

TOWN OF KITTERY, MAINE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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ANNUAL FINANCIAL REPORT
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JUNE 30, 2014

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the 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, major fund, and aggregate remaining fund information of the Town of Kittery as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditor's 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 *Governmental 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.

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, major fund, and aggregate remaining fund information of the Town of Kittery as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, 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 (pages 3 through 9) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 45) 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 them to

***Town of Kittery
Independent Auditor's Report***

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's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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, the combining and individual fund financial 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 18, 2014 on our consideration of the Town of Kittery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, passenger facility charge program, and other matters. The purpose of these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kittery's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

December 18, 2014

PLODZIK & SANDERSON
Professional Association

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(UNAUDITED)

As management of the Town of Kittery (the Town), we offer readers of the Town's annual financial statements this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB-34).

This section is a summary of the Town of Kittery's financial activities based on currently known facts, decisions, and conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and we encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual 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, 3) notes to the financial statements, and 4) this discussion and analysis. This report also includes other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental fund statements tell how the Town's services were financed in the short-term, as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in 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:

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

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.

The type of activity presented for the Town of Kittery is:

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 elementary and secondary instruction, school administration, system administration, transportation, operations, and maintenance.

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, proprietary, 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 Town'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 fund balance sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Kittery presents two columns in the governmental fund balance sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The Town's only 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 Statement of Revenue, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year, which is found on Exhibit D.

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 is much like that of proprietary funds. They use the accrual basis of accounting.

Proprietary Funds: These funds are commonly referred to as enterprise funds. Proprietary funds are presented in the same format as the business-type activities in the government-wide financial statements, only in more detail by breaking out the Sewer Department separately.

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 starting on page 22.

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Other Supplementary Information

Other supplementary information follows the notes to the financial statements on pages 47 - 73. These combining and other schedules provide information in regards to nonmajor funds 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 activities increased by an amount of \$891,826 from \$31,471,948 in the prior fiscal year to \$32,363,774 in the current fiscal year.

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 – increased for governmental activities to a balance of \$5,057,176 at the end of this year.

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REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Table 1
Town of Kittery
Net Position
June 30, 2014 and 2013

	Governmental Activities		Increase (Decrease)
	2014	2013	
Assets:			
Current and other assets	\$ 13,666,332	\$ 12,433,561	\$ 1,232,771
Capital assets	39,769,422	41,124,446	(1,355,024)
Total assets	53,435,754	53,558,007	(122,253)
Liabilities:			
Current liabilities	2,037,737	3,227,315	(1,189,578)
Long-term debt outstanding	18,936,291	18,770,588	165,703
Total liabilities	20,974,028	21,997,903	(1,023,875)
Deferred inflows of resources:			
Prepaid taxes	97,952	88,156	9,796
Net position:			
Net investment in capital assets	23,584,296	23,562,048	22,248
Restricted	3,722,302	3,033,147	689,155
Unrestricted	5,057,176	4,876,753	180,423
Total net position	\$ 32,363,774	\$ 31,471,948	\$ 891,826
	Business-type Activities		Increase (Decrease)
	2014	2013	
Assets:			
Current and other assets	\$ 5,956,243	\$ 206,860	\$ 5,749,383
Capital assets	14,435,291	13,977,570	457,721
Other assets	-	3,121	(3,121)
Total assets	20,391,534	14,187,551	6,203,983
Liabilities:			
Current liabilities	6,646,565	254,616	6,391,949
Long-term debt outstanding	3,456,757	3,408,824	47,933
Total liabilities	10,103,322	3,663,440	6,439,882
Net position:			
Net investment in capital assets	9,987,375	10,450,407	(463,032)
Restricted	-	27,500	(27,500)
Unrestricted	300,837	46,204	254,633
Total net position	\$ 10,288,212	\$ 10,524,111	\$ (235,899)

The above fiscal year 2013 reflects the reclassification of the food service fund as a special revenue fund, see Note 17.

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

**Table 2
Town of Kittery
Change in Net Position
For the Years Ended June 30, 2014 and 2013**

	Governmental Activities		Increase (Decrease)
	2014	2013	
Revenues:			
<i>Program revenues:</i>			
Charges for services	\$ 2,023,613	\$ 1,442,646	\$ 580,967
Operating grants and contributions	2,445,968	2,121,955	324,013
<i>General revenues:</i>			
Taxes	22,790,305	22,280,279	510,026
Grants and contributions not restricted to specific programs	2,136,333	1,836,919	299,414
Investment income	65,292	101,993	(36,701)
Miscellaneous	583,298	919,133	(335,835)
Total revenues	<u>30,044,809</u>	<u>28,702,925</u>	<u>1,341,884</u>
Expenses:			
General government	1,951,717	2,226,807	(275,090)
Public safety	3,552,089	3,626,600	(74,511)
Public works	2,445,862	2,441,839	4,023
Social services and welfare	148,650	101,696	46,954
Recreation and culture	2,320,589	1,840,774	479,815
Education	15,076,916	14,700,074	376,842
County tax	902,996	817,322	85,674
Capital outlay	202,457	8,399	194,058
Grant funds/misc. accounts	520,430	302,629	217,801
Unallocated depreciation (Note 17)	111,315	107,204	4,111
Interest on long-term debt	631,762	226,179	405,583
State of Maine on-behalf payments	1,290,811	980,928	309,883
Total expenses	<u>29,155,594</u>	<u>27,380,451</u>	<u>1,775,143</u>
Change in net position	889,215	1,322,474	(433,259)
Transfers	-	(70,197)	70,197
Beginning net position	<u>31,474,559</u>	<u>30,222,282</u>	<u>1,252,277</u>
Ending net position	<u>\$ 32,363,774</u>	<u>\$ 31,474,559</u>	<u>\$ 889,215</u>
	Business-type Activities		Increase (Decrease)
	2014	2013	
Revenues:			
<i>Program revenues:</i>			
Charges for services	\$ 1,741,678	\$ 1,710,271	\$ 31,407
<i>General revenues:</i>			
Miscellaneous	2,338	-	2,338
Total revenues	<u>1,744,016</u>	<u>1,710,271</u>	<u>33,745</u>
Expenses:			
Enterprise funds	<u>2,072,779</u>	<u>1,721,223</u>	<u>351,556</u>
Change in net position	(328,763)	(10,952)	(317,811)
Transfers	-	15,145	(15,145)
Beginning net position	<u>10,616,975</u>	<u>10,612,782</u>	<u>4,193</u>
Ending net position	<u>\$ 10,288,212</u>	<u>\$ 10,616,975</u>	<u>\$ (328,763)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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
Fund Balances - Governmental Funds
June 30, 2014 and 2013**

	2014	2013
Major funds:		
<i>General fund:</i>		
Nonspendable	\$ 139,312	\$ 142,374
Restricted	2,105,422	1,274,916
Assigned	3,349	-
Unassigned	4,345,203	4,157,238
Total major funds	<u>\$ 6,593,286</u>	<u>\$ 5,574,528</u>
Nonmajor funds:		
<i>Capital project funds:</i>		
Restricted	\$ 709,122	\$ 631,912
Committed	2,017,644	1,862,128
Unassigned	(211,589)	(230,418)
<i>Special revenue funds:</i>		
Nonspendable	8,478	-
Restricted	179,654	117,187
Committed	939,524	1,243,642
Assigned	216,530	121,815
Unassigned	(208,672)	(240,406)
<i>Permanent funds:</i>		
Restricted	728,104	1,009,132
Committed	164,353	-
Total nonmajor funds	<u>\$ 4,543,148</u>	<u>\$ 4,514,992</u>

The general fund total fund balance increased by \$1,018,758 from the prior fiscal year. The non-major fund balances increased by \$28,156 over the prior fiscal year. As noted above in the committed fund balance amounts, the differences are attributed to the five reserve accounts being blended with the general fund that in the prior years were reported as nonmajor funds. This change reflects compliance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Comments on General Fund Budget Comparisons

General fund actual revenues totaling \$26,767,068 exceeded budgeted revenues by \$505,408 (1.9%).

Income from departments totaling \$11,655,862 were below the budget by \$82,263 primarily due to the Star Theatre taking longer than expected to get up and running and as a result did not generate the anticipated revenues through rentals and production ticket sales.

Intergovernmental sources totaling \$2,095,744 were above the budget by \$438,069 due to higher than anticipated essential programs and services income and receipt of medicaid and impact aid funding.

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

General fund expenditures, including encumbrances to the subsequent year, totaling \$26,810,840 were less than appropriations totaling \$27,274,509 by \$470,206 (1.7%).

Capital Assets and Debt Administration

Capital Assets

On June 30, 2014, the Town reported capital assets of \$39,769,422 (net of accumulated depreciation), which consist of a broad range of capital assets, including land and improvements, construction in progress, buildings and improvements, machinery, equipment, and vehicles. Prior period adjustment was recorded to accumulated depreciation, see Note 17.

**Town of Kittery
Capital Assets (Net of Depreciation)
June 30, 2014 and 2013**

	2014	2013	Increase (Decrease)
Governmental activities:			
Land and improvements	\$ 12,417,513	\$ 12,524,379	\$ (106,866)
Building and improvements	16,271,369	17,297,148	(1,025,779)
Machinery, equipment, and vehicles	2,066,949	2,362,857	(295,908)
Construction in progress	5,761,263	5,540,109	221,154
Infrastructure	3,252,328	3,480,209	(227,881)
Total historical cost	<u>\$ 39,769,422</u>	<u>\$ 41,204,702</u>	<u>\$ (1,435,280)</u>
Business-type activities:			
Land and improvements	\$ 284,480	\$ 284,480	\$ -
Building and improvements	12,627,613	13,179,716	(552,103)
Machinery, equipment, and vehicles	298,780	337,584	(38,804)
Construction in progress	1,200,712	4,900	1,195,812
Infrastructure	23,706	24,737	(1,031)
Total historical cost	<u>\$ 14,435,291</u>	<u>\$ 13,831,417</u>	<u>\$ 603,874</u>

Debt

At June 30, 2014, the Town had \$15,735,000 in bonds outstanding versus \$16,930,000 last year. Other obligations include capital leases payable, accrued vacation and sick time, and pension benefits. Refer to Note 13 to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The Town has increased their level of unassigned fund balance to sustain government operations for a period of approximately 2 months, further within the General Fund's committed fund balance the school department's unassigned fund balance of \$792,894 this period is increased to 2.35 months. The Town also maintains significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF KITTEERY, MAINE
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,767,672	\$ 5,386,645	\$ 13,154,317
Investments	4,415,466	-	4,415,466
Taxes receivables (net)	802,272	-	802,272
Account receivables (net)	116,744	631,638	748,382
Intergovernmental receivable	344,236	-	344,236
Prepaid items	118,803	10,113	128,916
Inventory	28,986	-	28,986
Internal balances	72,153	(72,153)	-
Capital assets:			
Land and construction in progress	16,712,169	1,485,192	18,197,361
Other capital assets, net of depreciation	23,057,253	12,950,099	36,007,352
Total assets	53,435,754	20,391,534	73,827,288
LIABILITIES			
Accounts payable	467,164	87,192	554,356
Accrued interest payable	151,888	9,201	161,089
Accrued salaries and benefits	1,067,808	-	1,067,808
Intergovernmental payable	327,758	-	327,758
Escrow and performance deposits	11,399	-	11,399
Bonds anticipation notes payable	-	6,550,172	6,550,172
Deferred revenue	11,720	-	11,720
Long-term liabilities:			
Due within one year	1,504,910	221,399	1,726,309
Due in more than one year	17,431,381	3,235,358	20,666,739
Total liabilities	20,974,028	10,103,322	31,077,350
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - prepaid taxes	97,952	-	97,952
NET POSITION			
Net investment in capital assets	23,584,296	9,987,375	33,571,671
Restricted	3,722,302	-	3,722,302
Unrestricted	5,057,176	300,837	5,358,013
Total net position	\$ 32,363,774	\$ 10,288,212	\$ 42,651,986

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF KITTERY, MAINE
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and	
	Expenses	Charges for Services	Operating Grants and Contributions	Change in Net Position	
				Governmental Activities	Business-type Activities
Governmental activities:					
General government	\$ 1,951,717	\$ 265,921	\$ 166,889	\$ (1,518,907)	\$ -
Public safety	3,552,089	167,265	19,303	(3,365,521)	-
Public works	2,445,862	291,356	201,075	(1,953,431)	-
Social Services and welfare	148,650	-	-	(148,650)	-
Culture and recreation	2,320,589	931,320	41,485	(1,347,784)	-
Education	15,076,916	367,751	1,078,007	(13,631,158)	-
County taxes	902,996	-	-	(902,996)	-
State of Maine on behalf payments	1,290,811	-	939,209	(351,602)	-
Grant funds & miscellaneous accounts	520,430	-	-	(520,430)	-
Interest on long term debt	631,762	-	-	(631,762)	-
Unallocated depreciation	111,315	-	-	(111,315)	-
Capital outlay	202,457	-	-	(202,457)	-
Total governmental activities	29,155,594	2,023,613	2,445,968	(24,686,013)	-
Business-type activities:					
Sewer department	2,072,779	1,741,678	-	-	(331,101)
Total	\$ 31,228,373	\$ 3,765,291	\$ 2,445,968	(24,686,013)	(331,101)
General revenues:					
Taxes:					
Property taxes, levied for general purposes				21,251,783	21,251,783
Excise taxes				1,512,062	1,512,062
Boat excise taxes				26,460	26,460
Grants and contributions not restricted to specific programs				2,136,333	2,136,333
Investment income, net of unrealized gains/(losses)				65,292	2,338
Miscellaneous				583,298	583,298
Total general revenues				25,575,228	25,577,566
Change in net position				889,215	(328,763)
Net position, beginning, as restated (see Note 17)				31,474,559	10,616,975
Net position, ending				\$ 32,363,774	\$ 42,651,986

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF KITTERY, MAINE
Governmental Funds
Balance Sheet
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 7,728,311	\$ 39,361	\$ 7,767,672
Investments	3,716,996	698,470	4,415,466
Accounts receivable	58,098	58,646	116,744
Taxes	802,272	-	802,272
Due from other governments	74,084	270,152	344,236
Interfund receivable	843,055	4,381,140	5,224,195
Inventory	21,133	7,853	28,986
Prepaid items	118,178	625	118,803
Total assets	<u>\$ 13,362,127</u>	<u>\$ 5,456,247</u>	<u>\$ 18,818,374</u>
LIABILITIES:			
Accounts payable	\$ 349,296	\$ 117,868	\$ 467,164
Accrued salaries and benefits	1,067,808	-	1,067,808
Intergovernmental payable	312,970	14,788	327,758
Interfund payable	4,381,140	770,902	5,152,042
Escrow and performance deposits	11,399	-	11,399
Deferred revenue	2,179	9,541	11,720
Total liabilities	<u>6,124,792</u>	<u>913,099</u>	<u>7,037,891</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - deferred tax revenues	546,097	-	546,097
Unavailable revenue - prepaid taxes	97,952	-	97,952
Total deferred inflows of resources	<u>644,049</u>	<u>-</u>	<u>644,049</u>
FUND BALANCES:			
Nonspendable	139,312	8,478	147,790
Restricted	2,105,422	1,616,880	3,722,302
Committed	-	3,121,521	3,121,521
Assigned	3,349	216,530	219,879
Unassigned	4,345,203	(420,261)	3,924,942
Total fund balances	<u>6,593,286</u>	<u>4,543,148</u>	<u>11,136,434</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 13,362,127</u>	<u>\$ 5,456,247</u>	<u>\$ 18,818,374</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF KITTELY, MAINE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit C-1)		\$ 11,136,434
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 75,129,954	
Less accumulated depreciation	<u>(35,360,532)</u>	
		39,769,422
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (5,152,042)	
Payables	<u>5,152,042</u>	
		-
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		546,097
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(151,888)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds payable	\$ 15,735,000	
Capital leases payable	450,126	
Accrued compensated absences	1,116,813	
Other postemployment benefits	<u>1,634,352</u>	
		<u>(18,936,291)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 32,363,774</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF KITTERY, MAINE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total
REVENUES:			
Taxes	\$ 22,800,050	\$ -	\$ 22,800,050
Intergovernmental	2,095,744	902,239	2,997,983
Charges for services	1,655,862	367,751	2,023,613
Investment earnings	32,997	-	32,997
State of Maine on behalf payments	1,290,811	-	1,290,811
Other income	157,417	751,684	909,101
Total revenues	<u>28,032,881</u>	<u>2,021,674</u>	<u>30,054,555</u>
EXPENDITURES:			
Current:			
General government	1,486,198	286,235	1,772,433
Public safety	3,227,618	71,389	3,299,007
Public works	1,708,263	217,974	1,926,237
Social Services	148,650	-	148,650
Culture and recreation	2,009,488	275,425	2,284,913
Education	13,066,285	1,459,251	14,525,536
County taxes	902,996	-	902,996
State of Maine on behalf payments	1,290,811	-	1,290,811
Grant funds & miscellaneous accounts	520,430	-	520,430
Debt service:			
Principal	1,345,000	-	1,345,000
Interest	479,874	-	479,874
Capital outlay	-	584,109	584,109
Total expenditures	<u>26,185,613</u>	<u>2,894,383</u>	<u>29,079,996</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,847,268</u>	<u>(872,709)</u>	<u>974,559</u>
Other financing sources (uses):			
Transfers in	25,000	1,560,382	1,585,382
Transfers out	(1,435,914)	(149,468)	(1,585,382)
Debt proceeds	-	150,000	150,000
Total other financing sources (uses)	<u>(1,410,914)</u>	<u>1,560,914</u>	<u>150,000</u>
Net change in fund balances	436,354	688,205	1,124,559
Fund balances, beginning, as restated (see Note 17)	6,156,932	3,854,943	10,011,875
Fund balances, ending	<u>\$ 6,593,286</u>	<u>\$ 4,543,148</u>	<u>\$ 11,136,434</u>

Note: Health and Sanitation was previously reported separately, and in the current year has been reported in the Public Works function.

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
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 Fiscal Year Ended June 30, 2014

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 1,124,559
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 367,323	
Depreciation expense	<u>(1,802,603)</u>	
		(1,435,280)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,585,382)	
Transfers out	<u>1,585,382</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Taxes and liens receivable not collected within 60 days		(9,745)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Proceeds of debt	\$ (150,000)	
Repayment of bond principal	1,345,000	
Repayment of capital leases	<u>182,272</u>	
		1,377,272
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.		
Increase in accrued interest expense	\$ (151,888)	
Decrease in compensated absences payable	101,717	
Increase in postemployment benefits payable	<u>(117,420)</u>	
		(167,591)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 889,215</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF KITTERY, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes	\$ 22,622,002	\$ 22,609,494	\$ 22,800,050	\$ 190,556
Intergovernmental	1,657,675	1,657,675	2,095,744	438,069
Charges for services	1,738,125	1,738,125	1,655,862	(82,263)
Investment earnings	26,500	26,500	32,997	6,497
Other revenue	118,803	204,866	157,415	(47,451)
Total revenues	26,163,105	26,236,660	26,742,068	505,408
EXPENDITURES				
Current:				
General government	1,524,588	1,502,633	1,489,313	13,320
Public safety	3,208,246	3,226,415	3,226,352	63
Public works	1,816,266	1,723,361	1,708,263	15,098
Social services and welfare	54,582	148,651	148,650	1
Culture and recreation	1,967,018	2,009,665	2,009,488	177
Education	13,504,834	13,504,834	13,066,519	438,315
County tax	902,996	902,996	902,996	-
Grant funds and miscellaneous accounts	464,749	513,889	511,810	2,079
Debt service:				
Principal	1,360,000	1,345,000	1,345,000	-
Interest	476,850	476,240	479,874	(3,634)
Total expenditures	25,280,129	25,353,684	24,888,265	465,419
Excess of revenues over expenditures	882,976	882,976	1,853,803	970,827
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Transfers out	(1,272,976)	(1,920,825)	(1,916,038)	(4,787)
Total other financing sources (uses)	(1,247,976)	(1,895,825)	(1,891,038)	(4,787)
Net change in fund balances	\$ (365,000)	\$ (1,012,849)	(37,235)	\$ 966,040
Decrease in nonspendable fund balance			36,707	
Decrease in restricted fund balance			198,377	
Unassigned fund balance, beginning, as restated (see Note 17)			4,147,354	
Unassigned fund balance, ending			\$ 4,345,203	

Note: Health and Sanitation was previously reported separately, and in the current year has been reported in the Public Works function.

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF KITTEERY, MAINE
Proprietary Fund
Statement of Proprietary Net Position
June 30, 2014

	Business-type Activities Enterprise Fund (Sewer Department)
ASSETS	
Cash and cash equivalents	5,386,645
Accounts receivable (net of allowance for uncollectibles)	\$ 631,638
Prepaid items	10,113
Due from other funds	(72,153)
Capital assets, not being depreciated:	
Land	284,480
Construction in progress	1,200,712
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	12,627,613
Machinery, equipment, and vehicles	298,780
Infrastructure	23,706
Total assets	<u>20,391,534</u>
LIABILITIES	
Current liabilities:	
Accounts payable	87,192
Accrued interest payable	9,201
Bond anticipation note payable	6,550,172
Noncurrent liabilities:	
Due within one year:	
Bond	221,399
Due in more than one year:	
Bonds	3,086,854
Accrued compensated absences	148,504
Total liabilities	<u>10,103,322</u>
NET POSITION	
Net investment in capital assets	9,987,375
Unrestricted	300,837
Total net position	<u>\$ 10,288,212</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF KITTERY, MAINE
Proprietary Fund
Statement of Revenues, Expenses, and Change in Proprietary Net Position
For the Fiscal Year Ended June 30, 2014

	Business-type Activities
	Enterprise Fund (Sewer Department)
Operating revenues:	
Charges for services	\$ 1,741,679
Operating expenses:	
Salaries and wages	778,620
Operation and maintenance	636,197
Depreciation and amortization	591,938
Total operating expenses	2,006,755
Operating loss	(265,076)
Nonoperating income (expense):	
Interest income	2,337
Interest expense	(66,024)
Total nonoperating income (expense)	(63,687)
Change in net position	(328,763)
Net position, beginning, as restated (see Note 17)	10,616,975
Net position, ending	\$ 10,288,212

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-3
TOWN OF KITTERY, MAINE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Cash flows from operating activities:	
Receipts from customers and users	\$ 1,741,680
Payments to employees and suppliers	(1,414,817)
Net cash provided (used) by operating activities	<u>326,863</u>
Cash flows from capital and related financing activities:	
Principal payments on bond payable	(218,910)
Proceeds from bond anticipation note	6,542,166
Purchase sale of fixed assets	(1,195,812)
Interest paid	(69,999)
Net cash provided (used) by capital and related financing activities	<u>5,057,445</u>
Cash flows from investing activities:	
Interest received	2,337
Net cash provided (used) by investing activities	<u>2,337</u>
Net increase/decrease in cash	5,386,645
Cash increase, beginning	-
Cash, ending	<u>\$ 5,386,645</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating loss	<u>\$ (265,076)</u>
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization expense	591,938
Changes in operating assets and liabilities:	
Increase in accounts receivable	(26,646)
Increase in inventory	10,113
Decrease in bond issuance costs	(3,121)
Increase in accounts payable	52,646
Decrease in due to other funds	(88,966)
Decrease in accrued payroll	(1,160)
increase in accrued interest payable	9,201
Increase in compensated absences	47,934
Total adjustments	<u>591,939</u>
Net cash provided (used) by operating activities	<u>\$ 326,863</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT F-1
TOWN OF KITTERY, MAINE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 15,899	\$ 48,264
Investments	366,593	-
Total assets	382,492	48,264
LIABILITIES		
Due to student groups	-	48,264
NET POSITION		
Held in trust for specific purposes	\$ 382,492	\$ -

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT F-2
TOWN OF KITTERY, MAINE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
ADDITIONS	
New funds	\$ 283,088
Interest	1,628
Total revenue	<u>284,716</u>
DEDUCTIONS	
Fees	45
Scholarships	5,465
Total deductions	<u>5,510</u>
Change in net position	279,206
Net position, beginning, as restated (see Note 17)	<u>103,286</u>
Net position, ending	<u><u>\$ 382,492</u></u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF KITTERY, MAINE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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TOWN OF KITTERY, MAINE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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TOWN OF KITTERY, MAINE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Kittery, Maine (the Town), are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

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

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position. Net position is reported as one of three categories: net investment in capital assets; restricted; or unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year.

TOWN OF KITTERY, MAINE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Town reports the following *major governmental* fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The Town reports the following *major proprietary* fund:

Sewer Fund – accounts for the operation of the sewer treatment plant, pumping station, and sewer lines.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

TOWN OF KITTERY, MAINE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

1-E 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 United States government, its agencies, and instrumentalities,
- Certificates of deposit and other evidences of deposits at banks, savings, and loan associations,
- Prime bank 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.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "Interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-H Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's major general and the nonmajor food service fund consist of materials and supplies held for subsequent use. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1-I Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

1-J 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, 2014. The allowance is for estimated uncollected personal property/real estate taxes in the general fund.

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1-K Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) (infrastructure is not included), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances (i.e., tax-exempt bond anticipation notes (BANS) were issued to finance specific improvements).

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Buildings and building improvements	20-50
Infrastructure	50-100
Land improvements	20-50
Machinery, equipment, and vehicles	3-50

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-L Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes 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 government has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, unavailable tax revenue, is reported only in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

1-M Property Taxes

The Town's property tax for the current year was levied September 18, 2013 on the assessed value listed as of April 1, 2012, for all real estate and personal property located in the Town. Taxes were due on October 31, 2013, February 15, 2014, and May 31, 2014. Interest on unpaid taxes commenced after the due date, at 7% per annum.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end. The remaining receivables have been recorded as deferred revenues.

The Town is permitted by 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 \$150,232 for the year ended June 30, 2014.

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

TOWN OF KITTERY, MAINE
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1-N Compensated Absences

The Town's policy allows certain employees to earn varying amounts of sick and vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-O Long-Term Obligations

In the government-wide and business-type activities financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-P Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-Q Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as "internal balances." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-R Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

TOWN OF KITTERY, MAINE
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Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town's governmental fund financial statements are as follows:

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

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The Town of Kittery recognizes the importance of maintaining an appropriate level of unencumbered surplus reserve or unassigned fund balance. After evaluating the Town's operating characteristics, diversity of tax base, reliability of non-property tax revenue sources, working capital needs, impact on bond rating, State and local economic outlooks, emergency and disaster risk, and other contingent issues, the Town establishes the following goals regarding the unencumbered surplus reserve or unassigned fund balance of the general fund for the Town of Kittery, Maine.

The level of fund balance that the Town strives to maintain as unassigned in amount equal to 12% (note: at least 1/12th or 8.34%) of the Town's general fund budget (i.e., an amount equal to two and a half months of operating expenses from the then current operating budget whichever is higher).

Once the Town achieves its goal of an appropriate level of unencumbered surplus reserve or unassigned fund balance, any excess funds may be utilized for other municipal fiscal purposes including, without restriction, additional capital improvement needs or tax rate stabilization or reduction purposes. This policy has been adopted by the Town to recognize the financial importance of a stable and sufficient level of the unencumbered surplus reserve or undesignated fund balance. The Town reserves the right to appropriate funds from the unencumbered surplus reserve or unassigned fund balance for emergencies and other requirements the Town believes to be in its best interest.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general and sewer funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

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Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis, present the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 26,767,070
Adjustment:	
Basis difference:	
On-behalf retirement contributions made by the State of Maine	
recognized as revenue on the GAAP basis, but not on the budgetary basis	1,290,811
Per Exhibit C-3 (GAAP basis)	<u>\$ 28,057,881</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 26,804,303
Adjustment:	
Basis differences:	
Encumbrances, beginning	9,886
Encumbrances, ending	(3,349)
GASB Statement No. 54:	
Net effect of transfers between blended funds	(480,124)
On-behalf payments to the Maine Public Employees Retirement System	
made by the State of Maine	1,290,811
Per Exhibit C-3 (GAAP basis)	<u>\$ 27,621,527</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – 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.

TOWN OF KITTERY, MAINE
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Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. 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 5709 of the Maine Revisited Statutes. At June 30, 2014, the Town's cash balance of \$13,218,480 was comprised of bank deposits amounting to \$12,155,083 and petty cash held in hands of officials totaling \$950. The entire amount bank deposits were insured by federal depository insurance or were collateralized with securities held by the financial institution in the Town's name, and consequently not exposed to custodial credit risk.

Account type:	
Checking	\$ 702,584
Savings	5,414,073
Money market	1,019,478
Sweep	6,081,395
Cash in hands of officials	950
Total cash and cash equivalents	<u>\$ 13,218,480</u>

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 13,154,317
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	64,163
Total cash and cash equivalents	<u>\$ 13,218,480</u>

Custodial Credit Risk – Investments - Custodial credit risk is the risk that in the event of a 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. 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.

At June 30, 2014, this Town had the following investments and maturities:

	Fair Value	N/A	Less Than 1 Year	1-5 Years
Investments type:				
Mutual funds - fixed income	\$ 588,566	\$ 588,566	\$ -	\$ -
Equities	109,905	109,905	-	-
Certificates of deposit	4,083,588	-	3,716,996	366,592
Total fair value	<u>\$ 4,782,059</u>	<u>\$ 698,471</u>	<u>\$ 3,716,996</u>	<u>\$ 366,592</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk – Statutes for the State of Maine authorize the Town to invest in obligations of the US 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.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 4,415,466
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	366,593
Total investments	<u>\$ 4,782,059</u>

TOWN OF KITTERY, MAINE
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NOTE 4 – TAXES RECEIVABLE

Taxes receivable of \$802,272 represents the amount of current and prior year taxes which have not been collected as of June 30, 2014. The amount has been reduced by an allowance for an estimated uncollectible amount of \$40,000.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2014, consisted of accounts (billings for police details, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
<u>Governmental activities:</u>				
At cost:				
Not being depreciated:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	5,540,109	252,885	(31,731)	5,761,263
Total capital assets not being depreciated	<u>16,491,015</u>	<u>252,885</u>	<u>(31,731)</u>	<u>16,712,169</u>
Being depreciated:				
Land improvements	2,203,634	-	-	2,203,634
Buildings and building improvements	37,394,299	87,914	-	37,482,213
Machinery, equipment, and vehicles	7,708,864	155,673	(133,189)	7,731,348
Infrastructure	10,964,819	35,771	-	11,000,590
Total capital assets being depreciated	<u>58,271,616</u>	<u>279,358</u>	<u>(133,189)</u>	<u>58,417,785</u>
Total all capital assets	<u>74,762,631</u>	<u>532,243</u>	<u>(164,920)</u>	<u>75,129,954</u>
Less accumulated depreciation:				
Land improvements	(630,161)	(106,866)	-	(737,027)
Buildings and building improvements	(20,097,151)	(1,113,693)	-	(21,210,844)
Machinery, equipment, and vehicles	(5,346,007)	(451,581)	133,189	(5,664,399)
Infrastructure	(7,484,610)	(263,652)	-	(7,748,262)
Total accumulated depreciation	<u>(33,557,929)</u>	<u>(1,935,792)</u>	<u>133,189</u>	<u>(35,360,532)</u>
Net book value, capital assets being depreciated	<u>24,713,687</u>	<u>(1,656,434)</u>	<u>-</u>	<u>23,057,253</u>
Net book value, all governmental activities capital assets	<u>\$ 41,204,702</u>	<u>\$ (1,403,549)</u>	<u>\$ (31,731)</u>	<u>\$ 39,769,422</u>

TOWN OF KITTERY, MAINE
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Capital assets continued:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
<u>Business-type activities:</u>				
At cost:				
Not being depreciated:				
Land	\$ 284,480	\$ -	\$ -	\$ 284,480
Construction in progress	4,900	1,195,812	-	1,200,712
Total capital assets not being depreciated	289,380	1,195,812	-	1,485,192
Being depreciated:				
Buildings and building improvements	18,646,324	-	-	18,646,324
Machinery, equipment, and vehicles	623,944	-	-	623,944
Infrastructure	25,768	-	-	25,768
Total capital assets being depreciated	19,296,036	-	-	19,296,036
Total all capital assets	19,585,416	1,195,812	-	20,781,228
Less accumulated depreciation:				
Buildings and building improvements	(5,466,608)	(552,103)	-	(6,018,711)
Machinery, equipment, and vehicles	(286,360)	(38,804)	-	(325,164)
Infrastructure	(1,031)	(1,031)	-	(2,062)
Total accumulated depreciation	(5,753,999)	(591,938)	-	(6,345,937)
Net book value, capital assets being depreciated	13,542,037	(591,938)	-	12,950,099
Net book value, all business-type activities capital assets	\$ 13,831,417	\$ 603,874	\$ -	\$ 14,435,291

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

<u>Governmental activities:</u>	
General government	\$ 112,634
Public safety	312,177
Public works	517,904
Recreation and culture	46,688
Health and sanitation	31,017
Education	804,057
Unallocated depreciation	111,315
Total depreciation expense	<u>\$ 1,935,792</u>

Depreciation expense in the business-type activities was all charged to the sanitation function.

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor	Major - General	\$ 4,381,140
Major - General	Major Proprietary - Sewer	72,153
Major - General	Nonmajor	770,902
		<u>\$ 5,224,195</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF KITTERY, MAINE
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Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 25,000	\$ 25,000
Nonmajor funds	1,435,914	124,468	1,560,382
Total	<u>\$ 1,435,914</u>	<u>\$ 149,468</u>	<u>\$ 1,585,382</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$327,758 at June 30, 2014 consist of the following:

General fund:	
Balance due to the Maine Public Employees Retirement System	\$ 162,020
Federal payroll taxes	110,521
Various fees due to the State of Maine	40,429
Total general fund	<u>312,970</u>
Nonmajor funds:	
Various fees due to the State of Maine	14,788
Total intergovernmental payables due	<u>\$ 327,758</u>

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources reported in the governmental funds as unavailable revenue are as follows:

	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ 546,097
Property taxes collected in advance of levy	97,952
Total deferred inflows of resources	<u>\$ 644,049</u>

NOTE 10 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2014
Capital lease obligations:		
Mitchell equipment	3.00%	\$ 21,856
Photocopier	3.49%	104,392
HVAC equipment	3.33%	323,878
Total capital lease obligations		<u>\$ 450,126</u>

TOWN OF KITTERY, MAINE
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The annual requirements to amortize the capital leases payable as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2015	\$ 175,347
2016	152,482
2017	152,482
Total requirements	480,311
Less: interest	30,185
Present value of remaining payments	<u>\$ 450,126</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 11 – SHORT-TERM DEBT

Changes in the Town's short-term capital borrowings during the year ended June 30, 2014 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance July 1, 2013	Issues	Redemptions	Balance June 30, 2014
Bond anticipation notes	\$ 150,000	1.08%	\$ -	\$ 150,000	\$ 150,000	\$ -
Bond anticipation notes	6,500,000	1.00%	-	6,500,000	-	6,500,000 *
Total short-term borrowings	<u>\$ 6,650,000</u>		<u>\$ -</u>	<u>\$ 6,650,000</u>	<u>\$ 150,000</u>	<u>\$ 6,500,000</u>

* Bond anticipation note included a premium of \$42,166.

The purpose of the short-time borrowings was to provide resources for various capital improvement projects. The amounts issued for capital improvements are accounted for in the Sewer Department and the Conservation Commission.

NOTE 12 – OVERLAPPING DEBT

The Town is responsible for its proportionate share of county debt. As of June 30, 2014, the Town's share was as follows:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 8,900,000	5.13%	\$ 456,500

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 16,930,000	\$ 150,000	\$ (1,345,000)	\$ 15,735,000	\$ 1,345,000
Capital leases	632,398	-	(182,272)	450,126	159,910
Compensated absences	1,218,530	-	(101,717)	1,116,813	-
Net other postemployment benefits	1,516,932	117,420	-	1,634,352	-
Total long-term liabilities	<u>\$ 20,297,860</u>	<u>\$ 267,420</u>	<u>\$ (1,628,989)</u>	<u>\$ 18,936,291</u>	<u>\$ 1,504,910</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 3,527,163	\$ -	\$ (218,910)	\$ 3,308,253	\$ 221,399
Compensated absences	100,570	47,934	-	148,504	-
Total long-term liabilities	<u>\$ 3,627,733</u>	<u>\$ 47,934</u>	<u>\$ (218,910)</u>	<u>\$ 3,456,757</u>	<u>\$ 221,399</u>

TOWN OF KITTERY, MAINE
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Long term bonds are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2014	Current Portion
<u>Governmental activities:</u>					
General obligation bonds payable:					
Mitchell Shapleigh Renovations	2010	2032	2.00%	\$ 6,480,000	\$ 360,000
Mitchell Shapleigh (2006 Refinance)	2006	2015	5.25 - 5.75%	690,000	345,000
Fire Station	2006	2026	4.25 - 4.50 %	1,575,000	155,000
Mitchell School	2002	2022	3.25 - 4.75 %	1,890,000	210,000
Community Center Loan	2012	2032	2.0 - 3.15 %	4,950,000	275,000
Land Purchase	2014	2027	-	150,000	-
				<u>15,735,000</u>	<u>1,345,000</u>
Capital leases:					
Mitchell equipment	2004	2015		21,857	21,856
Photocopier	2011	2017		104,392	33,611
HVAC equipment	2011	2017		323,877	104,443
				<u>450,126</u>	<u>159,910</u>
Compensated absences				<u>1,116,813</u>	<u>-</u>
Total				<u>\$ 17,301,939</u>	<u>\$ 1,504,910</u>
<u>Business-type activities:</u>					
General obligation bonds payable:					
Waste Water State Revolving Loan	2003	2022	1.94%	\$ 642,262	\$ 66,919
Waste Water	2010	2030	1.00%	2,665,992	154,480
				<u>3,308,254</u>	<u>221,399</u>
Compensated absences				<u>148,504</u>	<u>-</u>
Total				<u>\$ 3,456,758</u>	<u>\$ 221,399</u>

The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,345,000	\$ 420,739	\$ 1,765,739
2016	1,351,043	383,327	1,734,370
2017	976,076	354,082	1,330,158
2018	976,127	333,203	1,309,330
2019	966,199	311,597	1,277,796
2020-2024	4,617,818	1,208,499	5,826,317
2025-2029	3,542,624	630,856	4,173,480
2030-2034	1,950,002	166,571	2,116,573
2035	10,111	203	10,314
Totals	<u>\$ 15,735,000</u>	<u>\$ 3,809,077</u>	<u>\$ 19,544,077</u>

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The annual requirements to amortize all *business-type activities* general obligation bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 221,399	\$ 46,288	\$ 267,687
2016	223,946	43,612	267,558
2017	226,552	40,948	267,500
2018	229,219	38,251	267,470
2019	231,950	35,333	267,283
2020-2024	1,125,397	119,299	1,244,696
2025-2029	870,445	80,539	950,984
2030	179,345	10,850	190,195
Totals	<u>\$ 3,308,253</u>	<u>\$ 415,120</u>	<u>\$ 3,723,373</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town. Principal credit represents the Town's portion of savings realized by the Maine Municipal Bond Bank upon debt refunding, amortized over the remaining life of the bond.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2014 were as follows:

Public Hearing Vote June 11, 2013	Purpose	Unissued Amount
Referendum #1	Funding improvements and upgrades to existing sewer infrastructure	\$ 4,403,500
Referendum #2	Funding sewer extension project	7,586,525
		<u>\$ 11,990,025</u>

NOTE 14 – ENCUMBRANCES

Encumbrances at June 30, 2014 are as follows:

General fund:	
General government	\$ 3,115
Education	234
Total encumbrances	<u>\$ 3,349</u>

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2014 include the following:

	Governmental Activities
Net investment in capital assets:	
Net property, buildings, and equipment	\$ 39,769,422
Less:	
General obligation bonds payable	(15,735,000)
Capital leases payable	<u>(450,126)</u>
Total net investment in capital assets	23,584,296
Restricted net position	3,722,302
Unrestricted	<u>5,057,176</u>
Total net position	<u>\$ 32,363,774</u>

(continued)

TOWN OF KITTERY, MAINE
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Governmental activities net position continued:

	Business-type Activities
Net investment in capital assets:	
Net property, buildings, and equipment	\$ 14,435,291
Less:	
General obligation bonds payable	(3,308,253)
Bond anticipation note payable	(6,526,307)
Amount of bond anticipation note unspent proceeds	5,386,644
Total net investment in capital assets	9,987,375
Unrestricted	300,837
Total net position	<u>\$ 10,288,212</u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2014 include the following:

Nonspendable:

Major fund:		
General:		
Inventory	\$ 21,133	
Prepaid items	118,178	
Nonmajor funds:		
Special revenue funds		
Inventory	7,853	
Prepaid items	626	
Total nonspendable fund balance		\$ 147,790

Restricted:

Major fund:		
General:		
School department	\$ 2,105,422	
Nonmajor funds:		
Special revenue funds	179,654	
Capital project funds	709,122	
Permanent funds	728,104	
Total restricted fund balance		3,722,302

Committed:

Nonmajor funds:		
Special revenue funds	\$ 939,524	
Capital project funds	2,017,644	
Permanent funds	164,353	
Total committed fund balance		3,121,521

Assigned:

Major fund:		
General:		
Encumbrances	\$ 3,349	
Nonmajor funds:		
Special revenue funds	216,530	
Total assigned fund balance		219,879

(Continued)

TOWN OF KITTERY, MAINE
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Governmental fund balances continued:

Unassigned:

Major fund:		
General	\$ 4,345,203	
Nonmajor funds:		
Special revenue funds (deficit balances)	(208,672)	
Capital project funds (deficit balances)	<u>(211,589)</u>	
Total unassigned fund balance		<u>3,924,942</u>
Total governmental fund balances		<u><u>\$ 11,136,434</u></u>

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	Business-type Activities	General Fund	Other Governmental Funds	Private Purpose Trust Funds
To adjust beginning accounts receivable balances to actual	\$ -	\$ 239,017	\$ -	\$ -	\$ -
To adjust beginning depreciation to actual	-	(146,153)	-	-	-
To record school district reserve accounts at July 1st as part of the general fund	-	-	582,404	(582,404)	-
To reclassify trusts, previously reported as permanent funds	(100,100)	-	-	(100,100)	100,100
To record Priscilla Guy Scholarship, not reported in prior years	-	-	-	-	3,186
Reclassify food service fund, now reported as a special revenue fund	22,455	(22,455)	-	22,455	-
To record noted changes in capital assets	80,256	-	-	-	-
Net position/fund balance, as previously reported	<u>31,471,948</u>	<u>10,546,566</u>	<u>5,574,528</u>	<u>4,514,992</u>	<u>-</u>
Net position/fund balance, as restated	<u><u>\$ 31,474,559</u></u>	<u><u>\$ 10,616,975</u></u>	<u><u>\$ 6,156,932</u></u>	<u><u>\$ 3,854,943</u></u>	<u><u>\$ 103,286</u></u>

NOTE 18 – EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014 one expenditure account was overexpended which was for interest on long-term debt, this was due to interest costs associated with the bond anticipation note obtained and repaid during fiscal year 2014.

NOTE 19 – DEFICIT FUND BALANCES

At June 30, 2014, the Town had the following deficit fund balances, which the Town anticipates eliminating through future general fund transfers, pending grant funding, and operations:

Nonmajor funds:

Special revenue funds:

Spruce Creek 319 PH 3 Grant	\$ 26,039
Spruce Creek 319 Grant Phase II	3,910
Town Pier Repair	174,466
Wave Mitigation	3,000
School Department - ARRA Connect Maine	3,250
School Department - Melmac Grant	124

(continued)

TOWN OF KITTERY, MAINE
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Deficit fund balances continued:

<i>Capital project funds:</i>	
Office furniture	3,463
Fire Department SCBA's	88,007
Pepperell Butterworth	14,754
Boat Infrastructure Grant	145,184
Traffic Light Route 236	105,365
Total	<u>\$ 567,562</u>

NOTE 20 – EMPLOYEE RETIREMENT PLAN

Maine Public Employees Retirement Plan – Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost sharing multiple-employee defined benefit pension plan administered by Maine Public Employees Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLDs Consolidated Plan Board of Trustees. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333 or by calling (800) 451-9800.

The contribution requirements of plan members and the Town are established and may be amended by the PLDs Consolidated Board of Trustees. The Town's police department employees are part of the PLDs special plan "1C" and are required to contribute 6.5% of their annual salary, while all other employees are part of the PLDs plan "AC" and are also required to contribute 6.5% of their annual salary. The Town is required to contribute 12.8% of special plan "1C" members' covered payroll and 6.5% of the plan "AC" members' payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employers' covered payroll to determine the employers actual cost.

As of June 30, 2013, the Town had an unfunded actuarial accrued liability credit computed using the actuarial method for funding purposes. (The amount of the unfunded actuarial accrued liability credit as of June 30, 2014 is not currently available.) This credit is being used to reduce future contributions made by the Town and employees after the unfunded actuarial accrued liability credit was deducted from the annual pension costs were \$529,290, \$451,392, and \$407,315 for the years ended June 30, 2014, 2013, and 2012, respectively.

Education Employees Retirement Plan – All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System teacher program. The teacher's program is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. The program requires that both employees and the Department contribute, and provide retirement, disability, and death benefits. Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service. The authority to establish and amend benefit provisions rests with the State Legislature. The funding status and progress for the teacher retirement program may be obtained by contacting the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046, or by calling (800) 451-9800.

Program members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine is required to contribute the employer contribution which amounts to 14.32% of compensation. Contributions paid by the State were approximately \$1,290,811 for the year ended June 30, 2014. There is no contribution required by the Department, except for federally funded teachers. The Department's contributions to the plan for 2014, 2013, and 2012 were \$307,265, \$216,204 and \$222,699, respectively.

NOTE 21 – DEFERRED COMPENSATION PLAN

International City Management Association Retirement Corporation – 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,

TOWN OF KITTERY, MAINE
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in addition to Town contributions, until future years. Employee 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.

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 IMCA-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 IMCA 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 6%. 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 2014, 2013, and 2012 were \$71,855, \$82,538, and \$81,979, 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 22 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, was implemented by the Town during fiscal year 2011, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

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 the Town employees. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the Town's medical benefits program.

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

The following is the current census of the Town benefit participants as of June 30, 2014:

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

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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 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 funding status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

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

Normal cost	\$ 95,919
Supplemental cost	175,251
Interest	<u>5,371</u>
Annual required contribution	276,541
Interest on net OPEB obligation	60,677
Adjustment to annual required contribution	<u>(86,021)</u>
Annual OPEB cost (expense)	251,197
Expected benefit payments	<u>(133,777)</u>
Increase in net OPEB obligation	117,420
Net OPEB obligation - beginning of year	1,516,932
Net OPEB Obligation - end of year	<u><u>\$ 1,634,352</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2011	\$ 291,507	\$ 115,000	39.50%	\$ 1,192,562
June 30, 2012	\$ 282,906	\$ 121,000	42.80%	\$ 1,354,468
June 30, 2013	\$ 283,464	\$ 121,000	42.70%	\$ 1,516,932
June 30, 2014	\$ 251,197	\$ 133,777	53.26%	\$ 1,634,352

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 the 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 the assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, projected unit credit (PUC) method was used. The actuarial assumption included a 4.00% 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 trend rate of 3.00% for pre 65 and 0.00% for post 65 were used initially, 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, 2014 was 29 years. As of June 30, 2014, the most recent actuarial valuation date, the plan was 0.00% funded. The actuarial accrued liability for benefits was approximately \$3,151,662, and the actuarial value of the assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3,151,662.

TOWN OF KITTERY, MAINE
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These numbers are based on information that was presented for the year ending June 30, 2014. The amortization method that was used to calculate the numbers is presents below:

Discount rate	4.00%
Payroll growth assumption	N/A
Accrued liability	\$ 3,151,662
Value of assets	-
Unfunded liability	<u>\$ 3,151,662</u>
Normal cost	\$ 95,919
Amortization of unfunded	175,251
Interest	5,371
Annual required contribution	<u>\$ 276,541</u>

NOTE 23 – RISK MANAGEMENT

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 purchased insurance, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2014. There were no significant reductions or modifications in the insurance coverage from that of the prior year and the amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 24 – CONTINGENCIES

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 25 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended June 30, 2014, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 66, Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

GASB Statement No. 67, Financial Reporting for Pension Plans, issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

TOWN OF KITTERY, MAINE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013, will be effective for the Town beginning with the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending June 30, 2015. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

NOTE 26 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 18, 2014, the date the June 30, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF KITTERY, MAINE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2011	\$ -	\$ 3,146,751	\$ 3,146,751	0.00%	N/A	N/A
July 1, 2012	\$ -	\$ 3,146,751	\$ 3,146,751	0.00%	N/A	N/A
July 1, 2013	\$ -	\$ 3,151,662	\$ 3,151,662	0.00%	\$ 4,118,570	76.50%
July 1, 2014	\$ -	\$ 3,057,203	\$ 3,057,203	0.00%	\$ 4,200,941	69.80%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF KITTERY, MAINE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit G represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended June 30, 2014.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF KITTEERY, MAINE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
General tax revenues:			
Property taxes	\$ 21,264,726	\$ 21,261,528	\$ (3,198)
Vehicle excise taxes	1,460,000	1,512,062	52,062
Boat excise taxes	35,000	26,460	(8,540)
Overlay	(150,232)	-	150,232
Total from taxes	<u>22,609,494</u>	<u>22,800,050</u>	<u>190,556</u>
Intergovernmental revenues:			
Education subsidy	670,864	939,209	268,345
State revenue sharing	398,491	412,845	14,354
Homestead exemption	123,598	127,335	3,737
GMH housing	267,800	275,005	7,205
General assistance	26,922	74,270	47,348
Other	170,000	266,216	96,216
Tree growth	-	864	864
Total from licenses, permits, and fees	<u>1,657,675</u>	<u>2,095,744</u>	<u>438,069</u>
Charges for services:			
Income from departments	<u>1,738,125</u>	<u>1,655,862</u>	<u>(82,263)</u>
Investment income	<u>26,500</u>	<u>32,997</u>	<u>6,497</u>
Other income:			
Interest/fees on taxes	80,000	67,068	(12,932)
Other income	106,867	57,103	(49,764)
Other education	<u>17,999</u>	<u>33,244</u>	<u>15,245</u>
Total from miscellaneous	<u>204,866</u>	<u>157,415</u>	<u>(47,451)</u>
Other financing sources:			
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total revenues and other financing sources	<u>26,261,660</u>	<u>\$ 26,767,068</u>	<u>\$ 505,408</u>
Use of available fund balance	<u>1,012,849</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 27,274,509</u>		

SCHEDULE 2
TOWN OF KITTERY, MAINE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Carryforward Balance Prior Year	Appropriations	Expenditures	Carryforward Balance Current Year	Variance Positive (Negative)
Current:					
General government:					
Administration	\$ -	\$ 916,511	\$ 916,381	\$ -	\$ 130
Code enforcement	-	116,356	116,297	-	59
Town planner	-	240,820	240,819	-	1
Planning board	-	46,501	31,382	2,000	13,119
Elections	-	7,701	6,579	1,115	7
Council	-	7,396	7,392	-	4
Total general government	-	1,502,633	1,486,198	3,115	13,320
Public safety:					
Police department	1,266	2,640,241	2,641,497	-	10
Fire department	-	260,234	260,232	-	2
Street lights	-	109,030	109,026	-	4
Hydrants	-	215,320	215,288	-	32
Civil emergency preparedness	-	1,590	1,575	-	15
Total public safety	1,266	3,226,415	3,227,618	-	63
Public works:					
Highways	-	1,136,915	1,136,850	-	65
Solid waste	-	586,446	571,413	-	15,033
Total public works	-	1,723,361	1,708,263	-	15,098
Social services and welfare:					
General assistance	-	135,783	135,783	-	-
Community agencies	-	12,275	12,275	-	-
Public health services	-	593	592	-	1
Total social services and welfare	-	148,651	148,650	-	1
Culture and recreation:					
Parks	-	303,534	303,404	-	130
Recreation	-	1,160,230	1,160,204	-	26
Library	-	434,400	434,400	-	-
Port authority	-	111,501	111,480	-	21
Total culture and recreation	-	2,009,665	2,009,488	-	177
Education	-	13,504,834	13,066,285	234	438,315
County tax	-	902,996	902,996	-	-
Debt service:					
Principal of long-term debt	-	1,345,000	1,345,000	-	-
Interest on long-term debt	-	476,240	479,874	-	(3,634)
Total debt service	-	1,821,240	1,824,874	-	(3,634)
Grant funds & miscellaneous accounts	8,620	513,889	520,430	-	2,079
Other financing uses:					
Transfers out	-	1,920,825	1,916,038	-	4,787
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 9,886	\$ 27,274,509	\$ 26,810,840	\$ 3,349	\$ 470,206

Note: Solid Waste was previously reported as Health and Sanitation, in the current year has been reported in the Public Works function.

*SCHEDULE 3
TOWN OF KITTERY, MAINE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2014*

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 4,147,354
Changes:		
Unassigned fund balance used to reduce 2014 tax rate		(1,012,849)
2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 505,408	
Unexpended balance of appropriations (Schedule 2)	<u>470,206</u>	
2014 Budget surplus		975,614
Decrease in nonspendable fund balance		36,707
Decrease in restricted fund balance		<u>198,377</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		<u>\$ 4,345,203</u>

SCHEDULE 4
TOWN OF KITTERY, MAINE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Fund	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 131	\$ -	\$ 39,230	\$ 39,361
Investments	-	-	698,470	698,470
Accounts receivable	58,195	451	-	58,646
Due from other governments	270,152	-	-	270,152
Interfund receivable	1,312,635	2,892,448	176,057	4,381,140
Inventory	7,853	-	-	7,853
Prepaid items	625	-	-	625
Total assets	<u>\$ 1,649,591</u>	<u>\$ 2,892,899</u>	<u>\$ 913,757</u>	<u>\$ 5,456,247</u>
LIABILITIES:				
Accounts payable	\$ 29,552	\$ 85,766	\$ 2,550	\$ 117,868
Intergovernmental payable	-	14,788	-	14,788
Interfund payable	474,984	277,168	18,750	770,902
Deferred revenue	9,541	-	-	9,541
Total liabilities	<u>514,077</u>	<u>377,722</u>	<u>21,300</u>	<u>913,099</u>
FUND BALANCES (DEFICIT):				
Nonspendable	8,478	-	-	8,478
Restricted	179,654	709,122	728,104	1,616,880
Committed	939,524	2,017,644	164,353	3,121,521
Assigned	216,530	-	-	216,530
Unassigned	(208,672)	(211,589)	-	(420,261)
Total fund balances	<u>1,135,514</u>	<u>2,515,177</u>	<u>892,457</u>	<u>4,543,148</u>
Total liabilities and fund balance	<u>\$ 1,649,591</u>	<u>\$ 2,892,899</u>	<u>\$ 913,757</u>	<u>\$ 5,456,247</u>

SCHEDULE 5
TOWN OF KITTERY, MAINE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental	\$ 737,267	\$ 164,972	\$ -	\$ 902,239
Charges for services	367,751	-	-	367,751
Other income	612,980	85,585	53,119	751,684
Total revenues	<u>1,717,998</u>	<u>250,557</u>	<u>53,119</u>	<u>2,021,674</u>
EXPENDITURES:				
Current:				
General government	204,992	56,549	24,694	286,235
Public safety	1,503	69,886	-	71,389
Public works	13,812	204,162	-	217,974
Culture and recreation	13,642	261,783	-	275,425
Education	1,316,184	143,067	-	1,459,251
Capital outlay	307,954	262,405	13,750	584,109
Total expenditures	<u>1,858,087</u>	<u>997,852</u>	<u>38,444</u>	<u>2,894,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,089)</u>	<u>(747,295)</u>	<u>14,675</u>	<u>(872,709)</u>
Other financing sources (uses):				
Transfers in	177,549	1,382,833	-	1,560,382
Transfers out	(38,439)	(79,779)	(31,250)	(149,468)
Debt proceeds	150,000	-	-	150,000
Total other financing sources (uses)	<u>289,110</u>	<u>1,303,054</u>	<u>(31,250)</u>	<u>1,560,914</u>
Net change in fund balances	149,021	555,759	(16,575)	688,205
Fund balances, beginning	986,493	1,959,418	909,032	3,854,943
Fund balances, ending	<u>\$ 1,135,514</u>	<u>\$ 2,515,177</u>	<u>\$ 892,457</u>	<u>\$ 4,543,148</u>

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2014

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police/Fire Rescue	Storm Damage/FEMA	Fire Hazmat Spill Cleanup	Munis Loan	Oil & More	Special Events
ASSETS:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	21,672	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable	339,832	43,730	1,032	39,636	2,972	-	45,275	931
Inventory	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	<u>\$ 339,832</u>	<u>\$ 65,402</u>	<u>\$ 1,032</u>	<u>\$ 39,636</u>	<u>\$ 2,972</u>	<u>\$ -</u>	<u>\$ 45,275</u>	<u>\$ 931</u>
LIABILITIES:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129	\$ -
Interfund payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129</u>	<u>-</u>
FUND BALANCES (DEFICITS):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	1,032	39,636	2,972	-	-	-
Committed	339,832	65,402	-	-	-	-	45,146	-
Assigned	-	-	-	-	-	-	-	931
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>339,832</u>	<u>65,402</u>	<u>1,032</u>	<u>39,636</u>	<u>2,972</u>	<u>-</u>	<u>45,146</u>	<u>931</u>
Total liabilities and fund balance	<u>\$ 339,832</u>	<u>\$ 65,402</u>	<u>\$ 1,032</u>	<u>\$ 39,636</u>	<u>\$ 2,972</u>	<u>\$ -</u>	<u>\$ 45,275</u>	<u>\$ 931</u>

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Spruce Creek 319 PH 3 Grant	Shore and Harbor Master Plan	Compensated Absences	Channel 22	Self Insurance Claim	Ballot Counting Machines	Legal Ads	Tax Increment Financing
ASSETS:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable	-	-	80,752	233,336	-	13,216	297	65,168
Inventory	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 80,752	\$ 233,336	\$ -	\$ 13,216	\$ 297	\$ 65,168
LIABILITIES:								
Accounts payable	\$ 4,713	\$ -	\$ -	\$ 1,783	\$ -	\$ -	\$ -	\$ -
Interfund payable	21,326	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	26,039	-	-	1,783	-	-	-	-
FUND BALANCES (DEFICITS):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	65,168
Committed	-	-	-	231,553	-	13,216	-	-
Assigned	-	-	80,752	-	-	-	297	-
Unassigned	(26,039)	-	-	-	-	-	-	-
Total fund balances	(26,039)	-	80,752	231,553	-	13,216	297	65,168
Total liabilities and fund balance	\$ -	\$ -	\$ 80,752	\$ 233,336	\$ -	\$ 13,216	\$ 297	\$ 65,168

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Spruce Creek 319 Grant Phase II	ASA Applicant Code	Town Pier Repair	York Hospital Scholarship	Concert in the Park	Open Space	Conservation Committee	Wetland Mitigation
ASSETS:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Interfund receivable	-	21,197	-	9,103	2,747	84,047	988	7,400
Inventory	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 21,197	\$ -	\$ 9,103	\$ 2,747	\$ 84,047	\$ 988	\$ 7,400
LIABILITIES:								
Accounts payable	\$ -	\$ 1,414	\$ -	\$ -	\$ -	\$ -	\$ -	-
Interfund payable	3,910	-	174,466	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	3,910	1,414	174,466	-	-	-	-	-
FUND BALANCES (DEFICITS):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	9,103	-	-	-	-
Committed	-	-	-	-	2,747	84,047	988	7,400
Assigned	-	19,783	-	-	-	-	-	-
Unassigned	(3,910)	-	(174,466)	-	-	-	-	-
Total fund balances	(3,910)	19,783	(174,466)	9,103	2,747	84,047	988	7,400
Total liabilities and fund balance	\$ -	\$ 21,197	\$ -	\$ 9,103	\$ 2,747	\$ 84,047	\$ 988	\$ 7,400

SCHEDULE 6
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Property Revaluation	Defibrillators	Block Party	Harbor Pier Planning Grant	Other School Grants	Tree Planting Grant	D.A.R.E.	Wave Mitigation	Total
ASSETS:									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 131	\$ -	\$ -	\$ -	131
Accounts receivable	-	-	-	-	36,523	-	-	-	58,195
Due from other governments	-	-	-	-	270,152	-	-	-	270,152
Interfund receivable	5,847	690	24,732	1,928	287,563	-	216	-	1,312,635
Inventory	-	-	-	-	7,853	-	-	-	7,853
Prepaid items	-	-	-	-	625	-	-	-	625
Total assets	\$ 5,847	\$ 690	\$ 24,732	\$ 1,928	\$ 602,847	\$ -	\$ 216	\$ -	\$ 1,649,591
LIABILITIES:									
Accounts payable	\$ -	\$ -	\$ 2,935	\$ -	\$ 15,578	\$ -	\$ -	\$ 3,000	\$ 29,552
Interfund payable	-	-	-	-	275,282	-	-	-	474,984
Deferred revenue	-	-	-	-	9,541	-	-	-	9,541
Total liabilities	-	-	2,935	-	300,401	-	-	3,000	514,077
FUND BALANCES (DEFICITS):									
Nonspendable	-	-	-	-	8,478	-	-	-	8,478
Restricted	-	-	-	-	61,743	-	-	-	179,654
Committed	5,847	-	21,797	-	121,549	-	-	-	939,524
Assigned	-	690	-	1,928	114,933	-	216	(3,000)	216,530
Unassigned	-	-	-	-	(4,257)	-	-	-	(208,672)
Total fund balances	5,847	690	21,797	1,928	302,446	-	216	(3,000)	1,135,514
Total liabilities and fund balance	\$ 5,847	\$ 690	\$ 24,732	\$ 1,928	\$ 602,847	\$ -	\$ 216	\$ -	\$ 1,649,591

SCHEDULE 7
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police/Fire Rescue	Storm Damage/FEMA	Fire Hazmat Spill Cleanup	Munis Loan	Oil & More	Special Events
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ 10,862	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Other income	27,120	1,693	-	-	2,823	-	62,490	500
Total revenues	27,120	1,693	-	10,862	2,823	-	62,490	500
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	18,497	34,533	-
Public safety	-	-	-	-	1,503	-	-	-
Public works	-	-	-	-	-	-	-	362
Culture and recreation	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	1,503	18,497	34,533	362
Excess (deficiency) of revenues over (under) expenditures	27,120	1,693	-	10,862	1,320	(18,497)	27,957	138
Other financing sources (uses):								
Transfers in	-	-	-	-	-	37,110	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-
Premium on debt proceeds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	37,110	-	-
Net change in fund balances	27,120	1,693	-	10,862	1,320	18,613	27,957	138
Fund balances (deficits), beginning, as restated (see Note 17)	312,712	63,709	1,032	28,774	1,652	(18,613)	17,189	793
Fund balances, ending	\$ 339,832	\$ 65,402	\$ 1,032	\$ 39,636	\$ 2,972	\$ -	\$ 45,146	\$ 931

SCHEDULE 7
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Spruce Creek 319 PH 3 Grant	Shore and Harbor Master Plan	Compensated Absences	Channel 22	Self Insurance Claim	Ballot Counting Machines	Legal Ads	Tax Increment Financing
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Other income	22,272	10,000	-	84,011	547	-	-	11,790
Total revenues	22,272	10,000	-	84,011	547	-	-	11,790
EXPENDITURES:								
Current:								
General government	-	-	-	14,953	547	2,356	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	13,642	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	43,880	-	-	-	-	-	-	-
Total expenditures	43,880	13,642	-	14,953	547	2,356	-	-
Excess (deficiency) of revenues over (under) expenditures	(21,608)	(3,642)	-	69,058	-	(2,356)	-	11,790
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-
Premium on debt proceeds	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(21,608)	(3,642)	-	69,058	-	(2,356)	-	11,790
Fund balances (deficits), beginning, as restated (see Note 17)	(4,431)	3,642	80,752	162,495	-	15,572	297	53,378
Fund balances, ending	\$ (26,039)	\$ -	\$ 80,752	\$ 231,553	\$ -	\$ 13,216	\$ 297	\$ 65,168

SCHEDULE 7
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Spruce Creek 319 Grant Phase II	ASA Applicant Code	Town Pier Repair	York Hospital Scholarship	Concert in the Park	Open Space	Conservation Committee	Wetland Mitigation
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Other income	-	42,042	35,646	18,500	2,400	-	3,852	-
Total revenues	-	42,042	35,646	18,500	2,400	-	3,852	-
EXPENDITURES:								
Current:								
General government	-	33,570	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	9,770	1,760	-	252,544	-
Total expenditures	-	33,570	-	9,770	1,760	-	252,544	-
Excess (deficiency) of revenues over (under) expenditures	-	8,472	35,646	8,730	640	-	(248,692)	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	38,000	-	-
Transfers out	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	150,000	-
Premium on debt proceeds	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	38,000	150,000	-
Net change in fund balances	-	8,472	35,646	8,730	640	38,000	(98,692)	-
Fund balances (deficits), beginning, as restated (see Note 17)	(3,910)	11,311	(210,112)	373	2,107	46,047	99,680	7,400
Fund balances, ending	\$ (3,910)	\$ 19,783	\$ (174,466)	\$ 9,103	\$ 2,747	\$ 84,047	\$ 988	\$ 7,400

SCHEDULE 7
TOWN OF KITTERY, MAINE
Nonmajor Special Revenue Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Property Revaluation	Defibrillators	Block Party	Harbor Pier Planning Grant	Other School Grants	Tree Planting Grant	D.A.R.E.	Wave Mitigation	Total
REVENUES:									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 726,405	\$ -	\$ -	\$ -	\$ 737,267
Charges for services	-	-	-	-	367,751	-	-	-	367,751
Other income	-	-	37,764	1,928	236,936	10,450	216	-	612,980
Total revenues	-	-	37,764	1,928	1,331,092	10,450	216	-	1,717,998
EXPENDITURES:									
Current:									
General government	65,897	-	34,639	-	-	-	-	-	204,992
Public safety	-	-	-	-	-	-	-	-	1,503
Public works	-	-	-	-	-	10,450	-	3,000	13,812
Culture and recreation	-	-	-	-	-	-	-	-	13,642
Education	-	-	-	-	1,316,184	-	-	-	1,316,184
Capital outlay	-	-	-	-	-	-	-	-	307,954
Total expenditures	65,897	-	34,639	-	1,316,184	10,450	-	3,000	1,858,087
Excess (deficiency) of revenues over (under) expenditures	(65,897)	-	3,125	1,928	14,908	-	216	(3,000)	(140,089)
Other financing sources (uses):									
Transfers in	-	-	-	-	102,439	-	-	-	177,549
Transfers out	-	-	-	-	(38,439)	-	-	-	(38,439)
Debt proceeds	-	-	-	-	-	-	-	-	150,000
Premium on debt proceeds	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	64,000	-	-	-	289,110
Net change in fund balances	(65,897)	-	3,125	1,928	78,908	-	216	(3,000)	149,021
Fund balances (deficits), beginning, as restated (see Note 17)	71,744	690	18,672	-	223,538	-	-	-	986,493
Fund balances, ending	\$ 5,847	\$ 690	\$ 21,797	\$ 1,928	\$ 302,446	\$ -	\$ 216	\$ (3,000)	\$ 1,135,514

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2014

	Capital Improvement	State Aid to Roads	Drainage Projects	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Recreational Vehicle
ASSETS:								
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund receivable	6,397	699,987	61,313	7,534	6,131	7,649	130,810	-
Total assets	\$ 6,397	\$ 699,987	\$ 61,313	\$ 7,534	\$ 6,131	\$ 7,649	\$ 130,810	\$ -
LIABILITIES:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payable	-	14,788	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-
Total liabilities	-	14,788	-	-	-	-	-	-
FUND BALANCES (DEFICITS):								
Restricted	-	685,199	-	-	-	-	-	-
Committed	6,397	-	61,313	7,534	6,131	7,649	130,810	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	6,397	685,199	61,313	7,534	6,131	7,649	130,810	-
Total liabilities and fund balance	\$ 6,397	\$ 699,987	\$ 61,313	\$ 7,534	\$ 6,131	\$ 7,649	\$ 130,810	\$ -

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Highway Vehicle	Fire Department Vehicle	Fort Foster Management	Parks Department Vehicle	Kittery Community Center	Storm Drain Mapping	Port Authority Boat	Computer
ASSETS:								
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund receivable	201,524	100,340	-	56,738	16,398	48,441	14,185	14,698
Total assets	\$ 201,524	\$ 100,340	\$ -	\$ 56,738	\$ 16,398	\$ 48,441	\$ 14,185	\$ 14,698
LIABILITIES:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,207	\$ -
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	1,207	-
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	201,524	100,340	-	56,738	16,398	48,441	12,978	14,698
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	201,524	100,340	-	56,738	16,398	48,441	12,978	14,698
Total liabilities and fund balance	\$ 201,524	\$ 100,340	\$ -	\$ 56,738	\$ 16,398	\$ 48,441	\$ 14,185	\$ 14,698

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Police Vehicle Equipment	Police Drug Forfeiture	Solid Waste Equipment	Public Safety	Fire Fighter Protective Clothing	Traffic Light Route 236	Crockett Neck Road Culvert	Boat Infrastructure Grant
ASSETS:								
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund receivable	26,869	10,012	298,648	50,692	978	-	25,195	-
Total assets	\$ 26,869	\$ 10,012	\$ 298,648	\$ 50,692	\$ 978	\$ -	\$ 25,195	\$ -
LIABILITIES:								
Accounts payable	\$ -	\$ 3,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	105,365	-	145,184
Total liabilities	-	3,321	-	-	-	105,365	-	145,184
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	26,869	6,691	298,648	50,692	978	-	25,195	(145,184)
Unassigned	-	-	-	-	-	(105,365)	-	-
Total fund balances	26,869	6,691	298,648	50,692	978	(105,365)	25,195	(145,184)
Total liabilities and fund balance	\$ 26,869	\$ 10,012	\$ 298,648	\$ 50,692	\$ 978	\$ -	\$ 25,195	\$ -

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Buildings and Grounds	Pepperrell Cove Utilities	Fort Foster Bench	Sewer Vehicle Reserve	Sewer Depreciation	Records Preservation	Pepperell Butterworth	Fire Department SCBA's
ASSETS:								
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund receivable	11,259	8,505	12,933	84,438	512,231	1,912	-	-
Total assets	<u>\$ 11,259</u>	<u>\$ 8,505</u>	<u>\$ 12,933</u>	<u>\$ 84,438</u>	<u>\$ 512,231</u>	<u>\$ 1,912</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,633	\$ -	\$ -	\$ 79,605
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	14,754	8,402
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,633</u>	<u>-</u>	<u>14,754</u>	<u>88,007</u>
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	11,259	8,505	12,933	84,438	510,598	1,912	-	-
Unassigned	-	-	-	-	-	-	(14,754)	(88,007)
Total fund balances	<u>11,259</u>	<u>8,505</u>	<u>12,933</u>	<u>84,438</u>	<u>510,598</u>	<u>1,912</u>	<u>(14,754)</u>	<u>(88,007)</u>
Total liabilities and fund balance	<u>\$ 11,259</u>	<u>\$ 8,505</u>	<u>\$ 12,933</u>	<u>\$ 84,438</u>	<u>\$ 512,231</u>	<u>\$ 1,912</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Highway Equipment Reserve	Fort Foster Pier	Recreation Equipment	Office Furniture	Municipal Roof Replacement	Public Safety Base Station	Kittery Community Center 5 Year Plan	Kittery Port Authority Float and Ramp Program
ASSETS:								
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund receivable	15,914	25,000	1,841	-	60,538	45,319	25,000	20,000
Total assets	\$ 15,914	\$ 25,000	\$ 1,841	\$ -	\$ 60,538	\$ 45,319	\$ 25,000	\$ 20,000
LIABILITIES:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental payable	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	3,463	-	-	-	-
Total liabilities	-	-	-	3,463	-	-	-	-
FUND BALANCES (DEFICITS):								
Restricted	-	-	-	-	-	-	-	-
Committed	15,914	25,000	1,841	-	60,538	45,319	25,000	20,000
Unassigned	-	-	-	(3,463)	-	-	-	-
Total fund balances	15,914	25,000	1,841	(3,463)	60,538	45,319	25,000	20,000
Total liabilities and fund balance	\$ 15,914	\$ 25,000	\$ 1,841	\$ -	\$ 60,538	\$ 45,319	\$ 25,000	\$ 20,000

SCHEDULE 8
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Balance Sheet
June 30, 2014

	Pepperrell Cove Wharf	Port Authority Equipment	School Capital Project Funds	Total
ASSETS:				
Accounts receivable	\$ -	\$ -	\$ 451	\$ 451
Interfund receivable	-	14,815	268,204	2,892,448
Total assets	\$ -	\$ 14,815	268,655.00	\$ 2,892,899
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 85,766
Intergovernmental payable	-	-	-	14,788
Interfund payable	-	-	-	277,168
Total liabilities	-	-	-	377,722
FUND BALANCES (DEFICITS):				
Restricted	-	-	23,923	709,122
Committed	-	14,815	244,732	2,017,644
Unassigned	-	-	-	(211,589)
Total fund balances	-	14,815	268,655	2,515,177
Total liabilities and fund balance	\$ -	\$ 14,815	\$ 268,655	\$ 2,892,899

SCHEDULE 9
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Capital Improvement	State Aid to Roads	Drainage Projects	Road Construction	Sidewalk Program	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Recreational Vehicle
REVENUES:								
Intergovernmental	\$ -	\$ 164,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-	-	-
Total revenues	-	164,972	-	-	-	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	92,896	36,701	-	13,023	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	3,500	-	-	-	-	-	-	-
Total expenditures	3,500	92,896	36,701	-	13,023	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(3,500)	72,076	(36,701)	-	(13,023)	-	-	-
Other financing sources (uses):								
Transfers in	-	-	67,500	-	-	-	46,827	3,000
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	67,500	-	-	-	46,827	3,000
Net change in fund balances	(3,500)	72,076	30,799	-	(13,023)	-	46,827	3,000
Fund balances (deficits), beginning, as restated (see Note 17)	9,897	613,123	30,514	7,534	19,154	7,649	83,983	(3,000)
Fund balances, ending	\$ 6,397	\$ 685,199	\$ 61,313	\$ 7,534	\$ 6,131	\$ 7,649	\$ 130,810	\$ -

SCHEDULE 9
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Highway Vehicle	Fire Department Vehicle	Fort Foster Management	Parks Department Vehicle	Kittery Community Center	Storm Drain Mapping	Port Authority Boat	Computer
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	7,290	-	-	20,850	-	-	-
Total revenues	-	7,290	-	-	20,850	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	23,124
Public safety	-	-	-	-	-	-	-	-
Public works	58,448	-	-	-	-	3,094	-	-
Culture and recreation	-	-	-	12,085	4,271	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	23,707	-
Total expenditures	58,448	-	-	12,085	4,271	3,094	23,707	23,124
Excess (deficiency) of revenues over (under) expenditures	(58,448)	7,290	-	(12,085)	16,579	(3,094)	(23,707)	(23,124)
Other financing sources (uses):								
Transfers in	109,991	100,000	-	12,983	-	30,000	20,000	-
Transfers out	-	(45,594)	-	-	-	-	-	-
Total other financing sources (uses)	109,991	54,406	-	12,983	-	30,000	20,000	-
Net change in fund balances	51,543	61,696	-	898	16,579	26,906	(3,707)	(23,124)
Fund balances (deficits), beginning, as restated (see Note 17)	149,981	38,644	-	55,840	(181)	21,535	16,685	37,822
Fund balances, ending	\$ 201,524	\$ 100,340	\$ -	\$ 56,738	\$ 16,398	\$ 48,441	\$ 12,978	\$ 14,698

SCHEDULE 9
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Police Vehicle Equipment	Police Drug Forfeiture	Solid Waste Equipment	Public Safety	Fire Fighter Protective Clothing	Traffic Light Route 236	Crockett Neck Road Culvert	Boat Infrastructure Grant
REVENUES:								
Intergovernmental	-	\$ -	\$ -	\$ -	-	\$ -	-	\$ -
Other income	-	-	-	8,974	-	-	-	17,307
Total revenues	-	-	-	8,974	-	-	-	17,307
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	31,255	12,097	-	-	16,098	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	230,080
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	31,255	12,097	-	-	16,098	-	-	230,080
Excess (deficiency) of revenues over (under) expenditures	(31,255)	(12,097)	-	8,974	(16,098)	-	-	(212,773)
Other financing sources (uses):								
Transfers in	43,000	-	247,173	3,103	16,225	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	43,000	-	247,173	3,103	16,225	-	-	-
Net change in fund balances	11,745	(12,097)	247,173	12,077	127	-	-	(212,773)
Fund balances (deficits), beginning, as restated (see Note 17)	15,124	18,788	51,475	38,615	851	(105,365)	25,195	67,589
Fund balances, ending	\$ 26,869	\$ 6,691	\$ 298,648	\$ 50,692	\$ 978	\$ (105,365)	\$ 25,195	\$ (145,184)

SCHEDULE 9
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Buildings and Grounds	Pepperrell Cove Utilities	Fort Foster Bench	Sewer Vehicle Reserve	Sewer Depreciation	Records Preservation	Pepperrell Butterworth	Fire Department SCBA's
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	2,668	-	900	27,500	96	-	-	-
Total revenues	2,668	-	900	27,500	96	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	29,962	-
Public safety	-	-	-	-	-	10,436	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	11,585	-	603	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	35,813	-	-	199,385	-	-	-
Total expenditures	11,585	35,813	603	-	199,385	10,436	29,962	-
Excess (deficiency) of revenues over (under) expenditures	(8,917)	(35,813)	297	27,500	(199,289)	(10,436)	(29,962)	-
Other financing sources (uses):								
Transfers in	15,000	48,185	-	-	-	10,000	-	30,000
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	15,000	48,185	-	-	-	10,000	-	30,000
Net change in fund balances	6,083	12,372	297	27,500	(199,289)	(436)	(29,962)	30,000
Fund balances (deficits), beginning, as restated (see Note 17)	5,176	(3,867)	12,636	56,938	709,887	2,348	15,208	(118,007)
Fund balances, ending	\$ 11,259	\$ 8,505	\$ 12,933	\$ 84,438	\$ 510,598	\$ 1,912	\$ (14,754)	\$ (88,007)

SCHEDULE 9
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Highway Equipment Reserve	Fort Foster Pier	Recreation Equipment	Office Furniture	Municipal Roof Replacement	Public Safety Base Station	Kittery Community Center 5 Year Plan	Kittery Port Authority Float and Ramp Program
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-	-	-
EXPENDITURES:								
Current:								
General government	-	-	-	3,463	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	3,159	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	3,159	3,463	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	(3,159)	(3,463)	-	-	-	-
Other financing sources (uses):								
Transfers in	15,914	25,000	5,000	-	60,538	45,319	25,000	20,000
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	15,914	25,000	5,000	-	60,538	45,319	25,000	20,000
Net change in fund balances	15,914	25,000	1,841	(3,463)	60,538	45,319	25,000	20,000
Fund balances (deficits), beginning, as restated (see Note 17)	-	-	-	-	-	-	-	-
Fund balances, ending	\$ 15,914	\$ 25,000	\$ 1,841	\$ (3,463)	\$ 60,538	\$ 45,319	\$ 25,000	\$ 20,000

SCHEDULE 9
TOWN OF KITTERY, MAINE
Nonmajor Capital Projects Funds (Continued)
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Pepperrell Cove Wharf	Port Authority Equipment	School Capital Project Funds	Total
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 164,972
Other income	-	-	-	85,585
Total revenues	-	-	-	250,557
EXPENDITURES:				
Current:				
General government	-	-	-	56,549
Public safety	-	-	-	69,886
Public works	-	-	-	204,162
Culture and recreation	-	-	-	261,783
Education	-	-	143,067	143,067
Capital outlay	-	-	-	262,405
Total expenditures	-	-	143,067	997,852
Excess (deficiency) of revenues over (under) expenditures	-	-	(143,067)	(747,295)
Other financing sources (uses):				
Transfers in	14,000	35,000	334,075	1,382,833
Transfers out	(14,000)	(20,185)	-	(79,779)
Total other financing sources (uses)	-	14,815	334,075	1,303,054
Net change in fund balances	-	14,815	191,008	555,759
Fund balances (deficits), beginning, as restated (see Note 17)	-	-	77,647	1,959,418
Fund balances, ending	\$ -	\$ 14,815	\$ 268,655	\$ 2,515,177

SCHEDULE 10
TOWN OF KITTERY, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2014

	Cemetery	Public Health Trust	Mary Safford Wildes Trust	Lester Rayner Fund	Recycling Scholarship	Connie Samuels Beautification	Total
ASSETS:							
Cash and cash equivalents	\$ -	\$ -	\$ 39,230	\$ -	\$ -	\$ -	\$ 39,230
Investments	-	-	698,470	-	-	-	698,470
Interfund receivable	66,002	27,275	-	9,154	15,142	58,484	176,057
Total assets	\$ 66,002	\$ 27,275	\$ 737,700	\$ 9,154	\$ 15,142	\$ 58,484	\$ 913,757
LIABILITIES:							
Accounts payable	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,550
Interfund payable	-	-	18,750	-	-	-	18,750
Total liabilities	2,550	-	18,750	-	-	-	21,300
FUND BALANCES:							
Restricted	-	-	718,950	9,154	-	-	728,104
Committed	63,452	27,275	-	-	15,142	58,484	164,353
Total fund balances	63,452	27,275	718,950	9,154	15,142	58,484	892,457
Total liabilities and fund balance	\$ 66,002	\$ 27,275	\$ 737,700	\$ 9,154	\$ 15,142	\$ 58,484	\$ 913,757

SCHEDULE 11
TOWN OF KITTERY, MAINE
Nonmajor Permanent Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Cemetery	Public Health Trust	Mary Safford Wildes Trust	Lester Rayner Fund	Recycling Scholarship	Connie Samuels Beautification	Total
REVENUES:							
Other income	\$ 500	\$ -	\$ 36,755	\$ 145	\$ 14,791	\$ 928	\$ 53,119
EXPENDITURES:							
Current:							
General government	18,500	-	6,194	-	-	-	24,694
Capital outlay	-	-	-	-	13,750	-	13,750
Total expenditures	18,500	-	6,194	-	13,750	-	38,444
Excess (deficiency) of revenues over (under) expenditures	(18,000)	-	30,561	145	1,041	928	14,675
Other financing sources (uses):							
Transfers out	-	-	(31,250)	-	-	-	(31,250)
Net change in fund balances	(18,000)	-	(689)	145	1,041	928	(16,575)
Fund balances, beginning, as restated (see Note 17)	81,452	27,275	719,639	9,009	14,101	57,556	909,032
Fund balances, ending	\$ 63,452	\$ 27,275	\$ 718,950	\$ 9,154	\$ 15,142	\$ 58,484	\$ 892,457

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S 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

To the Members of the Town Council
Town of Kittery
Kittery, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *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 aggregate remaining fund information of the Town of Kittery, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Kittery's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Kittery'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery'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 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.

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

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.

December 18, 2014

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the Town Council
Town of Kittery
Kittery, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Kittery's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Kittery's major federal programs for the year ended June 30, 2014. The Town of Kittery'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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kittery'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kittery'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Kittery 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, 2014.

Report on Internal Control over Compliance

Management of the Town of Kittery 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'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 our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery's internal control over compliance.

Town of Kittery

***Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by OMB Circular A-133***

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sheryl A. Platt, CPA

December 18, 2014

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF KITTERY, MAINE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

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 X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
12.558	Department of Defense Impact Aid (Supplement, CWSD, BRAC)
84.027 and 84.173	Special Education Cluster
84.041	Impact Aid

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

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF KITTERY, MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of Maine Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	\$ 39,950
National School Lunch Program (<i>note 3</i>)	10.555	N/A	190,283
<i>CLUSTER TOTAL</i>			<u>230,233</u>
U.S. DEPARTMENT OF COMMERCE			
Passed Through the State of Maine ConnectME Authority			
ARRA - Broadband Technology Opportunities Program (BTOP)	11.557	23-50-M09062	<u>1,000</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the State of Maine Department of Environmental Protection			
Nonpoint Source Implementation Grants	66.460	2013RT06	<u>22,272</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through the State of Maine Department of Education			
Title I Grants to Local Educational Agencies:			
Title I	84.010	N/A	131,044
Title I CIPS	84.010	N/A	12,752
<i>PROGRAM TOTAL</i>			<u>143,796</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States	84.027	N/A	246,199
Special Education - Preschool Grants	84.173	N/A	3,490
<i>CLUSTER TOTAL</i>			<u>249,689</u>
Improving Teacher Quality State Grants	84.367	N/A	<u>43,193</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of Maine Department of Defense, Veterans and Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4108-DR-ME	<u>10,862</u>
DIRECT FUNDING			
U.S. DEPARTMENT OF DEFENSE			
Department of Defense Impact Aid (Supplement, CWSD, BRAC)	12.558	N/A	<u>67,914</u>
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	N/A	<u>151,025</u>
Total Expenditures of Federal Awards			<u><u>\$ 919,984</u></u>

The accompanying notes are an integral part of this schedule.

TOWN OF KITTERY, MAINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the Town of Kittery under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of Kittery it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Kittery.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities on the date received.

OTHER REPORTS



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH MAINE STATE STATUTE REQUIREMENTS**

Edward T. Perry, CPA

James A. Sojka, CPA

Sheryl A. Pratt, CPA*

December 15, 2014

Michael J. Campo, CPA*

Donna M. LaClair, CPA**

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Tyler A. Paine, CPA

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Susan E. Gauthier, CPA

* Also licensed in Maine

** Also licensed in Massachusetts

Town of Kittery
200 Rogers Road
Kittery, ME 03904

To the Management of the Town of Kittery School Department:

We have audited the financial statement audit of the Town of Kittery School Department as of and for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014.

The management of the Town of Kittery School Department is responsible for the School Department's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the School Department's compliance with laws, regulations, noncompliance with which could have a material effect on the financial statements of the Town of Kittery School Department.

Title 20-A Sec 6051 requires certain written assurances with respect to school audits. Our audit of compliance with laws and regulations consisted of, at a minimum, the following:

1. A determination of whether or not the School Department has complied with budget content requirements pursuant to section 15693.
2. A determination of whether or not the School Department has complied with transfer limitations between budget cost centers pursuant to section 1485.
3. A determination of whether or not the School Department has exceeded its authority to expend funds.
4. A determination of whether or not the annual financial data submitted to the School Department is correct.
5. A determination of whether or not the School Department was in compliance with applicable provisions of the Essential Programs and Services Funding Act.

The results of our tests indicate that, for the items tested, the Town of Kittery School Department complied with those provisions of Maine laws and regulations. Nothing came to our attention that caused us to believe that, for the items not tested, the Town of Kittery School Department was not in compliance with Maine Laws and regulations.

Sincerely,

PLODZIK & SANDERSON
Professional Association

PLODZIK & SANDERSON
Professional Association / Accountants & Auditors

KITTERY SCHOOL DEPARTMENT
Reconciliation of MEDMS Annual Report to Financial Statements
For the Fiscal Year Ended June 30, 2014

	General Fund 1000	Special Revenue Funds 2000	Capital Project Funds 3000/4000	Proprietary Funds 6000	Private Purpose Trust Funds 8000	Other	Total
June 30, 2014 Balance per MEDMS Financial System	\$ 826,227	\$ 1,275,136	\$ 268,655	\$ 34,314	-	\$ 14,393	\$ 2,418,725
Revenue Adjustments - Increase (Decrease):							
Reverse use of fund balance posting	(365,000)	-	-	-	-	-	(365,000)
Other audit adjustments	-	4,048	-	-	-	-	4,048
State of Maine On-Behalf Payments	1,290,811	-	-	-	-	-	1,290,811
Expenditure Adjustments - (Increase) Decrease:							
Record credit memos receivable	546	-	-	-	-	-	546
Other audit adjustments	-	(24,985)	-	-	-	-	(24,985)
State of Maine On-Behalf Payments	(1,290,811)	-	-	-	-	-	(1,290,811)
Other Adjustments:							
Entries posted directly to fund balance	615,000	21,551	-	-	-	-	636,551
Reserves blended into general fund for GASB #54 reporting:							
Special Education Reserve - Fund 2910	451,700	(451,700)	-	-	-	-	-
School Maintenance Reserve - Fund 2920	486,479	(486,479)	-	-	-	-	-
Technology Reserve - Fund 2940	10,000	(10,000)	-	-	-	-	-
Unfunded Liabilities Reserve - Fund 2990	99,349	(99,349)	-	-	-	-	-
Extra-curricular Reserves - Fund 2008	15,000	(15,000)	-	-	-	-	-
Ending fund balances not reported on MEDMS:							
Mitchell Fund - Fund 9010	-	4,824	-	-	-	-	4,824
Shapleigh Fund - Fund 9020	-	18,853	-	-	-	-	18,853
Traip Fund - Fund 9030	-	16,777	-	-	-	-	16,777
Central Office Fund - Fund 9040	-	63	-	-	-	-	63
Food Service - Fund 6000, reported as a special revenue fund	-	34,314	-	(34,314)	-	-	-
Reported as special revenue funds - Funds 0950, 1500 and 6010	-	14,393	-	-	-	(14,393)	-
Funds not recorded in general ledger or reported in MEDMS	-	-	-	-	382,492	-	382,492
Audited GAAP Basis Fund Balance	\$ 2,139,301	\$ 302,446	\$ 268,655	\$ -	\$ 382,492	\$ -	\$ 3,092,894