 6/30/2011 | \$ - | \$ 3,146,751 | 0.0% | N/A | N/A |
| 6/30/2012 | \$ - | \$ 3,146,751 | 0.0% | N/A | N/A |
| 6/30/2013 | \$ - | \$ 3,146,751 | 0.0% | N/A | N/A |
| 6/30/2014 | \$ - | \$ 3,151,662 | 0.0% | \$ 4,118,570 | 76.52% |
| 6/30/2015 | \$ - | \$ 2,932,443 | 0.0% | \$ 4,200,941 | 69.80% |

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

Other Supplementary Information

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

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

SCHEDULE A

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2016

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------|----------------------|----------------------|----------------------|------------------------------------|
| REVENUES | | | | |
| General tax revenues: | | | | |
| Property taxes | \$ 22,289,414 | \$ 22,289,414 | \$ 22,529,289 | \$ 239,875 |
| Vehicle excise taxes | 1,479,668 | 1,479,668 | 1,751,648 | 271,980 |
| Boat excise taxes | 28,000 | 28,000 | 26,815 | (1,185) |
| Intergovernmental revenues: | | | | |
| Education subsidy | 686,862 | 686,862 | 686,862 | - |
| State revenue sharing | 378,030 | 378,030 | 414,234 | 36,204 |
| Homestead exemption | 121,130 | 121,130 | 130,624 | 9,494 |
| Other education revenue | 230,000 | 230,000 | 355,538 | 125,538 |
| GMH Housing | 267,800 | 267,800 | 265,126 | (2,674) |
| General assistance | 35,000 | 35,000 | 39,297 | 4,297 |
| Other | 700 | 700 | 3,650 | 2,950 |
| Charges for services: | | | | |
| Recreation fees | 750,000 | 750,000 | 835,748 | 85,748 |
| Code enforcement fees | 175,000 | 175,000 | 243,714 | 68,714 |
| Registration fees | 26,500 | 26,500 | 28,407 | 1,907 |
| Town clerk fees | 19,500 | 19,500 | 24,593 | 5,093 |
| Planning fees | 11,000 | 11,000 | 17,712 | 6,712 |
| Sign/ordinances | 82,200 | 2,700 | 4,325 | 1,625 |
| Solid waste/recycling | 101,000 | 101,000 | 170,767 | 69,767 |
| Solid waste/permits | 88,850 | 88,850 | 4,723 | (84,127) |
| Fort Foster fees | 180,000 | 180,000 | 195,526 | 15,526 |
| Dispatching services | 16,500 | 96,000 | 96,000 | - |
| Police department | 86,240 | 86,560 | 89,211 | 2,651 |
| Animal control | 8,000 | 8,000 | 11,365 | 3,365 |
| Public works | - | - | 11,500 | 11,500 |
| Mooring/launch fees | 108,500 | 108,500 | 116,167 | 7,667 |
| Harbor fees | 9,000 | 9,000 | 14,211 | 5,211 |
| Education | 5,000 | 5,000 | 9,143 | 4,143 |
| Other | 10,650 | 10,650 | 12,315 | 1,665 |
| Investment income: | | | | |
| Investment income | 30,600 | 30,600 | 40,429 | 9,829 |
| Other income: | | | | |
| Interest/fees on taxes | 70,000 | 70,000 | 50,811 | (19,189) |
| Payment in lieu of taxes | - | - | 14,722 | 14,722 |
| Other income | 40,900 | 61,442 | 56,401 | (5,041) |
| Other education | 21,000 | 21,000 | 24,351 | 3,351 |
| Transfers from other funds: | | | | |
| Special revenue funds | - | - | 142,284 | 142,284 |
| Capital projects funds | 23,923 | 23,923 | 152,514 | 128,591 |
| Permanent funds | 30,000 | 30,000 | 30,000 | - |
| Total revenues | <u>\$ 27,410,967</u> | <u>\$ 27,431,829</u> | <u>\$ 28,600,022</u> | <u>\$ 1,168,193</u> |

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

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | Budget | Budget Adjustments | Final Available | Actual | Variance Positive (Negative) |
|-------------------------------|------------------|-----------------------|--------------------|------------------|------------------------------------|
| General government | | | | | |
| Administration | \$ 971,168 | \$ 11,929 | \$ 983,097 | \$ 1,038,904 | \$ (55,807) |
| Assessing | 182,306 | - | 182,306 | 111,121 | 71,185 |
| Code enforcement | 369,607 | - | 369,607 | 350,473 | 19,134 |
| Insurance | 300,058 | - | 300,058 | 275,347 | 24,711 |
| Planning board | 15,575 | - | 15,575 | 10,251 | 5,324 |
| Elections | 10,438 | 1,730 | 12,168 | 9,964 | 2,204 |
| Council | 7,656 | - | 7,656 | 5,718 | 1,938 |
| | <u>1,856,808</u> | <u>13,659</u> | <u>1,870,467</u> | <u>1,801,778</u> | <u>68,689</u> |
| Public safety | | | | | |
| Police department | 2,746,959 | 18,060 | 2,765,019 | 2,787,809 | (22,790) |
| Fire department | 313,625 | - | 313,625 | 337,826 | (24,201) |
| Street lights | 113,600 | - | 113,600 | 128,599 | (14,999) |
| Hydrants | 221,780 | - | 221,780 | 224,348 | (2,568) |
| Civil emergency preparedness | 1,500 | - | 1,500 | - | 1,500 |
| | <u>3,397,464</u> | <u>18,060</u> | <u>3,415,524</u> | <u>3,478,582</u> | <u>(63,058)</u> |
| Public works | | | | | |
| Highways | 1,182,915 | - | 1,182,915 | 1,116,406 | 66,509 |
| | <u>1,182,915</u> | <u>-</u> | <u>1,182,915</u> | <u>1,116,406</u> | <u>66,509</u> |
| Recreation and culture | | | | | |
| Parks | 164,226 | - | 164,226 | 154,114 | 10,112 |
| Fort Foster | 155,886 | - | 155,886 | 136,581 | 19,305 |
| Recreation | 1,233,819 | - | 1,233,819 | 1,225,091 | 8,728 |
| Library | 448,412 | - | 448,412 | 448,412 | - |
| Port Authority | 118,799 | - | 118,799 | 117,209 | 1,590 |
| | <u>2,121,142</u> | <u>-</u> | <u>2,121,142</u> | <u>2,081,407</u> | <u>39,735</u> |
| Health and sanitation | | | | | |
| Solid waste | 674,133 | - | 674,133 | 571,321 | 102,812 |
| | <u>674,133</u> | <u>-</u> | <u>674,133</u> | <u>571,321</u> | <u>102,812</u> |
| Social services | | | | | |
| General assistance | 40,000 | - | 40,000 | 48,141 | (8,141) |
| Community agencies | 13,830 | - | 13,830 | 11,230 | 2,600 |
| Public health services | 603 | - | 603 | 601 | 2 |
| | <u>54,433</u> | <u>-</u> | <u>54,433</u> | <u>59,972</u> | <u>(5,539)</u> |

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | Budget | Budget Adjustments | Final Available | Actual | Variance Positive (Negative) |
|-----------------------------------|----------------------|-----------------------|----------------------|----------------------|------------------------------------|
| Education | 15,461,194 | - | 15,461,194 | 15,102,707 | 358,487 |
| County tax | 912,386 | - | 912,386 | 912,948 | (562) |
| Debt service | | | | | |
| Principal | 471,043 | - | 471,043 | 471,043 | - |
| Interest | 192,335 | - | 192,335 | 220,685 | (28,350) |
| | 663,378 | - | 663,378 | 691,728 | (28,350) |
| Overlay | 131,928 | (3,630) | 128,298 | 10,873 | 117,425 |
| Grant funds/misc. accounts | | | | | |
| EPA stormwater program | 16,650 | - | 16,650 | 17,673 | (1,023) |
| Memorial day activities | 675 | - | 675 | - | 675 |
| Computer repair | 25,000 | - | 25,000 | 39,278 | (14,278) |
| Seacoast shipyard | 1,500 | - | 1,500 | 1,500 | - |
| Shellfish conservation | 2,900 | - | 2,900 | 2,875 | 25 |
| Conservation commission | 500 | - | 500 | 75 | 425 |
| Self insurance claims | - | 26,083 | 26,083 | 23,013 | 3,070 |
| Grant matching funds | - | 37,000 | 37,000 | 37,000 | - |
| Mosquito/tick control | 30,000 | - | 30,000 | 30,000 | - |
| GIS/web account | 3,600 | - | 3,600 | 4,500 | (900) |
| PSAP paid to York police dept. | 27,000 | - | 27,000 | 26,068 | 932 |
| Bank fees/charges | 598 | - | 598 | 691 | (93) |
| | 108,423 | 63,083 | 171,506 | 182,673 | (11,167) |
| Transfers to other funds | | | | | |
| Special revenue funds | 1,037,116 | 2,036,687 | 3,073,803 | 3,073,803 | - |
| Capital projects funds | 249,647 | - | 249,647 | 249,647 | - |
| Enterprise funds | - | - | - | 428,339 | (428,339) |
| | 1,286,763 | 2,036,687 | 3,323,450 | 3,751,789 | (428,339) |
| Total Expenditures | <u>\$ 27,850,967</u> | <u>\$ 2,127,859</u> | <u>\$ 29,978,826</u> | <u>\$ 29,762,184</u> | <u>\$ 216,642</u> |

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|------------------------------|--------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 131 | \$ - | \$ 29,612 | \$ 29,743 |
| Investments | - | - | 660,166 | 660,166 |
| Accounts receivable (net of allowance for uncollectibles) | 36,639 | - | - | 36,639 |
| Due from other governments | 581,080 | - | - | 581,080 |
| Prepaid items | 109 | - | - | 109 |
| Inventory | 11,079 | - | - | 11,079 |
| Due from other funds | 4,731,925 | 3,832,553 | 131,134 | 8,695,612 |
| TOTAL ASSETS | <u>\$ 5,360,963</u> | <u>\$ 3,832,553</u> | <u>\$ 820,912</u> | <u>\$ 10,014,428</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 184,530 | \$ 210,407 | \$ 2,550 | \$ 397,487 |
| Accrued expenses | 179,158 | - | - | 179,158 |
| Due to other funds | 511,925 | 64,629 | 7,500 | 584,054 |
| TOTAL LIABILITIES | <u>875,613</u> | <u>275,036</u> | <u>10,050</u> | <u>1,160,699</u> |
| FUND BALANCES | | | | |
| Nonspendable | 11,188 | - | 60,000 | 71,188 |
| Restricted | 167,608 | 2,261,464 | 751,634 | 3,180,706 |
| Committed | 4,368,453 | 1,360,682 | - | 5,729,135 |
| Assigned | 65,856 | - | - | 65,856 |
| Unassigned | (127,755) | (64,629) | (772) | (193,156) |
| TOTAL FUND BALANCES | <u>4,485,350</u> | <u>3,557,517</u> | <u>810,862</u> | <u>8,853,729</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 5,360,963</u> | <u>\$ 3,832,553</u> | <u>\$ 820,912</u> | <u>\$ 10,014,428</u> |

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

SCHEDULE D

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|--------------------|---|
| REVENUES | | | | |
| Intergovernmental revenues | \$ 1,036,957 | \$ 153,236 | \$ - | \$ 1,190,193 |
| Charges for services | 328,624 | - | - | 328,624 |
| Investment income, net of unrealized gains/(losses) | - | - | 13,000 | 13,000 |
| Interest income | 500 | 5,868 | 17,567 | 23,935 |
| Other income | 589,437 | 560 | 33,293 | 623,290 |
| TOTAL REVENUES | <u>1,955,518</u> | <u>159,664</u> | <u>63,860</u> | <u>2,179,042</u> |
| EXPENDITURES | | | | |
| General government | 320,258 | - | 52,676 | 372,934 |
| Public safety | 302,458 | 262,875 | - | 565,333 |
| Public works | 302,615 | 723,850 | - | 1,026,465 |
| Health and sanitation | 339,692 | - | - | 339,692 |
| Recreation and culture | 105,024 | - | - | 105,024 |
| Education | 1,415,726 | 202,070 | - | 1,617,796 |
| Other | 513,787 | 26,050 | - | 539,837 |
| TOTAL EXPENDITURES | <u>3,299,560</u> | <u>1,214,845</u> | <u>52,676</u> | <u>4,567,081</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,344,042)</u> | <u>(1,055,181)</u> | <u>11,184</u> | <u>(2,388,039)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond proceeds | 275,000 | 3,079,000 | - | 3,354,000 |
| Premiums on bond issuance | - | 48,637 | - | 48,637 |
| Bond issuance costs | - | (48,637) | - | (48,637) |
| Transfers in | 4,253,129 | 284,768 | - | 4,537,897 |
| Transfers (out) | (272,367) | (152,513) | (30,000) | (454,880) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>4,255,762</u> | <u>3,211,255</u> | <u>(30,000)</u> | <u>7,437,017</u> |
| NET CHANGE IN FUND BALANCES | 2,911,720 | 2,156,074 | (18,816) | 5,048,978 |
| FUND BALANCES, JULY 1, RESTATED | <u>1,573,630</u> | <u>1,401,443</u> | <u>829,678</u> | <u>3,804,751</u> |
| FUND BALANCES, JUNE 30 | <u>\$ 4,485,350</u> | <u>\$ 3,557,517</u> | <u>\$ 810,862</u> | <u>\$ 8,853,729</u> |

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

Special Revenue Funds

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | ASA Applicant Code | Brownfields Grant | Channel 22 | Concert in the Park | D.A.R.E. | Fire Hazmat Spill Cleanup | Thresher Memorial |
|--|--------------------------|----------------------|-------------------|------------------------|---------------|---------------------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | - | - |
| Due from other governments | - | 173,146 | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | 30,989 | - | 377,655 | 97 | 216 | 2,091 | 3,555 |
| TOTAL ASSETS | <u>\$ 30,989</u> | <u>\$ 173,146</u> | <u>\$ 377,655</u> | <u>\$ 97</u> | <u>\$ 216</u> | <u>\$ 2,091</u> | <u>\$ 3,555</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 4,607 | \$ 3,058 | \$ 9,836 | \$ - | \$ - | \$ - | \$ 85 |
| Accrued expenses | - | 169,920 | - | - | - | - | - |
| Due to other funds | - | 168 | - | - | - | - | - |
| TOTAL LIABILITIES | <u>4,607</u> | <u>173,146</u> | <u>9,836</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>85</u> |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | 26,382 | - | 367,819 | 97 | 216 | 2,091 | 3,470 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>26,382</u> | <u>-</u> | <u>367,819</u> | <u>97</u> | <u>216</u> | <u>2,091</u> | <u>3,470</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 30,989</u> | <u>\$ 173,146</u> | <u>\$ 377,655</u> | <u>\$ 97</u> | <u>\$ 216</u> | <u>\$ 2,091</u> | <u>\$ 3,555</u> |

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Accrued Compensated Absences | Ballot Counting Machines | GMH Fire/Police Protection | Town Pier | Kittery Block Party | Kittery Community Center | York Hospital |
|--|------------------------------------|--------------------------------|----------------------------------|------------------|---------------------------|--------------------------------|------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | - | 6,078 | 482 | - | 28,067 | 14,233 | 13,227 |
| TOTAL ASSETS | \$ - | \$ 6,078 | \$ 482 | \$ - | \$ 28,067 | \$ 14,233 | \$ 13,227 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 4,091 | \$ - | \$ - |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | 1,159 | - | - | 104,956 | - | - | - |
| TOTAL LIABILITIES | 1,159 | - | - | 104,956 | 4,091 | - | - |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | - | 6,078 | 482 | - | 23,976 | 14,233 | 13,227 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | (1,159) | - | - | (104,956) | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | (1,159) | 6,078 | 482 | (104,956) | 23,976 | 14,233 | 13,227 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ - | \$ 6,078 | \$ 482 | \$ - | \$ 28,067 | \$ 14,233 | \$ 13,227 |

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Property Valuation | Police Forfeiture | Public Safety Impact Fees | Open Space | Kittery Land Trust | Conservation Committee | TIF Financial Plan |
|--|-----------------------|----------------------|------------------------------|-----------------|-----------------------|---------------------------|-----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | 3,479 | - | 57,495 | 9,047 | - | 989 | 166,375 |
| TOTAL ASSETS | \$ 3,479 | \$ - | \$ 57,495 | \$ 9,047 | \$ - | \$ 989 | \$ 166,375 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ 325 | \$ 2,230 | \$ - | \$ - | \$ - | \$ - |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | - | 481 | - | - | - | - | - |
| TOTAL LIABILITIES | - | 806 | 2,230 | - | - | - | - |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | 55,265 | - | - | - | - |
| Committed | 3,479 | - | - | 9,047 | - | 989 | 166,375 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | (806) | - | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | 3,479 | (806) | 55,265 | 9,047 | - | 989 | 166,375 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ 3,479 | \$ - | \$ 57,495 | \$ 9,047 | \$ - | \$ 989 | \$ 166,375 |

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Comprehensive Plan Update | FEMA Maps Appeal | Dispatch Center | Sewer Impact Fees | Sewer Betterments | Sewer Safety Grants | Drainage Products |
|--|------------------------------|---------------------|--------------------|----------------------|----------------------|------------------------|----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | 8,312 | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | 35,474 | 20,000 | - | 379,458 | 72,536 | - | 20,270 |
| TOTAL ASSETS | <u>\$ 35,474</u> | <u>\$ 20,000</u> | <u>\$ -</u> | <u>\$ 379,458</u> | <u>\$ 80,848</u> | <u>\$ -</u> | <u>\$ 20,270</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 5,805 | \$ - | \$ - | \$ 3,678 | \$ - | \$ - | \$ 36,209 |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | - | - | 1,000 | - | - | - | - |
| TOTAL LIABILITIES | <u>5,805</u> | <u>-</u> | <u>1,000</u> | <u>3,678</u> | <u>-</u> | <u>-</u> | <u>36,209</u> |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | 29,669 | 20,000 | - | 375,780 | 80,848 | - | - |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | (1,000) | - | - | - | (15,939) |
| TOTAL FUND BALANCES (DEFICITS) | <u>29,669</u> | <u>20,000</u> | <u>(1,000)</u> | <u>375,780</u> | <u>80,848</u> | <u>-</u> | <u>(15,939)</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 35,474</u> | <u>\$ 20,000</u> | <u>\$ -</u> | <u>\$ 379,458</u> | <u>\$ 80,848</u> | <u>\$ -</u> | <u>\$ 20,270</u> |

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Road Construction | Sidewalk Program | Asphalt Surface Maintenance | Solid Waste Vehicle | Recreational Vehicle | Highway Vehicle | Fire Dept. Vehicle |
|--|----------------------|---------------------|-----------------------------------|------------------------|-------------------------|--------------------|-----------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | 12,632 | 11,461 | 7,649 | 247,525 | 8,700 | 485,193 | 109,403 |
| TOTAL ASSETS | \$ 12,632 | \$ 11,461 | \$ 7,649 | \$ 247,525 | \$ 8,700 | \$ 485,193 | \$ 109,403 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | - | - | - | - | - | - | - |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | 12,632 | 11,461 | 7,649 | 247,525 | 8,700 | 485,193 | 109,403 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | 12,632 | 11,461 | 7,649 | 247,525 | 8,700 | 485,193 | 109,403 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ 12,632 | \$ 11,461 | \$ 7,649 | \$ 247,525 | \$ 8,700 | \$ 485,193 | \$ 109,403 |

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Parks Dept. Vehicle | Highway Equipment Reservation | Fort Foster Pier | Storm Drain Mapping | Port Authority Boat | Recreational Equipment | Computer |
|--|------------------------|-------------------------------------|---------------------|------------------------|------------------------|---------------------------|------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | 108,428 | 216,792 | 25,000 | 89,382 | 19,997 | 5,596 | 35,225 |
| TOTAL ASSETS | <u>\$ 108,428</u> | <u>\$ 216,792</u> | <u>\$ 25,000</u> | <u>\$ 89,382</u> | <u>\$ 19,997</u> | <u>\$ 5,596</u> | <u>\$ 35,225</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 1,799 | \$ - | \$ - | \$ 139 |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,799</u> | <u>-</u> | <u>-</u> | <u>139</u> |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | 108,428 | 216,792 | 25,000 | 87,583 | 19,997 | 5,596 | 35,086 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>108,428</u> | <u>216,792</u> | <u>25,000</u> | <u>87,583</u> | <u>19,997</u> | <u>5,596</u> | <u>35,086</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 108,428</u> | <u>\$ 216,792</u> | <u>\$ 25,000</u> | <u>\$ 89,382</u> | <u>\$ 19,997</u> | <u>\$ 5,596</u> | <u>\$ 35,225</u> |

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Office Furniture Equipment | Police Vehicle Equipment | Solid Waste Equipment | Records Preservation | Municipal Roof Replacement | Public Safety Base Station | Parks Buildings & Grounds |
|--|----------------------------------|--------------------------------|-----------------------------|-------------------------|----------------------------------|----------------------------------|---------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | - | 21,937 | 63,535 | 12 | 165,847 | 20,845 | 20,580 |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 21,937</u> | <u>\$ 63,535</u> | <u>\$ 12</u> | <u>\$ 165,847</u> | <u>\$ 20,845</u> | <u>\$ 20,580</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,965 |
| Accrued expenses | - | - | - | - | - | - | - |
| Due to other funds | 3,463 | - | - | - | - | - | - |
| TOTAL LIABILITIES | <u>3,463</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,965</u> |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - |
| Committed | - | 21,937 | 63,535 | 12 | 165,847 | 20,845 | 16,615 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | (3,463) | - | - | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>(3,463)</u> | <u>21,937</u> | <u>63,535</u> | <u>12</u> | <u>165,847</u> | <u>20,845</u> | <u>16,615</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ -</u> | <u>\$ 21,937</u> | <u>\$ 63,535</u> | <u>\$ 12</u> | <u>\$ 165,847</u> | <u>\$ 20,845</u> | <u>\$ 20,580</u> |

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Kittery Community Center 5 Year | Kittery Port Authority Float & Ramp Pump | Port Authority Equipment | Fire Equipment Reserve | Sewer Vehicle Reserve | Sewer Depreciation Reserve |
|--|---------------------------------------|--|-----------------------------|------------------------------|-----------------------------|----------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - |
| Due from other funds | 23,700 | 21,195 | 16,366 | 50,101 | 139,438 | 418,345 |
| TOTAL ASSETS | <u>\$ 23,700</u> | <u>\$ 21,195</u> | <u>\$ 16,366</u> | <u>\$ 50,101</u> | <u>\$ 139,438</u> | <u>\$ 418,345</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 87,854 |
| Accrued expenses | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>87,854</u> |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - |
| Committed | 23,700 | 21,195 | 16,366 | 50,101 | 139,438 | 330,491 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>23,700</u> | <u>21,195</u> | <u>16,366</u> | <u>50,101</u> | <u>139,438</u> | <u>330,491</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 23,700</u> | <u>\$ 21,195</u> | <u>\$ 16,366</u> | <u>\$ 50,101</u> | <u>\$ 139,438</u> | <u>\$ 418,345</u> |

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

| | Spruce Creek 319 Phase 4 | Storm Damage/ FEMA | Athletic Fields | Wave Attenuation | Wetland Mitigation | School Special Revenue Funds | Total |
|--|-----------------------------|--------------------------|--------------------|---------------------|-----------------------|---------------------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 131 | \$ 131 |
| Accounts receivable (net of allowance for uncollectibles) | - | - | - | - | - | 28,327 | 36,639 |
| Due from other governments | 23,154 | - | - | - | - | 384,780 | 581,080 |
| Prepaid items | - | - | - | - | - | 109 | 109 |
| Inventory | - | - | - | - | - | 11,079 | 11,079 |
| Due from other funds | - | 18,115 | 37,142 | 4,000 | 24,232 | 1,061,739 | 4,731,925 |
| TOTAL ASSETS | <u>\$ 23,154</u> | <u>\$ 18,115</u> | <u>\$ 37,142</u> | <u>\$ 4,000</u> | <u>\$ 24,232</u> | <u>\$ 1,486,165</u> | <u>\$ 5,360,963</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 840 | \$ - | \$ - | \$ - | \$ - | \$ 20,009 | \$ 184,530 |
| Accrued expenses | - | - | - | - | - | 9,238 | 179,158 |
| Due to other funds | 22,314 | - | - | - | - | 378,384 | 511,925 |
| TOTAL LIABILITIES | <u>23,154</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>407,631</u> | <u>875,613</u> |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | 11,188 | 11,188 |
| Restricted | - | 18,115 | - | - | - | 94,228 | 167,608 |
| Committed | - | - | 37,142 | 4,000 | 24,232 | 907,694 | 4,368,453 |
| Assigned | - | - | - | - | - | 65,856 | 65,856 |
| Unassigned | - | - | - | - | - | (432) | (127,755) |
| TOTAL FUND BALANCES (DEFICITS) | <u>-</u> | <u>18,115</u> | <u>37,142</u> | <u>4,000</u> | <u>24,232</u> | <u>1,078,534</u> | <u>4,485,350</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 23,154</u> | <u>\$ 18,115</u> | <u>\$ 37,142</u> | <u>\$ 4,000</u> | <u>\$ 24,232</u> | <u>\$ 1,486,165</u> | <u>\$ 5,360,963</u> |

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | ASA Applicant Code | Brownfields Grant | Channel 22 | Concert in the Park | D.A.R.E. | Fire Hazmat Spill Cleanup | Thresher Memorial |
|---|--------------------------|----------------------|-------------------|------------------------|---------------|---------------------------------|----------------------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ - | \$ 206,354 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - | - |
| Other income | 36,228 | - | 110,333 | - | - | - | 2,611 |
| TOTAL REVENUES | <u>36,228</u> | <u>206,354</u> | <u>110,333</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,611</u> |
| EXPENDITURES | | | | | | | |
| General government | 33,568 | 206,354 | 40,378 | - | - | - | 4,695 |
| Public safety | - | - | - | - | - | 2,441 | - |
| Public works | - | - | - | - | - | - | - |
| Health and sanitation | - | - | - | - | - | - | - |
| Recreation and culture | - | - | - | 2,725 | - | - | - |
| Education | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>33,568</u> | <u>206,354</u> | <u>40,378</u> | <u>2,725</u> | <u>-</u> | <u>2,441</u> | <u>4,695</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,660</u> | <u>-</u> | <u>69,955</u> | <u>(2,725)</u> | <u>-</u> | <u>(2,441)</u> | <u>(2,084)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | - |
| Transfers in | - | - | - | - | - | - | - |
| Transfers (out) | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 2,660 | - | 69,955 | (2,725) | - | (2,441) | (2,084) |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | <u>23,722</u> | <u>-</u> | <u>297,864</u> | <u>2,822</u> | <u>216</u> | <u>4,532</u> | <u>5,554</u> |
| FUND BALANCES (DEFICITS), JUNE 30 | <u>\$ 26,382</u> | <u>\$ -</u> | <u>\$ 367,819</u> | <u>\$ 97</u> | <u>\$ 216</u> | <u>\$ 2,091</u> | <u>\$ 3,470</u> |

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Accrued Compensated Absences | Ballot Counting Machines | GMH Fire/Police Protection | Town Pier | Kittery Block Party | Kittery Community Center | York Hospital |
|---|------------------------------------|--------------------------------|----------------------------------|--------------|---------------------------|--------------------------------|------------------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - | - |
| Other income | - | - | - | - | 37,986 | 12,559 | 18,500 |
| TOTAL REVENUES | - | - | - | - | 37,986 | 12,559 | 18,500 |
| EXPENDITURES | | | | | | | |
| General government | - | 7,138 | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | 1,926 |
| Public works | - | - | - | - | - | - | - |
| Health and sanitation | - | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | 43,477 | 20,262 | - |
| Education | - | - | - | - | - | - | - |
| Other | 82,073 | - | - | - | - | - | - |
| TOTAL EXPENDITURES | 82,073 | 7,138 | - | - | 43,477 | 20,262 | 1,926 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (82,073) | (7,138) | - | - | (5,491) | (7,703) | 16,574 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | - |
| Transfers in | 80,914 | 13,216 | - | 33,864 | - | - | - |
| Transfers (out) | - | - | - | (138,820) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 80,914 | 13,216 | - | (104,956) | - | - | - |
| NET CHANGE IN FUND BALANCES (DEFICITS) | (1,159) | 6,078 | - | (104,956) | (5,491) | (7,703) | 16,574 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | - | - | 482 | - | 29,467 | 21,936 | (3,347) |
| FUND BALANCES (DEFICITS), JUNE 30 | \$ (1,159) | \$ 6,078 | \$ 482 | \$ (104,956) | \$ 23,976 | \$ 14,233 | \$ 13,227 |

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Property Valuation | Police Forfeiture | Public Safety Impact Fees | Open Space | Kittery Land Trust | Conservation Committee | TIF Financial Plan |
|---|-----------------------|----------------------|------------------------------|---------------|-----------------------|---------------------------|-----------------------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - | - |
| Other income | - | 1,376 | 35,321 | - | - | - | - |
| TOTAL REVENUES | - | 1,376 | 35,321 | - | - | - | - |
| EXPENDITURES | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | 13,334 | 18,430 | - | - | - | - |
| Public works | - | - | - | - | - | - | - |
| Health and sanitation | - | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - |
| Other | - | - | - | 75,000 | 275,000 | - | 175 |
| TOTAL EXPENDITURES | - | 13,334 | 18,430 | 75,000 | 275,000 | - | 175 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | (11,958) | 16,891 | (75,000) | (275,000) | - | (175) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | 275,000 | - | - |
| Transfers in | 3,479 | - | - | 84,047 | - | 989 | 166,550 |
| Transfers (out) | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 3,479 | - | - | 84,047 | 275,000 | 989 | 166,550 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 3,479 | (11,958) | 16,891 | 9,047 | - | 989 | 166,375 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | - | 11,152 | 38,374 | - | - | - | - |
| FUND BALANCES (DEFICITS), JUNE 30 | \$ 3,479 | \$ (806) | \$ 55,265 | \$ 9,047 | \$ - | \$ 989 | \$ 166,375 |

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Comprehensive Plan Update | FEMA Maps Appeal | Dispatch Center | Sewer Impact Fees | Sewer Betterments | Sewer Safety Grants | Drainage Products |
|---|------------------------------|---------------------|--------------------|----------------------|----------------------|------------------------|----------------------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | 500 | - | - |
| Other income | - | - | - | 40,000 | 35,000 | 1,322 | - |
| TOTAL REVENUES | - | - | - | 40,000 | 35,500 | 1,322 | - |
| EXPENDITURES | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | 1,000 | - | - | - | - |
| Public works | - | - | - | - | - | - | 67,439 |
| Health and sanitation | - | - | - | 38,810 | 5,852 | 1,322 | - |
| Recreation and culture | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - |
| Other | 65,331 | - | - | - | - | - | - |
| TOTAL EXPENDITURES | 65,331 | - | 1,000 | 38,810 | 5,852 | 1,322 | 67,439 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (65,331) | - | (1,000) | 1,190 | 29,648 | - | (67,439) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | - |
| Transfers in | 95,000 | 20,000 | - | 374,590 | 70,099 | - | 51,500 |
| Transfers (out) | - | - | - | - | (18,899) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 95,000 | 20,000 | - | 374,590 | 51,200 | - | 51,500 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 29,669 | 20,000 | (1,000) | 375,780 | 80,848 | - | (15,939) |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | - | - | - | - | - | - | - |
| FUND BALANCES (DEFICITS), JUNE 30 | \$ 29,669 | \$ 20,000 | \$ (1,000) | \$ 375,780 | \$ 80,848 | \$ - | \$ (15,939) |

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Road Construction | Sidewalk Program | Asphalt Surface Maintenance | Solid Waste Vehicle | Recreational Vehicle | Highway Vehicle | Fire Dept. Vehicle |
|---|----------------------|---------------------|-----------------------------------|------------------------|-------------------------|--------------------|-----------------------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - | - |
| Other income | - | - | - | - | - | 3,751 | 6,543 |
| TOTAL REVENUES | - | - | - | - | - | 3,751 | 6,543 |
| EXPENDITURES | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | 50,026 |
| Public works | 4,402 | 1,494 | - | - | - | - | - |
| Health and sanitation | - | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | 4,402 | 1,494 | - | - | - | - | 50,026 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (4,402) | (1,494) | - | - | - | 3,751 | (43,483) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | - |
| Transfers in | 17,034 | 12,955 | 7,649 | 247,525 | 8,700 | 481,442 | 250,161 |
| Transfers (out) | - | - | - | - | - | - | (97,275) |
| TOTAL OTHER FINANCING SOURCES (USES) | 17,034 | 12,955 | 7,649 | 247,525 | 8,700 | 481,442 | 152,886 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 12,632 | 11,461 | 7,649 | 247,525 | 8,700 | 485,193 | 109,403 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | - | - | - | - | - | - | - |
| FUND BALANCES (DEFICITS), JUNE 30 | \$ 12,632 | \$ 11,461 | \$ 7,649 | \$ 247,525 | \$ 8,700 | \$ 485,193 | \$ 109,403 |

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Parks Dept. Vehicle | Highway Equipment Reservation | Fort Foster Pier | Storm Drain Mapping | Port Authority Boat | Recreational Equipment | Computer |
|---|------------------------|-------------------------------------|---------------------|------------------------|------------------------|---------------------------|-----------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - | - |
| TOTAL REVENUES | - | - | - | - | - | - | - |
| EXPENDITURES | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Public works | - | - | - | 2,879 | - | - | - |
| Health and sanitation | - | - | - | - | - | - | - |
| Recreation and culture | - | - | - | - | 6,250 | 2,995 | - |
| Education | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | 6,558 |
| TOTAL EXPENDITURES | - | - | - | 2,879 | 6,250 | 2,995 | 6,558 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - | (2,879) | (6,250) | (2,995) | (6,558) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | - |
| Transfers in | 108,428 | 216,792 | 25,000 | 90,462 | 26,247 | 8,591 | 41,644 |
| Transfers (out) | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 108,428 | 216,792 | 25,000 | 90,462 | 26,247 | 8,591 | 41,644 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 108,428 | 216,792 | 25,000 | 87,583 | 19,997 | 5,596 | 35,086 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | - | - | - | - | - | - | - |
| FUND BALANCES (DEFICITS), JUNE 30 | \$ 108,428 | \$ 216,792 | \$ 25,000 | \$ 87,583 | \$ 19,997 | \$ 5,596 | \$ 35,086 |

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

| | Office Furniture Equipment | Police Vehicle Equipment | Solid Waste Equipment | Records Preservation | Municipal Roof Replacement | Public Safety Base Station | Parks Buildings & Grounds |
|---|----------------------------------|--------------------------------|-----------------------------|-------------------------|----------------------------------|----------------------------------|---------------------------------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - | - |
| TOTAL REVENUES | - | - | - | - | - | - | - |
| EXPENDITURES | | | | | | | |
| General government | - | - | - | - | 28,125 | - | - |
| Public safety | - | 90,128 | - | - | - | 115,110 | - |
| Public works | - | - | - | - | - | - | - |
| Health and sanitation | - | - | 293,708 | - | - | - | - |
| Recreation and culture | - | - | - | - | - | - | 16,269 |
| Education | - | - | - | - | - | - | - |
| Other | - | - | - | 9,650 | - | - | - |
| TOTAL EXPENDITURES | - | 90,128 | 293,708 | 9,650 | 28,125 | 115,110 | 16,269 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | (90,128) | (293,708) | (9,650) | (28,125) | (115,110) | (16,269) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | - |
| Transfers in | - | 112,065 | 357,243 | 9,662 | 193,972 | 135,955 | 32,884 |
| Transfers (out) | (3,463) | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (3,463) | 112,065 | 357,243 | 9,662 | 193,972 | 135,955 | 32,884 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | (3,463) | 21,937 | 63,535 | 12 | 165,847 | 20,845 | 16,615 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | - | - | - | - | - | - | - |
| FUND BALANCES (DEFICITS), JUNE 30 | <u>\$ (3,463)</u> | <u>\$ 21,937</u> | <u>\$ 63,535</u> | <u>\$ 12</u> | <u>\$ 165,847</u> | <u>\$ 20,845</u> | <u>\$ 16,615</u> |

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Kittery Community Center 5 Year | Kittery Port Authority Float & Ramp Pump | Port Authority Equipment | Fire Equipment Reserve | Sewer Vehicle Reserve | Sewer Depreciation Reserve |
|---|---------------------------------------|--|-----------------------------|------------------------------|-----------------------------|----------------------------------|
| REVENUES | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - |
| TOTAL REVENUES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | - | - | - | 10,063 | - | - |
| Public works | - | - | - | - | - | 188,646 |
| Health and sanitation | - | - | - | - | - | - |
| Recreation and culture | - | 800 | 9,760 | - | - | - |
| Education | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>-</u> | <u>800</u> | <u>9,760</u> | <u>10,063</u> | <u>-</u> | <u>188,646</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(800)</u> | <u>(9,760)</u> | <u>(10,063)</u> | <u>-</u> | <u>(188,646)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bond proceeds | - | - | - | - | - | - |
| Transfers in | 23,700 | 21,995 | 26,126 | 60,164 | 139,438 | 519,137 |
| Transfers (out) | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>23,700</u> | <u>21,995</u> | <u>26,126</u> | <u>60,164</u> | <u>139,438</u> | <u>519,137</u> |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 23,700 | 21,195 | 16,366 | 50,101 | 139,438 | 330,491 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES (DEFICITS), JUNE 30 | <u>\$ 23,700</u> | <u>\$ 21,195</u> | <u>\$ 16,366</u> | <u>\$ 50,101</u> | <u>\$ 139,438</u> | <u>\$ 330,491</u> |

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Spruce Creek 319 Phase 4 | Storm Damage/ FEMA | Athletic Fields | Wave Attenuation | Wetland Mitigation | School Special Revenue Funds | Total |
|---|-----------------------------|--------------------------|--------------------|---------------------|-----------------------|---------------------------------------|---------------------|
| REVENUES | | | | | | | |
| Intergovernmental revenue | \$ 37,170 | \$ - | \$ - | \$ - | \$ - | \$ 793,433 | \$ 1,036,957 |
| Charges for services | - | - | - | - | - | 328,624 | 328,624 |
| Interest income | - | - | - | - | - | - | 500 |
| Other income | - | - | 37,000 | - | 16,832 | 194,075 | 589,437 |
| TOTAL REVENUES | <u>37,170</u> | <u>-</u> | <u>37,000</u> | <u>-</u> | <u>16,832</u> | <u>1,316,132</u> | <u>1,955,518</u> |
| EXPENDITURES | | | | | | | |
| General government | - | - | - | - | - | - | 320,258 |
| Public safety | - | - | - | - | - | - | 302,458 |
| Public works | 37,170 | 585 | - | - | - | - | 302,615 |
| Health and sanitation | - | - | - | - | - | - | 339,692 |
| Recreation and culture | - | - | 2,486 | - | - | - | 105,024 |
| Education | - | - | - | - | - | 1,415,726 | 1,415,726 |
| Other | - | - | - | - | - | - | 513,787 |
| TOTAL EXPENDITURES | <u>37,170</u> | <u>585</u> | <u>2,486</u> | <u>-</u> | <u>-</u> | <u>1,415,726</u> | <u>3,299,560</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>(585)</u> | <u>34,514</u> | <u>-</u> | <u>16,832</u> | <u>(99,594)</u> | <u>(1,344,042)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | 275,000 |
| Transfers in | - | - | - | - | - | 83,910 | 4,253,129 |
| Transfers (out) | - | - | - | - | - | (13,910) | (272,367) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>70,000</u> | <u>4,255,762</u> |
| NET CHANGE IN FUND BALANCES (DEFICITS) | - | (585) | 34,514 | - | 16,832 | (29,594) | 2,911,720 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | <u>-</u> | <u>18,700</u> | <u>2,628</u> | <u>4,000</u> | <u>7,400</u> | <u>1,108,128</u> | <u>1,573,630</u> |
| FUND BALANCES (DEFICITS), JUNE 30 | <u>\$ -</u> | <u>\$ 18,115</u> | <u>\$ 37,142</u> | <u>\$ 4,000</u> | <u>\$ 24,232</u> | <u>\$ 1,078,534</u> | <u>\$ 4,485,350</u> |

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

Capital Projects Funds

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

| | Community Center | Town Facilities | Roads | Fire Fighters' SCBA's | Street Lights | Pepperill Coves Paving/ Utilities | Fire Department Facility | Public Works Sign Shed |
|--|---------------------|--------------------|-------------------|--------------------------|------------------|---|--------------------------------|---------------------------|
| ASSETS | | | | | | | | |
| Accounts receivable (net of allowance for uncollectibles) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due from other funds | 573,409 | 103,348 | 878,654 | - | - | 12,212 | 33,990 | 25,000 |
| TOTAL ASSETS | <u>\$ 573,409</u> | <u>\$ 103,348</u> | <u>\$ 878,654</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,212</u> | <u>\$ 33,990</u> | <u>\$ 25,000</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | 29,507 | 35,122 | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>29,507</u> | <u>35,122</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES (DEFICITS) | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | 573,409 | 103,348 | 878,654 | - | - | - | - | - |
| Committed | - | - | - | - | - | 12,212 | 33,990 | 25,000 |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | (29,507) | (35,122) | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>573,409</u> | <u>103,348</u> | <u>878,654</u> | <u>(29,507)</u> | <u>(35,122)</u> | <u>12,212</u> | <u>33,990</u> | <u>25,000</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 573,409</u> | <u>\$ 103,348</u> | <u>\$ 878,654</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,212</u> | <u>\$ 33,990</u> | <u>\$ 25,000</u> |

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

| | Boat Infrastructure Grant | Capital Improvement | Fort Foster Bench | State Aid to Roads | Kittery Port Authority Railings & Lights | Route 1 Bypass/Two Way | School Capital Projects Funds | Total |
|--|---------------------------------|------------------------|----------------------|-----------------------|---|------------------------------|--|---------------------|
| ASSETS | | | | | | | | |
| Accounts receivable (net of allowance for uncollectibles) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due from other funds | 4,110 | 6,397 | 13,289 | 902,838 | 22,457 | 2,500 | 1,254,349 | 3,832,553 |
| TOTAL ASSETS | <u>\$ 4,110</u> | <u>\$ 6,397</u> | <u>\$ 13,289</u> | <u>\$ 902,838</u> | <u>\$ 22,457</u> | <u>\$ 2,500</u> | <u>\$ 1,254,349</u> | <u>\$ 3,832,553</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 2,526 | \$ - | \$ - | \$ 196,785 | \$ - | \$ - | \$ 11,096 | \$ 210,407 |
| Due to other funds | - | - | - | - | - | - | - | 64,629 |
| TOTAL LIABILITIES | <u>2,526</u> | <u>-</u> | <u>-</u> | <u>196,785</u> | <u>-</u> | <u>-</u> | <u>11,096</u> | <u>275,036</u> |
| FUND BALANCES (DEFICITS) | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | 706,053 | - | - | - | 2,261,464 |
| Committed | 1,584 | 6,397 | 13,289 | - | 22,457 | 2,500 | 1,243,253 | 1,360,682 |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | (64,629) |
| TOTAL FUND BALANCES (DEFICITS) | <u>1,584</u> | <u>6,397</u> | <u>13,289</u> | <u>706,053</u> | <u>22,457</u> | <u>2,500</u> | <u>1,243,253</u> | <u>3,557,517</u> |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | <u>\$ 4,110</u> | <u>\$ 6,397</u> | <u>\$ 13,289</u> | <u>\$ 902,838</u> | <u>\$ 22,457</u> | <u>\$ 2,500</u> | <u>\$ 1,254,349</u> | <u>\$ 3,832,553</u> |

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Community Center | Town Facilities | Roads | Fire Fighters' SCBA's | Street Lights | Pepperill Coves Paving/ Utilities | Fire Department Facility | Public Works Sign Shed |
|---|---------------------|--------------------|------------|--------------------------|------------------|---|--------------------------------|---------------------------|
| REVENUES | | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest income | - | 4,348 | - | - | - | - | - | - |
| Other income | - | - | - | - | - | - | - | - |
| TOTAL REVENUES | - | 4,348 | - | - | - | - | - | - |
| EXPENDITURES | | | | | | | | |
| Public safety | - | 262,875 | - | - | - | - | - | - |
| Public works | - | - | 421,346 | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - |
| Other | 22,716 | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | 22,716 | 262,875 | 421,346 | - | - | - | - | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (22,716) | (258,527) | (421,346) | - | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Bond proceeds | 596,125 | 361,058 | 1,300,000 | - | - | - | - | - |
| Premiums on bond issuance | - | 32,702 | - | - | - | - | - | - |
| Bond issuance costs | - | (31,885) | - | - | - | - | - | - |
| Transfers in | - | - | - | 28,500 | 35,121 | 12,552 | 33,990 | 25,000 |
| Transfers (out) | - | - | - | (58,007) | (70,243) | (340) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 596,125 | 361,875 | 1,300,000 | (29,507) | (35,122) | 12,212 | 33,990 | 25,000 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | 573,409 | 103,348 | 878,654 | (29,507) | (35,122) | 12,212 | 33,990 | 25,000 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | - | - | - | - | - | - | - | - |
| FUND BALANCES (DEFICITS), JUNE 30 | \$ 573,409 | \$ 103,348 | \$ 878,654 | \$ (29,507) | \$ (35,122) | \$ 12,212 | \$ 33,990 | \$ 25,000 |

SCHEDULE H (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Boat Infrastructure Grant | Capital Improvement | Fort Foster Bench | State Aid to Roads | Kittery Port Authority Railings & Lights | Route 1 Bypass/Two Way | School Capital Projects Funds | Total |
|---|---------------------------------|------------------------|----------------------|-----------------------|---|------------------------------|--|--------------|
| REVENUES | | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ 153,236 | \$ - | \$ - | \$ - | \$ 153,236 |
| Interest income | - | - | - | - | - | - | 1,520 | 5,868 |
| Other income | - | - | 560 | - | - | - | - | 560 |
| TOTAL REVENUES | - | - | 560 | 153,236 | - | - | 1,520 | 159,664 |
| EXPENDITURES | | | | | | | | |
| Public safety | - | - | - | - | - | - | - | 262,875 |
| Public works | - | - | - | 302,504 | - | - | - | 723,850 |
| Education | - | - | - | - | - | - | 202,070 | 202,070 |
| Other | 3,021 | - | 313 | - | - | - | - | 26,050 |
| TOTAL EXPENDITURES | 3,021 | - | 313 | 302,504 | - | - | 202,070 | 1,214,845 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (3,021) | - | 247 | (149,268) | - | - | (200,550) | (1,055,181) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | 821,817 | 3,079,000 |
| Premiums on bond issuance | - | - | - | - | - | - | 15,935 | 48,637 |
| Bond issuance costs | - | - | - | - | - | - | (16,752) | (48,637) |
| Transfers in | - | - | - | - | 22,457 | - | 127,148 | 284,768 |
| Transfers (out) | - | - | - | - | - | - | (23,923) | (152,513) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - | 22,457 | - | 924,225 | 3,211,255 |
| NET CHANGE IN FUND BALANCES (DEFICITS) | (3,021) | - | 247 | (149,268) | 22,457 | - | 723,675 | 2,156,074 |
| FUND BALANCES (DEFICITS), JULY 1, RESTATED | 4,605 | 6,397 | 13,042 | 855,321 | - | 2,500 | 519,578 | 1,401,443 |
| FUND BALANCES (DEFICITS), JUNE 30 | \$ 1,584 | \$ 6,397 | \$ 13,289 | \$ 706,053 | \$ 22,457 | \$ 2,500 | \$ 1,243,253 | \$ 3,557,517 |

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kittery, Maine that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including the provision and/or maintenance of cemeteries and school department scholarships.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2016

| | Cemetery Trust | Public Health Trust | Mary Safford Wildes | Lester Raynes Trust | George Smart Santa | Recycling Scholarship | Connie Samuels Beautification | Total |
|--|-------------------|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------|-------------------------------------|-------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 24,212 | \$ - | \$ 5,400 | \$ - | \$ - | \$ 29,612 |
| Investments | - | - | 660,166 | - | - | - | - | 660,166 |
| Due from other funds | 27,128 | 27,275 | - | 9,228 | - | 8,902 | 58,601 | 131,134 |
| TOTAL ASSETS | <u>\$ 27,128</u> | <u>\$ 27,275</u> | <u>\$ 684,378</u> | <u>\$ 9,228</u> | <u>\$ 5,400</u> | <u>\$ 8,902</u> | <u>\$ 58,601</u> | <u>\$ 820,912</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | \$ 2,550 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,550 |
| Due to other funds | - | - | 7,500 | - | - | - | - | 7,500 |
| TOTAL LIABILITIES | <u>2,550</u> | <u>-</u> | <u>7,500</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,050</u> |
| FUND BALANCES | | | | | | | | |
| Nonspendable | - | - | - | 10,000 | - | - | 50,000 | 60,000 |
| Restricted | 24,578 | 27,275 | 676,878 | - | 5,400 | 8,902 | 8,601 | 751,634 |
| Committed | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | (772) | - | - | - | (772) |
| TOTAL FUND BALANCES | <u>24,578</u> | <u>27,275</u> | <u>676,878</u> | <u>9,228</u> | <u>5,400</u> | <u>8,902</u> | <u>58,601</u> | <u>810,862</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 27,128</u> | <u>\$ 27,275</u> | <u>\$ 684,378</u> | <u>\$ 9,228</u> | <u>\$ 5,400</u> | <u>\$ 8,902</u> | <u>\$ 58,601</u> | <u>\$ 820,912</u> |

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Cemetery Trust | Public Health Trust | Mary Safford Wildes | Lester Raynes Trust | George Smart Santa | Recycling Scholarship | Connie Samuels Beautification | Total |
|---|-------------------|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------|-------------------------------------|-------------------|
| REVENUES | | | | | | | | |
| Investment income, net of unrealized gains/(losses) | \$ - | \$ - | \$ 13,000 | \$ - | \$ - | \$ - | \$ - | \$ 13,000 |
| Interest income | - | - | 17,296 | 36 | - | - | 235 | 17,567 |
| Other income | - | - | 2,115 | - | 4,401 | 26,777 | - | 33,293 |
| TOTAL REVENUES | - | - | 32,411 | 36 | 4,401 | 26,777 | 235 | 63,860 |
| EXPENDITURES | | | | | | | | |
| Other | 19,925 | - | 10,853 | - | 3,880 | 17,875 | 143 | 52,676 |
| TOTAL EXPENDITURES | 19,925 | - | 10,853 | - | 3,880 | 17,875 | 143 | 52,676 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (19,925) | - | 21,558 | 36 | 521 | 8,902 | 92 | 11,184 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers (out) | - | - | (30,000) | - | - | - | - | (30,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | (30,000) | - | - | - | - | (30,000) |
| NET CHANGE IN FUND BALANCES | (19,925) | - | (8,442) | 36 | 521 | 8,902 | 92 | (18,816) |
| FUND BALANCES, JULY 1, RESTATED | 44,503 | 27,275 | 685,320 | 9,192 | 4,879 | - | 58,509 | 829,678 |
| FUND BALANCES, JUNE 30 | <u>\$ 24,578</u> | <u>\$ 27,275</u> | <u>\$ 676,878</u> | <u>\$ 9,228</u> | <u>\$ 5,400</u> | <u>\$ 8,902</u> | <u>\$ 58,601</u> | <u>\$ 810,862</u> |

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

Fiduciary Funds

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2016

| | <u>Dorothy Gherson</u> | <u>Constance Samuels</u> | <u>Rebecca Kelso</u> | <u>Bob Whitten</u> | <u>Pauli Rines L.E.</u> | <u>William Dennett</u> |
|---------------------------------------|----------------------------|------------------------------|--------------------------|------------------------|-----------------------------|----------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 2,859 | \$ - | \$ - | \$ 9,337 | \$ 2,982 | \$ 1,081 |
| Investments | - | 92,089 | - | - | - | - |
| TOTAL ASSETS | <u>\$ 2,859</u> | <u>\$ 92,089</u> | <u>\$ -</u> | <u>\$ 9,337</u> | <u>\$ 2,982</u> | <u>\$ 1,081</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | | | | |
| Restricted - held in trust | <u>2,859</u> | <u>92,089</u> | <u>-</u> | <u>9,337</u> | <u>2,982</u> | <u>1,081</u> |
| TOTAL NET POSITION | <u>2,859</u> | <u>92,089</u> | <u>-</u> | <u>9,337</u> | <u>2,982</u> | <u>1,081</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 2,859</u> | <u>\$ 92,089</u> | <u>\$ -</u> | <u>\$ 9,337</u> | <u>\$ 2,982</u> | <u>\$ 1,081</u> |

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2016

| | Warren Seward | Priscilla Guy | Louise Whelton Art | Florence McCashin Memorial | Total |
|---------------------------------------|------------------|------------------|-----------------------|----------------------------------|-------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 754 | \$ 2,790 | \$ 2,879 | \$ - | \$ 22,682 |
| Investments | - | - | - | 281,953 | 374,042 |
| TOTAL ASSETS | <u>\$ 754</u> | <u>\$ 2,790</u> | <u>\$ 2,879</u> | <u>\$ 281,953</u> | <u>\$ 396,724</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | | | |
| Restricted - held in trust | 754 | 2,790 | 2,879 | 281,953 | 396,724 |
| TOTAL NET POSITION | <u>754</u> | <u>2,790</u> | <u>2,879</u> | <u>281,953</u> | <u>396,724</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 754</u> | <u>\$ 2,790</u> | <u>\$ 2,879</u> | <u>\$ 281,953</u> | <u>\$ 396,724</u> |

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Dorothy Gherson | Constance Samuels | Rebecca Kelso | Bob Whitten | Pauli Rines L.E. | William Dennett |
|------------------------|--------------------|----------------------|------------------|-----------------|---------------------|--------------------|
| ADDITIONS | | | | | | |
| Interest | \$ - | \$ 1,191 | \$ - | \$ 3 | \$ 2 | \$ - |
| Contributions | 1,385 | - | - | 7,500 | - | - |
| TOTAL ADDITIONS | <u>1,385</u> | <u>1,191</u> | <u>-</u> | <u>7,503</u> | <u>2</u> | <u>-</u> |
| DEDUCTIONS | | | | | | |
| Fees | - | - | - | - | - | - |
| Scholarships | - | - | 1,060 | - | - | - |
| TOTAL DEDUCTIONS | <u>-</u> | <u>-</u> | <u>1,060</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | 1,385 | 1,191 | (1,060) | 7,503 | 2 | - |
| NET POSITION - JULY 1 | <u>1,474</u> | <u>90,898</u> | <u>1,060</u> | <u>1,834</u> | <u>2,980</u> | <u>1,081</u> |
| NET POSITION - JUNE 30 | <u>\$ 2,859</u> | <u>\$ 92,089</u> | <u>\$ -</u> | <u>\$ 9,337</u> | <u>\$ 2,982</u> | <u>\$ 1,081</u> |

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Warren Seward | Priscilla Guy | Louise Whelton Art | Florence McCashin Memorial | Total |
|------------------------|------------------|------------------|-----------------------|----------------------------------|-------------------|
| ADDITIONS | | | | | |
| Interest | \$ - | \$ 2 | \$ 1 | \$ 3,664 | \$ 4,863 |
| Contributions | - | - | - | - | 8,885 |
| TOTAL ADDITIONS | - | 2 | 1 | 3,664 | 13,748 |
| DEDUCTIONS | | | | | |
| Fees | - | - | 75 | - | 75 |
| Scholarships | - | 200 | - | 1,950 | 3,210 |
| TOTAL DEDUCTIONS | - | 200 | 75 | 1,950 | 3,285 |
| CHANGE IN NET POSITION | - | (198) | (74) | 1,714 | 10,463 |
| NET POSITION - JULY 1 | 754 | 2,988 | 2,953 | 280,239 | 386,261 |
| NET POSITION - JUNE 30 | <u>\$ 754</u> | <u>\$ 2,790</u> | <u>\$ 2,879</u> | <u>\$ 281,953</u> | <u>\$ 396,724</u> |

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN STUDENT ACTIVITY FUNDS – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Beginning Balance | Cash Receipts | Cash Disbursements | Ending Balance |
|------------------------|----------------------|-------------------|-----------------------|-------------------|
| RW Traip Academy | \$ 44,595 | \$ 80,349 | \$ 75,936 | \$ 49,008 |
| Shapleigh School | 12,153 | 43,168 | 48,785 | 6,536 |
| Horace Mitchell School | 6,560 | 6,793 | 6,866 | 6,487 |
| | <u>\$ 63,308</u> | <u>\$ 130,310</u> | <u>\$ 131,587</u> | <u>\$ 62,031</u> |

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

General Capital Assets

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

TOWN OF KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

| | Land and Non-depreciable Assets | Buildings, Building Improvements & Land Improvements | Furniture, Fixtures, Equipment & Vehicles | Infrastructure | Total |
|--------------------------------|---------------------------------------|--|--|---------------------|----------------------|
| Police | \$ - | \$ 84,458 | \$ 1,573,129 | \$ - | \$ 1,657,587 |
| General government | - | 2,873,091 | 372,091 | - | 3,245,182 |
| Fire | 353,200 | 3,499,737 | 2,346,351 | - | 6,199,288 |
| Public works | 8,579,000 | 3,764,608 | 3,191,171 | 10,892,960 | 26,427,739 |
| Health and sanitation | - | 98,226 | 320,496 | 449,875 | 868,597 |
| Recreation and culture | - | 6,045,028 | 196,378 | 375,902 | 6,617,308 |
| Town-wide | 1,989,284 | 3,258,904 | 75,058 | 15,000 | 5,338,246 |
| School department | 34,735 | 25,805,450 | 717,710 | - | 26,557,895 |
| Sewer department | 11,851,238 | 18,646,324 | 627,629 | 44,668 | 31,169,859 |
| Total General Capital Assets | 22,807,457 | 64,075,826 | 9,420,013 | 11,778,405 | 108,081,701 |
| Less: Accumulated Depreciation | - | (31,956,194) | (6,732,975) | (8,306,103) | (46,995,272) |
| Net General Capital Assets | <u>\$ 22,807,457</u> | <u>\$ 32,119,632</u> | <u>\$ 2,687,038</u> | <u>\$ 3,472,302</u> | <u>\$ 61,086,429</u> |

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

TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016

| | General Capital Assets 7/1/15 | Additions | Deletions | General Capital Assets 6/30/16 |
|--------------------------------|--|---------------------|-------------|---|
| Police | \$ 1,189,894 | \$ 467,693 | \$ - | \$ 1,657,587 |
| General government | 3,148,050 | 97,132 | - | 3,245,182 |
| Fire | 6,143,475 | 55,813 | - | 6,199,288 |
| Public works | 26,207,236 | 220,503 | - | 26,427,739 |
| Health and sanitation | 577,389 | 291,208 | - | 868,597 |
| Recreation and culture | 6,580,818 | 36,490 | - | 6,617,308 |
| Town-wide | 5,338,246 | - | - | 5,338,246 |
| School department | 26,519,026 | 38,869 | - | 26,557,895 |
| Sewer department | 26,107,155 | 5,062,704 | - | 31,169,859 |
| Total General Capital Assets | 101,811,289 | 6,270,412 | - | 108,081,701 |
| Less: Accumulated Depreciation | (44,447,712) | (2,547,560) | - | (46,995,272) |
| Net General Capital Assets | <u>\$ 57,363,577</u> | <u>\$ 3,722,852</u> | <u>\$ -</u> | <u>\$ 61,086,429</u> |

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

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

| Federal Grantor Pass-through Grantor Program or Cluster Title | Federal CFDA Number | Pass-through Grantor Number | Expenditures to Subrecipients | Federal Expenditures |
|---|---------------------------|-----------------------------------|----------------------------------|-------------------------|
| U.S. Department of Agriculture | | | | |
| Passed-through State of Maine - Department of Education and Cultural Services: | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | 10.553 | 3014 | \$ - | \$ 31,039 |
| Donated Commodities | 10.555 | N/A | - | 25,756 |
| School Lunch Program | 10.555 | 3024 | - | 142,305 |
| Summer Food Service Program | 10.559 | 3016 | - | 4,232 |
| Subtotal Child Nutrition Cluster | | | - | 203,332 |
| Fresh Fruit and Veggies | 10.582 | 3028 | - | 6,169 |
| Total U.S. Department of Agriculture | | | - | 209,501 |
| U.S. Department of Defense | | | | |
| Direct Funding: | | | | |
| Department of Defense Impact Aid | 12.558 | N/A | - | 50,300 |
| Total U.S. Department of Defense | | | - | 50,300 |
| U.S. Department of the Interior | | | | |
| Passed-through State of Maine - Department of Transportation: | | | | |
| Sportfishing and Boating Safety Act | 15.622 | CSN #29001 | - | 3,021 |
| Total U.S. Department of the Interior | | | - | 3,021 |
| U.S. Department of Transportation | | | | |
| Passed-through State of Maine - Department of Transportation: | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction | 20.205 | CSN #29303 | - | 95,471 |
| Subtotal Highway Planning and Construction Cluster | | | - | 95,471 |
| Total U.S. Department of Transportation | | | - | 95,471 |
| U.S. Environmental Protection Agency | | | | |
| Direct Funding: | | | | |
| Clean Water State Revolving Fund Cluster: | | | | |
| Clean Water Revolving Loan Fund | 66.458 | Loan | - | 2,163,263 |
| Subtotal Clean Water State Revolving Fund Cluster | | | - | 2,163,263 |
| Passed-through State of Maine - Department of Transportation: | | | | |
| Performance Partnership Grants | 66.460 | 2013TR06 | - | 37,170 |
| Passed-through State of Maine - Department of Environment Protection: | | | | |
| Performance Partnership Grants | 66.605 | 2015RT06 | - | 842 |
| Direct Funding: | | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 66.818 | N/A | - | 206,354 |
| Total U.S. Environmental Protection Agency | | | - | 2,407,629 |
| U.S. Department of Education | | | | |
| Passed-through State of Maine - Department of Education and Cultural Services: | | | | |
| Adult Basic Education | 84.002 | N/A | - | 6,594 |
| Title I - FY15 | 84.010 | N/A | - | 56,266 |
| Title I - FY16 | 84.010 | N/A | - | 99,854 |
| Special Education Cluster (IDEA): | | | | |
| Local Entitlement - FY15 | 84.027 | N/A | - | 36,412 |
| Local Entitlement - FY16 | 84.027 | N/A | - | 234,658 |
| Special Education Preschool - FY15 | 84.173 | N/A | - | 4,179 |
| Special Education Preschool - FY16 | 84.173 | N/A | - | 2,632 |
| Subtotal Special Education Cluster (IDEA) | | | - | 277,881 |
| Title IIA - Improving Teaching Quality - FY15 | 84.367 | N/A | - | 8,329 |
| Title IIA - Improving Teaching Quality - FY16 | 84.367 | N/A | - | 17,470 |
| Direct Funding: | | | | |
| Impact Aid | 84.041 | N/A | - | 270,354 |
| Total U.S. Department of Education | | | - | 736,748 |
| TOTAL FEDERAL ASSISTANCE | | | \$ - | \$ 3,502,670 |

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Kittery, Maine under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Kittery, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Kittery, Maine.

2. Summary of Significant Accounting Policies

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

3. Federal Clean Water Revolving Loan Program

The federal clean water revolving loan program listed subsequently is administered directly by the Town of Kittery, Maine, and balances and transactions relating to this program is included in the Town of Kittery, Maine's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2016 consists of:

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Outstanding Balance at June 30, 2016</u> |
|--------------------|----------------------------|---|
| 1) 66.458 | Clean Water Revolving Loan | \$ 2,163,263 |



Proven Expertise and Integrity

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

Town Council
Town of Kittery
Kittery, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine's basic financial statements, and have issued our report thereon dated December 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
December 30, 2016



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

Town Council
Town of Kittery
Kittery, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Kittery, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Kittery, Maine's major federal programs for the year ended June 30, 2016. The Town of Kittery, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Kittery, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
December 30, 2016

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------|--|
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 66.458 | Clean Water State Revolving Fund Cluster |
| 66.818 | Brownfield Assessment and Cleanup Cooperative Agreements |
| 84.027/84.173 | Special Education Cluster (IDEA) |
| 84.041 | Impact Aid |

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None



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INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of Town of Kittery, Maine for the year ended June 30, 2016 and have issued our report thereon dated December 30, 2016. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

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

RHR Smith & Company

Buxton, Maine
December 30, 2016

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KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE MEDMS FINANCIAL SYSTEM FOR THE YEAR ENDED JUNE 30, 2016

| | General Fund (1000) | Special Revenue Funds (2000) | Capital Projects Funds (3000) | Total |
|--|------------------------|------------------------------------|-------------------------------------|------------------|
| June 30 Balance per MEDMS Financial System | \$ 491,665 | \$ (7,030) | \$ 723,676 | \$ 1,208,311 |
| Revenue Adjustments: | - | - | - | - |
| Expenditure Adjustments: | - | - | - | - |
| Other adjustments: | | | | |
| Funds Not Reported on MEDMS: | | | | |
| 0028 - Dedicated Co/Extra Curricular Reserve | - | 17,500 | - | 17,500 |
| 0205 - Lost Library Books | - | 1,146 | - | 1,146 |
| 0206 - In District Workshops | - | 4,049 | - | 4,049 |
| 0208 - Community Wellness | - | 1,696 | - | 1,696 |
| 0209 - Excellence School Health | - | 2,000 | - | 2,000 |
| 0213 - Frank Orrico Memorial | - | 50 | - | 50 |
| 0222 - Healthy Maine Partnership | - | 2,205 | - | 2,205 |
| 0291 - Dedicated Special Ed Reserve | - | 601,700 | - | 601,700 |
| 0292 - Dedicated Maintenance Reserve | - | - | 286,479 | 286,479 |
| 0294 - Dedicated Tech Reserve | - | 10,000 | - | 10,000 |
| 0298 - Dedicated Unfunded Liabilities | - | 212,107 | - | 212,107 |
| 0901 - Mitchell Fund | - | 5,483 | - | 5,483 |
| 0902 - Shapleigh Fund | - | 14,116 | - | 14,116 |
| 0903 - Traip Fund | - | 10,328 | - | 10,328 |
| Audit Adjustments | (440,145) | (139) | - | (440,284) |
| Beginning Balance | 789,705 | 203,327 | 233,099 | 1,226,131 |
| Rounding | (1) | (4) | (1) | (6) |
| Audited GAAP Basis Fund Balance June 30 | \$ 841,224 | \$ 1,078,534 | \$ 1,243,253 | \$ 3,163,011 |