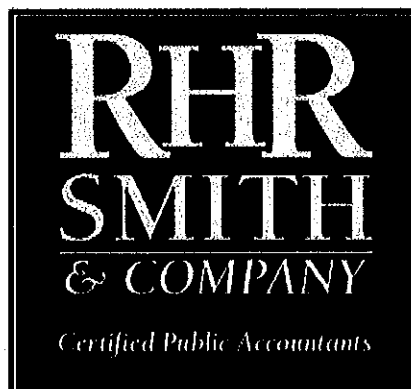


Audited Financial Statements

Town of Kittery, Maine

June 30, 2008



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

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JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

September 11, 2008

Town Council
Town of Kittery
Kittery, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Kittery, Maine as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, combining and individual nonmajor fund financial statements, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

RTH Smith & Company

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Kittery, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Town's financial statements.

1. Brief Discussion of the Basic Financial Statements

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting* which is similar to the accounting, used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into three kinds of activities:

- Governmental activities - Most of the Town's basic services are reported here, including police, fire, education, public works and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer department and school lunch program are reported here.
- Fiduciary activities – These are assets held by the Town in a trustee capacity, or as an agent for individuals, private organizations, other governments, and other funds.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 9. The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town's Town Council establish many other funds to help them control and manage money for particular purposes (like the Fire Station Capital Reserve) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Department of Education).

The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The Town as Trustee

The Town is the trustee, or *fiduciary*, for its students' activity funds. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 19. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

2. Condensed Financial Information

The Town As A Whole

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental funds is \$34.1 million compared to \$33.8 million in the prior year, an increase of 1%. For the business-type activities total net assets is \$10.3 million as compared to \$10.4 million in the prior year, a decrease of 1%.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is \$4.0 million at the end of this year for governmental activities.

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

	2008		2007	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Assets:				
Current and other assets	\$ 14,599,192	\$ 4,261,539	\$ 15,245,662	\$ 1,725,109
Capital Assets	33,500,216	13,353,036	33,825,147	12,452,807
Other Assets	-	23,046	-	27,435
Total Assets	\$ 48,099,408	\$ 17,637,621	\$ 49,070,809	\$ 14,205,351
Liabilities:				
Current Liabilities	\$ 3,268,000	\$ 5,409,911	\$ 3,333,819	\$ 1,633,213
Long-term Debt Outstanding	10,746,910	1,916,173	11,902,699	2,152,564
Total Liabilities	\$ 14,014,910	\$ 7,326,084	\$ 15,236,518	\$ 3,785,777
Net Assets:				
Invested in Capital Assets, Net of related Debt	\$ 22,577,455	\$ 7,951,135	\$ 21,426,493	\$ 8,681,240
Restricted for: Capital projects	3,709,679	-	4,251,722	-
Special revenues	916,502	-	819,620	-
Permanent funds	1,091,593	-	1,119,272	-
Education	532,280	-	532,280	-
General fund	1,230,128	-	59,379	-
Unrestricted Net Assets	4,026,861	2,360,402	5,625,525	1,738,334
Total Net Assets	\$ 34,084,498	\$ 10,311,537	\$ 33,834,291	\$ 10,419,574

Revenues and Expenses

Revenues for the Town's governmental activities increased by 5.0%, while total expenses increased by .6%. For the business-type activities the revenues increased by 1% and the expenses by 3%.

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

	2008		2007	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues				
Taxes:				
Property	\$ 18,147,823	\$ -	\$ 17,459,622	\$ -
Excise	1,448,530	-	1,454,619	-
Intergovernmental	2,815,742	122,246	2,185,222	110,832
State of Maine on behalf payments	1,236,367	-	1,222,245	-
Charges for services	1,101,383	1,867,037	1,005,548	1,792,623
Miscellaneous	1,840,060	153,394	2,003,814	27,936
Total Revenue	<u>26,589,905</u>	<u>2,142,677</u>	<u>25,331,070</u>	<u>1,931,391</u>
Expenses				
Current:				
General government	1,804,569	-	1,750,281	-
Public safety	3,382,421	-	2,990,939	-
Public works	1,483,057	-	1,470,648	-
Health and welfare	1,246,494	-	1,195,549	-
Social Services	657,070	-	644,060	-
Recreation and culture	46,548	-	60,419	-
Education	14,608,893	-	13,530,818	-
County tax	728,991	-	690,605	-
Designated accounts	782,348	-	401,283	-
Capital outlay	105,957	-	1,879,821	-
Overlay	-	-	83,742	-
Unallocated depreciation expense	14,900	-	42,953	-
Interest expense	153,761	-	60,774	-
State of Maine on behalf payments	1,236,367	-	1,222,245	-
Enterprise fund	-	2,339,036	-	1,743,822
Total Expenses	<u>26,251,376</u>	<u>2,339,036</u>	<u>26,024,137</u>	<u>1,743,822</u>
Total transfers	(88,322)	88,322	(10,000)	10,000
Change in Net Assets	250,207	(108,037)	(703,067)	197,569
Net Assets - July 1 - Restated	<u>33,834,291</u>	<u>10,419,574</u>	<u>34,537,358</u>	<u>10,222,005</u>
Net Assets - June 30	<u>\$ 34,084,498</u>	<u>\$ 10,311,537</u>	<u>\$ 33,834,291</u>	<u>\$ 10,419,574</u>

The cost of all governmental activities this year was \$26.1 million. However, as shown in the Statement of Activities on pages 10 and 11, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$22.1 million because some of the cost was paid by those who directly benefited from the programs (\$1,101,383) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,949,246).

3. Analysis of Balances and Transactions of Individual Funds

Table 3
Town of Kittery, Maine
Net Cost of Services
For the Year Ended June 30, 2008

	Total Cost of Services	Total Revenue	Net Cost of Services
Governmental activities:			
General government	\$ 1,804,569	\$ 404,702	\$ 1,399,867
Public safety	3,382,421	60,000	3,322,421
Public works	1,483,057	-	1,483,057
Recreation and culture	1,246,494	454,509	791,985
Education	14,608,893	1,646,075	12,962,818
All other departments	3,725,942	1,434,455	2,291,487
Total governmental	<u>26,251,376</u>	<u>3,999,741</u>	<u>22,251,635</u>
Business-type activities:			
Sewer department	1,865,726	1,571,196	294,530
School lunch program	473,310	418,087	55,223
Total business-type	<u>2,339,036</u>	<u>1,989,283</u>	<u>349,753</u>
Total government and business	<u>\$ 28,590,412</u>	<u>\$ 5,989,024</u>	<u>\$ 22,601,388</u>

4. Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2008 the gross book value of capital assets recorded by the Town increased by \$2,832,707. The capital assets have also been restated for prior depreciation that needed to be recaptured on infrastructure in the amount of \$6,246,919.

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

	<u>2008</u>	<u>2007</u>
Land and improvements	\$ 12,731,746	\$ 11,708,758
Buildings and improvements	26,603,211	28,054,053
Machinery and equipment	1,733,148	1,349,308
Vehicles	1,636,079	1,754,110
Construction in progress	996,534	-
Infrastructure	<u>3,152,534</u>	<u>3,411,725</u>
Total	<u>\$ 46,853,252</u>	<u>\$ 46,277,954</u>

Debt

At June 30, 2008, the Town had \$12.50 million in bonds outstanding versus \$14.24 million last year, an increase of 7.3%, as shown in Note 6 of the financial statements.

5. Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Dept. at, 200 Rogers Road Ext, P.O. Box 808, Kittery, Maine 03904-0808

STATEMENT A

TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 7,154,882	\$ 562,778	\$ 7,717,660
Investments	4,718,700	3,084,327	7,803,027
Accounts receivable (net allowance for uncollectibles):			
Taxes	797,427	-	797,427
Due from other governments	131,311	182,750	314,061
Other	149,927	120,690	270,617
Inventory	-	16,970	16,970
Due from other funds	1,646,945	294,024	1,940,969
Total current assets	14,599,192	4,261,539	18,860,731
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	10,950,906	1,609,877	12,560,783
depreciation	22,549,310	11,743,159	34,292,469
Total noncurrent assets	33,500,216	13,353,036	46,853,252
Other assets:			
Bond issuance costs (net of amortization)	-	23,046	23,046
TOTAL ASSETS	\$ 48,099,408	\$ 17,637,621	\$ 65,737,029
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 366,122	\$ 29,838	\$ 395,960
Accrued expenses	895,080	31,794	926,874
Due to other funds	294,024	1,646,945	1,940,969
Deferred revenue	38,771	39,611	78,382
Other liabilities	37,615	3,400,000	3,437,615
Current portion of long-term obligations	1,636,388	261,723	1,898,111
Total current liabilities	3,268,000	5,409,911	8,677,911
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	8,997,110	1,763,224	10,760,334
Capital lease payable	289,263	-	289,263
Accrued compensated absences	1,460,537	152,949	1,613,486
Total noncurrent liabilities	10,746,910	1,916,173	12,663,083
TOTAL LIABILITIES	14,014,910	7,326,084	21,340,994
NET ASSETS			
Invested in capital assets, net of related debt	22,577,455	7,951,135	30,528,590
Restricted for: Capital Projects	3,709,679	-	3,709,679
Special Revenues	916,502	-	916,502
Permanent Funds	1,091,593	-	1,091,593
Education	532,280	-	532,280
General Fund	1,230,128	-	1,230,128
Unrestricted	4,026,861	2,360,402	6,387,263
TOTAL NET ASSETS	34,084,498	10,311,537	44,396,035
TOTAL LIABILITIES AND NET ASSETS	\$ 48,099,408	\$ 17,637,621	\$ 65,737,029

See accompanying independent auditors' report and notes to financial statements

STATEMENT B

TOWN OF KITTYRY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities
Governmental activities						
Current:						
General government	\$ 1,804,569	\$ 388,786	\$ 15,916	\$ -	\$ (1,399,867)	\$ (1,399,867)
Public safety	3,382,421	60,000	-	-	(3,322,421)	(3,322,421)
Public works	1,483,057	-	-	-	(1,483,057)	(1,483,057)
Recreation and culture	1,246,494	454,509	-	-	(791,985)	(791,985)
Health and sanitation	657,070	198,088	-	-	(458,982)	(458,982)
Social services	46,548	-	-	-	(46,548)	(46,548)
Education	14,608,893	-	1,646,075	-	(12,962,818)	(12,962,818)
County tax	728,991	-	-	-	(728,991)	(728,991)
State of Maine on behalf payments	1,236,367	-	1,236,367	-	-	-
Capital outlay	105,957	-	-	-	(105,957)	(105,957)
Unallocated depreciation expense	14,900	-	-	-	(14,900)	(14,900)
Designated accounts	782,348	-	-	-	(782,348)	(782,348)
Overlay	-	-	-	-	-	-
Interest expense	153,761	-	-	-	(153,761)	(153,761)
Total governmental activities	26,251,376	1,101,383	2,898,358	-	(22,251,635)	(22,251,635)
Business-type activities:						
Sewer department	1,865,726	1,571,196	-	-	(294,530)	(294,530)
School lunch program	473,310	295,841	122,246	-	(55,223)	(55,223)
Total business-type activities	2,339,036	1,867,037	122,246	-	(349,753)	(349,753)
Total government and business	28,590,412	2,968,420	3,020,604	-	(22,251,635)	(22,601,388)

STATEMENT B (CONTINUED)
TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>(22,251,635)</u>	<u>(349,753)</u>	<u>(22,601,388)</u>
General revenue:			
Taxes			
Property taxes, levied for general purposes	18,147,823	-	18,147,823
Excise taxes, levied for general purposes	1,448,530	-	1,448,530
Grants and contributions not restricted to specific programs	1,153,751	-	1,153,751
Investment income	163,373	128,335	291,708
Miscellaneous	1,676,687	25,059	1,701,746
Transfers	(88,322)	88,322	-
Total revenue and transfers	<u>22,501,842</u>	<u>241,716</u>	<u>22,743,558</u>
 Change in net assets	 250,207	 (108,037)	 142,170
NET ASSETS - JULY 1, 2007 - Restated	<u>33,834,291</u>	<u>10,419,574</u>	<u>44,253,865</u>
NET ASSETS - JUNE 30, 2008	<u>\$ 34,084,498</u>	<u>\$ 10,311,537</u>	<u>\$ 44,396,035</u>

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

TOWN OF KITTEERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Fire Station Capital	Sewer Capital Reserve	School Construction	Nonmajor Funds	Totals Governmental Funds
ASSETS						
Cash	\$ 6,806,183	\$ -	\$ -	\$ 67,644	\$ 281,055	\$ 7,154,882
Investments	1,142,323	-	-	-	3,576,377	4,718,700
Receivables (net of allowance for uncollectibles)						
Taxes/liens	797,427	-	-	-	-	797,427
Due from other governments	24,110	-	-	-	107,201	131,311
Other	82,249	-	-	-	67,678	149,927
Due from other funds	698,782	-	1,154,000	372,835	355,379	2,580,996
TOTAL ASSETS	\$ 9,551,074	\$ -	\$ 1,154,000	\$ 440,479	\$ 4,387,690	\$ 15,533,243
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ 307,564	\$ -	\$ -	\$ 44,379	\$ 14,179	\$ 366,122
Accrued payroll	889,339	-	-	-	-	889,339
Payroll related liabilities	5,741	-	-	-	-	5,741
Due to other funds	1,022,238	-	-	-	205,837	1,228,075
Prepaid taxes	38,771	-	-	-	-	38,771
Deferred tax revenues	524,409	-	-	-	-	524,409
Other liabilities	37,615	-	-	-	-	37,615
TOTAL LIABILITIES	2,825,677	-	-	44,379	220,016	3,090,072
Fund Equity						
Unreserved, reported in:						
General Fund:						
Designated	1,230,128	-	-	-	-	1,230,128
Undesignated	5,495,269	-	-	-	-	5,495,269
Special Revenue Funds	-	-	-	-	916,502	916,502
Capital Projects Funds	-	-	1,154,000	396,100	2,159,579	3,709,679
Permanent Funds	-	-	-	-	1,091,593	1,091,593
TOTAL FUND EQUITY	6,725,397	-	1,154,000	396,100	4,167,674	12,443,171
TOTAL LIABILITIES AND FUND EQUITY	\$ 9,551,074	\$ -	\$ 1,154,000	\$ 440,479	\$ 4,387,690	\$ 15,533,243

STATEMENT C (CONTINUED)
TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2008

	<u>Total Governmental Funds</u>
Total Fund Equity	\$ 12,443,171
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	33,500,216
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	524,409
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(10,474,220)
Capital lease payable	(448,541)
Accrued compensated absences	<u>(1,460,537)</u>
Net assets of governmental activities	<u>\$ 34,084,498</u>

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

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Fire Station Capital	Sewer Capital Reserve	School Construction	Nonmajor Funds	Totals Governmental Funds
REVENUES						
General tax revenue	\$ 19,586,185	\$ -	\$ -	\$ -	\$ -	\$ 19,586,185
Intergovernmental revenue	2,815,742	-	-	-	-	2,815,742
Charges for services	1,101,383	-	-	-	-	1,101,383
Investment income	161,096	-	-	2,277	-	163,373
State of Maine on-behalf payments	-	-	-	-	-	-
Other revenue	328,198	-	-	-	1,348,489	1,676,687
TOTAL REVENUES	23,992,604	-	-	2,277	1,348,489	25,343,370
EXPENDITURES						
Current:						
General government	1,550,909	-	-	-	52,217	1,603,126
Public safety	3,016,284	-	-	-	16,803	3,033,087
Public works	1,032,312	-	-	-	715,016	1,747,328
Recreation and culture	1,246,494	-	-	-	-	1,246,494
Health and sanitation	657,070	-	-	-	-	657,070
Social services	46,548	-	-	-	-	46,548
Education	14,195,731	-	-	-	625,405	14,821,136
County tax	728,991	-	-	-	-	728,991
State of Maine on behalf payments	-	-	-	-	-	-
Debt service	553,761	-	-	-	-	553,761
Capital outlay	-	-	-	144,595	481,383	625,978
Overlay	-	-	-	-	-	-
Designated	782,348	-	-	-	-	782,348
TOTAL EXPENDITURES	23,810,448	-	-	144,595	1,890,824	25,845,867
EXCESS REVENUES OVER (UNDER) EXPENDITURES	182,156	-	-	(142,318)	(542,335)	(502,497)
OTHER FINANCING SOURCES						
Proceeds from debt	-	-	-	-	-	-
Operating transfers in	335,850	-	-	-	1,261,728	1,597,578
Operating transfers (out)	(635,985)	(80,130)	-	(52,366)	(917,419)	(1,685,900)
TOTAL OTHER FINANCING SOURCES (USES)	(300,135)	(80,130)	-	(52,366)	344,309	(88,322)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(117,979)	(80,130)	-	(194,684)	(198,026)	(590,819)
FUND BALANCES - JULY 1	6,843,376	80,130	1,154,000	590,784	4,365,700	13,033,990
FUND BALANCES - JUNE 30	\$ 6,725,397	\$ -	\$ 1,154,000	\$ 396,100	\$ 4,167,674	\$ 12,443,171

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

TOWN OF KITTERY, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (Statement D)	<u>\$ (590,819)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,498,030
Depreciation expense	<u>(1,822,961)</u>
	<u>(324,931)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>10,168</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>(177,719)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>1,653,612</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(320,104)</u>
Change in net assets of governmental activities (Statement B)	<u>\$ 250,207</u>

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

TOWN OF KITTERY, MAINE

BALANCE SHEET – ENTERPRISE FUNDS
JUNE 30, 2008

	Sewer Department	School Lunch Program	Totals
ASSETS			
Current assets:			
Cash	\$ 560,529	\$ 2,249	\$ 562,778
Investments	3,084,327	-	3,084,327
Due from other governments	175,071	7,679	182,750
Accounts receivable	120,690	-	120,690
Inventory	-	16,970	16,970
Due from other funds	294,024	-	294,024
Total current assets	<u>4,234,641</u>	<u>26,898</u>	<u>4,261,539</u>
Noncurrent assets:			
Land and buildings	275,200	-	275,200
Construction in progress	1,334,677	-	1,334,677
Vehicles and equipment	272,572	97,703	370,275
Plant / infrastructure	<u>14,884,282</u>	<u>-</u>	<u>14,884,282</u>
Total capital assets	16,766,731	97,703	16,864,434
Less: accumulated depreciation	<u>(3,425,058)</u>	<u>(86,340)</u>	<u>(3,511,398)</u>
Net capital assets	<u>13,341,673</u>	<u>11,363</u>	<u>13,353,036</u>
Other assets:			
Bond issuance costs(net of amortization)	<u>23,046</u>	<u>-</u>	<u>23,046</u>
TOTAL ASSETS	<u>\$ 17,599,360</u>	<u>\$ 38,261</u>	<u>\$ 17,637,621</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 29,438	\$ 400	\$ 29,838
Accrued payroll	10,294	21,500	31,794
Deferred revenue	35,597	4,014	39,611
Due to other funds	1,580,979	65,966	1,646,945
Bond anticipation note	3,400,000	-	3,400,000
Current portion of long-term debt	<u>261,723</u>	<u>-</u>	<u>261,723</u>
Total current liabilities	<u>5,318,031</u>	<u>91,880</u>	<u>5,409,911</u>
Noncurrent liabilities			
Bonds payable	1,763,224	-	1,763,224
Accrued compensated absences	<u>152,949</u>	<u>-</u>	<u>152,949</u>
Total noncurrent liabilities	<u>1,916,173</u>	<u>-</u>	<u>1,916,173</u>
TOTAL LIABILITIES	<u>7,234,204</u>	<u>91,880</u>	<u>7,326,084</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,939,772	11,363	7,951,135
Unrestricted	<u>2,425,384</u>	<u>(64,982)</u>	<u>2,360,402</u>
TOTAL NET ASSETS	<u>10,365,156</u>	<u>(53,619)</u>	<u>10,311,537</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,599,360</u>	<u>\$ 38,261</u>	<u>\$ 17,637,621</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT G

TOWN OF KITTEERY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Sewer Department	School Lunch Program	Totals
OPERATING REVENUES			
Intergovernmental revenue	\$ -	\$ 122,246	\$ 122,246
Charges for services	1,571,196	295,841	1,867,037
Other	24,999	60	25,059
TOTAL OPERATING REVENUES	<u>1,596,195</u>	<u>418,147</u>	<u>2,014,342</u>
OPERATING EXPENSES			
Payroll and taxes	166,789	193,835	360,624
Benefits	92,850	39,888	132,738
Treatment plant	856,940	-	856,940
Pump stations	189,339	-	189,339
Food expense	-	210,390	210,390
Supplies	-	10,291	10,291
Line expense	36,552	-	36,552
Depreciation	429,644	5,355	434,999
Other	49,834	13,551	63,385
TOTAL OPERATING EXPENSES	<u>1,821,948</u>	<u>473,310</u>	<u>2,295,258</u>
OPERATING INCOME (LOSS)	<u>(225,753)</u>	<u>(55,163)</u>	<u>(280,916)</u>
NON-OPERATING INCOME (EXPENSE)			
Transfers in	499,169	21,153	520,322
Transfers out	(432,000)	-	(432,000)
Investment income	128,335	-	128,335
Interest expense	(43,778)	-	(43,778)
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>151,726</u>	<u>21,153</u>	<u>172,879</u>
EXCESS OF OPERATING INCOME (LOSS) OVER NON-OPERATING INCOME (EXPENSE)	(74,027)	(34,010)	(108,037)
NET ASSETS - JULY 1	<u>10,439,183</u>	<u>(19,609)</u>	<u>10,419,574</u>
NET ASSETS - JUNE 30	<u>\$ 10,365,156</u>	<u>\$ (53,619)</u>	<u>\$ 10,311,537</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Sewer Department	School Lunch Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,572,172	\$ 299,855	\$ 1,872,027
Intergovernmental receipts	-	121,033	121,033
Other receipts	9,336	60	9,396
Internal activity - receipts (payments) from/to other funds	693,959	14,969	708,928
Payments to employees	(224,013)	(233,652)	(457,665)
Payments to suppliers	(1,134,449)	(228,333)	(1,362,782)
Net cash provide by operating activities	<u>917,005</u>	<u>(26,068)</u>	<u>890,937</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Invested cash	(3,084,327)	-	(3,084,327)
Interest income	128,335	-	128,335
Payments for purchases of fixed assets	(1,334,677)	-	(1,334,677)
Net cash used by financing activities	<u>(4,290,669)</u>	<u>-</u>	<u>(4,290,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest payments on bond payable	(43,778)	-	(43,778)
Principal payments on bond payable	(260,979)	-	(260,979)
Bond proceeds	3,400,000	-	3,400,000
Transfers	67,169	21,153	88,322
Net cash used by financing activities	<u>3,162,412</u>	<u>21,153</u>	<u>3,183,565</u>
NET INCREASE (DECREASE) IN CASH	<u>(211,252)</u>	<u>(4,915)</u>	<u>(216,167)</u>
CASH - JULY 1	<u>771,781</u>	<u>7,164</u>	<u>778,945</u>
CASH - JUNE 30	<u>\$ 560,529</u>	<u>\$ 2,249</u>	<u>\$ 562,778</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss) and other financing	\$ (225,753)	\$ (55,163)	\$ (280,916)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	433,482	5,355	438,837
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	976	(1,213)	(237)
(Increase) decrease in inventory	-	6,359	6,359
(Decrease) increase in deferred revenue	(15,663)	4,014	(11,649)
(Decrease) increase in accounts payable	(5,622)	(460)	(6,082)
(Decrease) increase in accrued payroll	35,626	71	35,697
(Decrease) increase in due to other funds	693,959	14,969	708,928
NET CASH PROVIDED (USED) BY ACTIVITIES	<u>\$ 917,005</u>	<u>\$ (26,068)</u>	<u>\$ 890,937</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2008

	Agency Funds
ASSETS	
Current assets:	
Cash	\$ 89,153
TOTAL ASSETS	<u>\$ 89,153</u>
LIABILITIES	
Deposits held for others	\$ 89,153
TOTAL LIABILITIES	<u>89,153</u>
NET ASSETS	
Held in trust for special purposes	-
TOTAL NET ASSETS	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,153</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Kittery conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant of such policies.

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

In June of 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the statement include the following:

The financial statements include:

A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

Principles Determining Scope of Reporting Entity

The financial statements of the Town consist only of the funds of the Town of Kittery, Maine.

Basic Financial Statements - Government-Wide Statements

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Both the governmental-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's sewer department and school lunch program are categorized as business-type activities. All other activities of the town are categorized as governmental.

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

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

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

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

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

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- d. Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

2. Proprietary Funds:

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

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

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

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the trust funds consider all purchased government securities to be held on to for three months or less when purchased, to be cash equivalents.

Investments

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost.

Revenue Recognition – Property Taxes – Modified Accrual Basis

The Town's property tax for the current year was levied on October 22, 2007, on the assessed value listed as of April 1, 2007, for all taxable real and personal property located in the Town. Taxes were due in two installments on December 10, 2007, and June 10, 2008. Interest on unpaid taxes commenced on December 11, 2007, and June 11, 2008, at 12% per annum.

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

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$242,107 for the year ended June 30, 2008.

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

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Kittery utilize encumbrance accounting for its general fund. Since there were no outstanding encumbrances at the Town for the year ended June 30, 2008, no reservation of fund balance was recorded.

Budget

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

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepared a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town of Kittery was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Town Council.
4. The Town does not adopt budgets for Special Revenue Funds.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

In 2004, the Town undertook a program to record its investment property, plant and equipment. An inventory of all existing assets with a useful life of more than five years and a value of greater than \$5,000 was taken. The assets were valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets were valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets at June 30, 2008:

	Balance, 7/1/07	Additions	Disposals	Balance, 6/30/08
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Art works & historical treasures	-	-	-	-
	<u>10,950,906</u>	<u>-</u>	<u>-</u>	<u>10,950,906</u>
Depreciated assets:				
Land Improvements	683,371	1,044,088	-	1,727,459
Buildings	27,734,834	-	-	27,734,834
Building improvements	1,441,728	86,446	-	1,528,174
Machinery & equipment	2,810,721	264,186	-	3,074,907
Vehicles	2,953,821	103,310	-	3,057,131
Infrastructure	9,661,465	-	-	9,661,465
	<u>45,285,940</u>	<u>1,498,030</u>	<u>-</u>	<u>46,783,970</u>
Less: accumulated depreciation	<u>(22,411,699)</u>	<u>(1,822,961)</u>	<u>-</u>	<u>(24,234,660)</u>
	<u>22,874,241</u>	<u>(324,931)</u>	<u>-</u>	<u>22,549,310</u>
Net capital assets	<u>\$ 33,825,147</u>	<u>\$ (324,931)</u>	<u>\$ -</u>	<u>\$ 33,500,216</u>
		Admin		\$ 121,417
		Public Works		405,217
		Public Safety		291,227
		Education		989,648
		Unallocated		15,452
		Total depreciation expense		<u>\$ 1,822,961</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/07	Additions	Disposals	Balance, 6/30/08
<u>Business-type activities</u>				
Non-depreciated assets:				
Land / construction in progress	\$ 275,200	\$ 1,334,677	\$ -	\$ 1,609,877
	<u>275,200</u>	<u>1,334,677</u>	<u>-</u>	<u>1,609,877</u>
Depreciated assets:				
Buildings	14,884,282	-	-	14,884,282
Vehicles	82,397	-	-	82,397
Machinery & equipment	288,431	-	(553)	287,878
	<u>15,255,110</u>	<u>-</u>	<u>(553)</u>	<u>15,254,557</u>
Less: accumulated depreciation	(3,077,503)	(433,895)	-	(3,511,398)
	<u>12,177,607</u>	<u>(433,895)</u>	<u>(553)</u>	<u>11,743,159</u>
Net capital assets	<u>\$ 12,452,807</u>	<u>\$ 900,782</u>	<u>\$ (553)</u>	<u>\$ 13,353,036</u>

NOTE 3 - CASH AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2008, the Town's deposits amounting to \$7,548,432 were comprised of \$318,868 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$7,229,564 that was in excess of federal depository insurance, but collateralized with securities held by the financial institutions in the Town's name.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 642,730
Savings	132,889
Sweep account	<u>6,772,813</u>
	<u>\$ 7,548,432</u>

At June 30, 2008, the Town's investments were comprised of investment management funds, equities, fixed income, cash equivalents, and a repurchase agreement. The investment accounts amounting to \$7,792,438 were collateralized with securities held by the financial institutions in the Town's name and are therefore not susceptible to custodial credit risk.

<u>Investment Type</u>	<u>Market Value</u>
Investment Management	\$ 7,792,438
Equities	<u>-</u>
	<u>\$ 7,792,438</u>

NOTE 4 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for uncollectible accounts was estimated to be \$40,000 at June 30, 2008.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2008 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 698,782	\$ 1,022,238
Special revenue fund	234,467	26,304
Capital project fund	1,647,307	179,533
Permanent fund	440	-
Enterprise fund	294,024	1,646,945
	<u>\$ 2,875,020</u>	<u>\$ 2,875,020</u>

NOTE 6 –LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2008:

	Balance, 7/1/07	Additions	Deletions	Balance, 6/30/08	Due Within One Year
Governmental Activities					
Bonds payable	\$ 11,951,330	\$ -	\$ (1,477,110)	\$ 10,474,220	\$ 1,477,110
Capital leases payable	447,324	177,719	(176,502)	448,541	159,278
Accrued compensated absences	1,140,433	320,104	-	1,460,537	-
Total Governmental Activities	<u>\$ 13,539,087</u>	<u>\$ 497,823</u>	<u>\$ (1,653,612)</u>	<u>\$ 12,383,298</u>	<u>\$ 1,636,388</u>
Business-type Activities					
Bonds payable	\$ 2,285,926	\$ -	\$ (260,979)	\$ 2,024,947	\$ 261,723
Accrued compensated absences	127,617	25,332	-	152,949	-
Total Business-type Activities	<u>\$ 2,413,543</u>	<u>\$ 25,332</u>	<u>\$ (260,979)</u>	<u>\$ 2,177,896</u>	<u>\$ 261,723</u>

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

	<u>Governmental</u>	<u>Business - type</u>
<u>Bonds</u>		
\$6,950,000, 1990 General Obligation Bond due in annual installments and semiannual interest installments through November 2010. Interest is charged at a rate from 7.00% to 7.74% per annum.	\$ 1,035,000	\$ -
\$3,105,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through November 2015. Interest is charged at a rate from 5.25% to 5.75% per annum.	2,760,000	-
\$2,000,000, 1997 General Obligation Bond due in annual installments and semiannual interest installments through January 2012. Interest is charged at a rate from 4.8% to 6.5% per annum.	520,000	-
\$2,660,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through November 2026. Interest is charged at a rate from 4.25% to 4.5% per annum. Annual Installments are \$110,000 to 155,000.	2,505,000	-
\$1,675,000, 1988 General Obligation Bond due in annual installments and semiannual interest installments through October 2008. Interest is charged at a rate from 5.7% to 7.7% per annum. Annual Installments are \$80,000 to \$85,000.	80,000	-
\$3,300,000, 1989 General Obligation Bond due in annual installments and semiannual interest installments through October 2009. Interest is charged at a rate from 7.25% to 7.3% per annum. Annual Installments are \$165,000.	330,000	-
\$4,000,000, 1992 General Obligation Bond due in annual installments and semiannual interest installments through October 2012. Interest is charged at a rate of 4.10% per annum. Annual Installments are \$200,000.	-	1,000,000
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual installments and semiannual interest installments through October 2022. Interest is charged at 1.94% per annum. Annual Installments vary.	-	1,024,947
\$4,220,000, 2002 General Obligation Bond due in annual installments and semiannual interest installments through December 2018. Interest is charged at a rate from 3.25% to 4.75% per annum.	3,150,000	-
\$336,500, 2005 Revolving Renovation due in annual installments through November 2009 with principal forgiveness of \$100,950. No interest is charged.	94,200	-
	<u>\$ 10,474,200</u>	<u>\$ 2,024,947</u>

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - LONG TERM DEBT (CONTINUED)

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

Governmental Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 1,477,110	\$ 495,586	\$ 1,972,696
2010	1,397,110	416,036	1,813,146
2011	1,185,000	345,112	1,530,112
2012	840,000	291,933	1,131,933
2013	710,000	291,933	1,001,933
2014-2018	2,800,000	910,628	3,710,628
2019-2023	1,625,000	370,913	1,995,913
2024-2029	440,000	67,238	507,238
	<u>\$ 10,474,220</u>	<u>\$ 3,189,379</u>	<u>\$ 13,156,361</u>

Business Type Activities

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 261,723	\$ 51,678	\$ 313,401
2010	262,500	43,721	306,221
2011	263,310	35,810	299,120
2012	264,156	27,863	292,019
2013	265,038	26,981	292,019
2014-2018	339,825	58,379	398,204
2019-2023	368,395	30,714	399,109
2024-2029	-	-	-
	<u>\$ 2,024,947</u>	<u>\$ 275,146</u>	<u>\$ 2,300,093</u>

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 –LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

Capital Leases

	<u>Governmental</u>	<u>Business - type</u>
The Department Leases equipment under a non-cancelable lease agreement. The term of the lease is for a six year period expiring in August of 2009. Yearly payments are \$29,215.	\$ 55,500	\$ -
The Department Leases equipment under a non-cancelable lease agreement. The term of the lease is for a ten year period expiring in July of 2014. Annual payments are \$22,865.	134,195	-
The Town Leases copiers under a non-cancelable lease agreement. The term of the lease is for a six year period expiring in August of 2009. Yearly payments are \$9,099.05.	-	-
\$129,988, 2007 Capital Lease payable to AFS Education Finance. for computer equipment due in annual installments through June 2009. Interest is charged at a rate of 6.77% per annum.	81,127	-
\$58,645, 2005 Capital Lease payable to GE Capital for computer equipment due in annual installments through July 2007. Interest is charged at a rate of 5.35% per annum.	-	-
\$177,719, 2008 Capital Lease payable to M.S.T. Government Leasing, LLC for photocopy equipment due in annual installments of \$40,055 through August 2012. Interest is charged at a rate of 4.12% per annum.	177,719	-
	<u>\$ 448,541</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 –LONG TERM DEBT (CONTINUED)

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

2009	\$ 135,464
2010	135,464
2011	62,920
2012	62,920
2013	62,919
2014-2018	<u>45,730</u>
Total minimum lease payments	505,417
Less: Amount representing interest	<u>(56,876)</u>
Present value of future minimum lease payments	<u>\$ 448,541</u>

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

NOTE 7 – RESERVED FUND BALANCE

The following net assets have been reserved at June 30, 2008 for the following purposes:

Reserved for education	\$ 628,115
Reserved for general fund designated balances	596,713
Reserved for special revenue funds	916,502
Reserved for capital project funds	3,709,679
Reserved for permanent funds	<u>1,091,593</u>
Total	<u>\$ 6,942,602</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 8— GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2008, the general fund designated fund balance was made up of the following account balances carried forward into the subsequent year's budget:

Town maintenance / Irving	\$ 10,000
Hayley field project	22,542
Sub host program	2,197
Volunteer recognition	456
Compensated absences	85,035
Shellfish conservation commission	619
Conservation commission	4,432
HVAC upgrade article 8	19,572
Emergency facility repair fund	50,844
Computerized website mapping	1,200
Seapoint road causeway	99,012
Picott / Wilson culvert project	25,000
Traffic light Route 236	100,000
Traffic light Route 236	10,000
Town pier repair	1,706
Ballot counting machine	13,000
Alternative energy	150,000
Pier condition report	1,098
Recreation	5,300
Education	628,115
Total	<u>\$ 1,230,128</u>

NOTE 9 – RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The Town is a member of the Maine Municipal Association – Property and Casualty Pool ("Pool"). The District pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, and is based on replacement cost. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 10 - CONTINGENCIES

The Town is responsible for its proportionate share of County debt. As of June 30, 2008 the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 13,900,000	5.24%	\$ 728,360
			<u>\$ 728,360</u>

NOTE 11 – DEFINED BENEFITS PENSION PLAN

MAINE STATE RETIREMENT SYSTEM

The Town participates in the Maine State Retirement System, a cost sharing multi-employer defined benefit pension plan which covers employees who work at least 40 hours per week. The system requires that both employees and the Town contribute, and provides retirement, disability and death benefits. Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service. The Town's contributions to the plan for 2008, 2007, and 2006 were \$84,765, \$96,375, and \$79,591 respectively.

All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The system is an agent multiple-employer public retirement system. The school department's payroll for employees covered by this group was approximately \$6,608,056 for the year ended June 30, 2008. The State of Maine is required to contribute the employer contribution which amounts to 18.71% of compensation. Contributions paid by the State were approximately \$1,236,367 for the year ended June 30, 2008. There is no contribution required by the Town, except for federally funded teachers. For the year ended June 30, 2008, the Town contributed approximately \$40,861 for these federally funded employees. The funding status and progress for the System may be obtained by contacting the Maine State Retirement System.

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 12 – DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

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

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

NOTE 13 – EXPENDITURES OVER APPROPRIATIONS

The Town had no appropriations that were exceeded by actual expenditures.

NOTE 14 – RESTATED INFRASTRUCTURE ASSETS

The Town has restated the general fund infrastructure assets to recapture depreciation in the amount of \$6,246,919. This has been reflected in the beginning balances of the capital assets.

Required Supplementary Information

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

- Budgetary Comparison Schedule - General Fund
- Schedule of Revenues Budget to Actual – General Fund

TOWN OF KITTERY, MAINE

**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 6,843,376	\$ 6,843,376	\$ 6,843,376	\$ -
Resources (Inflows):				
General tax revenue	19,781,436	19,781,436	19,586,185	(195,251)
Intergovernmental revenue	2,507,621	2,507,621	2,815,742	308,121
Charges for services	1,089,400	1,089,400	1,101,383	11,983
Investment income	175,000	175,000	161,096	(13,904)
Other revenue	114,132	114,132	328,198	214,066
Transfers from other funds	125,000	125,000	335,850	210,850
Amounts Available for Appropriation	30,635,965	30,635,965	31,171,830	535,865
Charges to Appropriation (Outflows):				
Current:				
General government	1,660,264	1,660,264	1,550,909	109,355
Public safety	2,996,721	2,996,721	3,016,284	(19,563)
Public works	1,152,230	1,152,230	1,032,312	119,918
Recreation and culture	1,264,133	1,264,133	1,246,494	17,639
Health and sanitation	688,591	688,591	657,070	31,521
Social services	57,059	57,059	46,548	10,511
Education	14,147,592	14,823,846	14,195,731	628,115
County tax	728,991	728,991	728,991	-
Debt service	553,761	553,761	553,761	-
Overlay	242,107	242,107	-	242,107
Designated	1,300,940	1,994,801	782,348	1,212,453
Transfers to other funds	243,573	635,985	635,985	-
Total Charges to Appropriations	25,035,962	26,798,489	24,446,433	2,352,056
Budgetary Fund Balance, June 30	\$ 5,600,003	\$ 3,837,476	\$ 6,725,397	\$ 2,887,921
Utilization of undesignated fund balance	\$ 1,016,900	\$ 1,016,900	\$ -	\$ (1,016,900)
Utilization of designated fund balance	214,000	1,987,591	-	(1,987,591)
	\$ 1,230,900	\$ 3,004,491	\$ -	\$ (3,004,491)

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF REVENUES BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
General tax revenues				
Property taxes	\$ 18,310,436	\$ 18,310,436	\$ 18,137,655	\$ (172,781)
Vehicle excise taxes	1,450,000	1,450,000	1,420,703	(29,297)
Boat excise taxes	21,000	21,000	27,827	6,827
Intergovernmental revenues				
Education subsidy	1,055,200	1,055,200	1,247,200	192,000
State revenue sharing	685,000	685,000	778,833	93,833
Homestead exemption	128,671	128,671	146,230	17,559
Other education revenue	414,300	414,300	398,875	(15,425)
Other grants	-	-	328	328
GMH Housing	207,450	207,450	219,426	11,976
FEMA	-	-	8,934	8,934
General assistance	17,000	17,000	15,916	(1,084)
Charges for services				
Recreation fees	285,000	285,000	293,129	8,129
Code enforcement fees	345,000	345,000	302,963	(42,037)
Registration fees	28,000	28,000	27,785	(215)
Town clerk fees	9,000	9,000	16,745	7,745
Planning fees	7,000	7,000	7,524	524
Sign / ordinances	400	400	2,100	1,700
Solid waste / recycling	95,000	95,000	120,412	25,412
Solid waste / permits	85,000	85,000	77,676	(7,324)
Fort Foster fees	115,000	115,000	125,399	10,399
Eliot dispatching services	60,000	60,000	60,000	-
Police department	9,500	9,500	17,504	8,004
Animal control	2,500	2,500	4,591	2,091
Mooring fees	43,000	43,000	35,981	(7,019)
Other	5,000	5,000	9,574	4,574
Investment income	175,000	175,000	161,096	(13,904)
Interest / fees on taxes	50,000	50,000	249,191	199,191
Other income	35,000	35,000	29,030	(5,970)
Other police income	1,500	1,500	17,504	16,004
Other services	27,632	27,632	32,473	4,841
Transfers from other funds				
Special revenue fund	100,000	100,000	310,850	210,850
Permanent funds	25,000	25,000	25,000	-
Total revenues	<u>\$ 23,792,589</u>	<u>\$ 23,792,589</u>	<u>\$ 24,328,454</u>	<u>\$ 535,865</u>

See accompanying independent auditors' report.

Other Supplementary Information

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

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds
- Combining Balance Sheet – Nonmajor Capital Projects Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Capital Project Funds
- Combining Balance Sheet – Nonmajor Permanent Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Carried
General government						
Administration	\$ 884,097	\$ -	\$ 884,097	\$ 842,689	\$ 41,408	\$ -
Assessing	173,269	-	173,269	176,254	(2,985)	-
Code enforcement	162,836	-	162,836	152,659	10,177	-
Town planner	227,237	-	227,237	200,028	27,209	-
Insurance	168,695	-	168,695	139,232	29,463	-
Planning board	19,512	-	19,512	15,624	3,888	-
Elections	14,168	-	14,168	17,829	(3,661)	-
Council	10,450	-	10,450	6,442	4,008	-
Bank fees	-	-	-	152	(152)	-
	<u>1,660,264</u>	<u>-</u>	<u>1,660,264</u>	<u>1,550,909</u>	<u>109,355</u>	<u>-</u>
Public safety						
Police department	2,398,468	-	2,398,468	2,514,062	(115,594)	-
Fire department	313,808	-	313,808	227,932	85,876	-
Street lights	104,700	-	104,700	90,344	14,356	-
Hydrants	177,195	-	177,195	183,186	(5,991)	-
Civil emergency preparedness	2,550	-	2,550	760	1,790	-
	<u>2,996,721</u>	<u>-</u>	<u>2,996,721</u>	<u>3,016,284</u>	<u>(19,563)</u>	<u>-</u>
Public works:						
Highways	1,152,230	-	1,152,230	1,032,312	119,918	-
	<u>1,152,230</u>	<u>-</u>	<u>1,152,230</u>	<u>1,032,312</u>	<u>119,918</u>	<u>-</u>
Health and sanitation:						
Solid waste	688,591	-	688,591	657,070	31,521	-
	<u>688,591</u>	<u>-</u>	<u>688,591</u>	<u>657,070</u>	<u>31,521</u>	<u>-</u>
Social services						
General assistance	40,000	-	40,000	29,479	10,521	-
Community agencies	16,474	-	16,474	16,474	-	-
Public health services	585	-	585	595	(10)	-
	<u>57,059</u>	<u>-</u>	<u>57,059</u>	<u>46,548</u>	<u>10,511</u>	<u>-</u>

SCHEDULE A (CONTINUED)

TOWN OF KITTERY, MAINE

SHCEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Carried
Recreation and culture:						
Parks	288,916	-	288,916	268,259	20,657	-
Recreation	471,018	-	471,018	488,499	(22,781)	5,300
Library	433,067	-	433,067	427,234	5,833	-
Port Authority	71,132	-	71,132	62,502	8,630	-
	1,264,133	-	1,264,133	1,246,494	12,339	5,300
Education	14,147,592	676,254	14,823,846	14,195,731	-	628,115
County tax	728,991	-	728,991	728,991	-	-
Debt service						
Principal	553,761	-	553,761	553,761	-	-
Interest	-	-	-	-	-	-
	553,761	-	553,761	553,761	-	-
Overlay	242,107	-	242,107	-	242,107	-
Designated						
Town maintenance / Irving	-	10,000	10,000	-	-	10,000
Other general ledger accounts	-	2,057	2,057	39,820	(37,763)	-
Wage / benefits account	200,000	-	200,000	-	200,000	-
Police / fire radio replacement	-	35,424	35,424	35,424	-	-
Sub host program	2,500	800	3,300	1,103	-	2,197
Volunteer recognition	-	456	456	-	-	456
Kittery foreside	-	2,928	2,928	45	2,883	-
Memorial day activities	600	-	600	682	(82)	-
Emergency ambulance service	75,840	-	75,840	75,840	-	-
Compensated absences	50,000	88,554	138,554	53,519	-	85,035
Seacoast shipyard association	1,500	-	1,500	1,500	-	-

SCHEDULE A (CONTINUED)

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Balances Carried
Shellfish conservation commission	2,500	1,365	3,865	3,096	150	619
Conservation commission	-	6,031	6,031	1,599	-	4,432
HVAC upgrade article 8	-	19,572	19,572	-	-	19,572
Self insurance claims	25,000	-	25,000	65	24,935	-
Grant matching funds	100,000	(50,000)	50,000	4,000	46,000	-
Emergency fuel account	40,000	-	40,000	-	40,000	-
Emergency facility repair fund	50,000	47,225	97,225	44,075	2,306	50,844
GA program	50,000	-	50,000	-	50,000	-
Computerized website mapping	-	8,600	8,600	7,400	-	1,200
Traffic signals	-	100,000	100,000	-	100,000	-
Seapoint road causeway	-	117,203	117,203	18,191	-	99,012
Haley field project	-	35,173	35,173	57,715	(45,084)	22,542
Mosquito / tick control	58,900	-	58,900	58,900	-	-
Picott / Wilson culvert project	500,000	-	500,000	252,679	222,321	25,000
Traffic light Route 236	100,000	-	100,000	-	-	100,000
Traffic light Route 236	10,000	-	10,000	-	-	10,000
Town pier repair	20,000	-	20,000	18,294	-	1,706
Ballot counting machine	13,000	-	13,000	-	-	13,000
Alternative energy	-	200,000	200,000	50,000	-	150,000
Pier condition report	-	10,000	10,000	-	8,902	1,098
Fort Foster road culvert	-	8,473	8,473	7,301	1,172	-
Open space	-	50,000	50,000	50,000	-	-
Maine service center coalition	1,100	-	1,100	1,100	-	-
	<u>1,300,940</u>	<u>693,861</u>	<u>1,994,801</u>	<u>782,348</u>	<u>615,740</u>	<u>596,713</u>
Transfers						
Operating and capital transfers	243,573	392,412	635,985	635,985	-	-
	<u>243,573</u>	<u>392,412</u>	<u>635,985</u>	<u>635,985</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 25,035,962</u>	<u>\$ 1,762,527</u>	<u>\$ 26,798,489</u>	<u>\$ 24,446,433</u>	<u>\$ 1,121,928</u>	<u>\$ 1,230,128</u>

See accompanying independent auditors' report.

SCHEDULE B

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 67,364	\$ -	\$ 213,691	\$ 281,055
Investments	543,916	2,218,640	813,821	3,576,377
Accounts receivable	107,201	-	67,678	174,879
Due from other funds	234,467	120,472	440	355,379
Total assets	<u>\$ 952,948</u>	<u>\$ 2,339,112</u>	<u>\$ 1,095,630</u>	<u>\$ 4,387,690</u>
LIABILITIES				
Accounts Payable	\$ 10,142	\$ -	\$ 4,037	\$ 14,179
Due to other funds	26,304	179,533	-	205,837
Total liabilities	<u>36,446</u>	<u>179,533</u>	<u>4,037</u>	<u>220,016</u>
FUND EQUITY				
Fund balance:				
Unreserved:				
Designated for subsequent years'				
expenditures	916,502	2,159,579	1,091,593	4,167,674
Total fund equity	<u>916,502</u>	<u>2,159,579</u>	<u>1,091,593</u>	<u>4,167,674</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 952,948</u>	<u>\$ 2,339,112</u>	<u>\$ 1,095,630</u>	<u>\$ 4,387,690</u>

See accompanying independent auditors' report.

SCHEDULE C

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 635,436	\$ 188,582	\$ -	\$ 824,018
Charges for services	294,829	-	-	294,829
Investment income	23,703	171,083	34,856	229,642
TOTAL REVENUES	<u>953,968</u>	<u>359,665</u>	<u>34,856</u>	<u>1,348,489</u>
EXPENDITURES				
Administration	-	17,938	34,279	52,217
Public safety	-	16,803	-	16,803
Public works	-	715,016	-	715,016
Education	622,149	-	3,256	625,405
Capital outlay	34,983	446,400	-	481,383
TOTAL EXPENDITURES	<u>657,132</u>	<u>1,196,157</u>	<u>37,535</u>	<u>1,890,824</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>296,836</u>	<u>(836,492)</u>	<u>(2,679)</u>	<u>(542,335)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	47,658	1,214,070	-	1,261,728
Operating Transfers Out	(247,612)	(644,807)	(25,000)	(917,419)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(199,954)</u>	<u>569,263</u>	<u>(25,000)</u>	<u>344,309</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	96,882	(267,229)	(27,679)	(198,026)
FUND BALANCE, JULY 1	<u>819,620</u>	<u>2,426,808</u>	<u>1,119,272</u>	<u>4,365,700</u>
FUND BALANCE, JUNE 30	<u>\$ 916,502</u>	<u>\$ 2,159,579</u>	<u>\$ 1,091,593</u>	<u>\$ 4,167,674</u>

See accompanying independent auditors' report.

Special Revenue Funds

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

SCHEDULE D

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Vehicle Exhaust Grant	Route One Sewer Project
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	544,351	751	-	(1,186)	-	-
Accounts receivable (net of allowance)	-	61,539	-	-	-	-
Due from other funds	32,600	-	70,914	-	2,688	-
TOTAL ASSETS	<u>\$ 576,951</u>	<u>\$ 62,290</u>	<u>\$ 70,914</u>	<u>\$ (1,186)</u>	<u>\$ 2,688</u>	<u>\$ -</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	4,439	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years' expenditures	576,951	57,851	70,914	(1,186)	2,688	-
TOTAL FUND EQUITY	<u>576,951</u>	<u>57,851</u>	<u>70,914</u>	<u>(1,186)</u>	<u>2,688</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 576,951</u>	<u>\$ 62,290</u>	<u>\$ 70,914</u>	<u>\$ (1,186)</u>	<u>\$ 2,688</u>	<u>\$ -</u>

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2008

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
ASSETS					
Cash	\$ -	\$ 5	\$ 64,163	\$ 3,196	\$ 67,364
Investments	-	-	-	-	543,916
Accounts receivable (net of allowance)	-	1,269	-	44,393	107,201
Due from other funds	5,041	42,959	-	80,265	234,467
TOTAL ASSETS	<u>\$ 5,041</u>	<u>\$ 44,233</u>	<u>\$ 64,163</u>	<u>\$ 127,854</u>	<u>\$ 952,948</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ -	\$ 305	\$ -	\$ 9,837	\$ 10,142
Due to other funds	-	888	-	20,977	26,304
TOTAL LIABILITIES	<u>-</u>	<u>1,193</u>	<u>-</u>	<u>30,814</u>	<u>36,446</u>
FUND EQUITY					
Fund balance:					
Unreserved:					
Designated for subsequent years' expenditures	5,041	43,040	64,163	97,040	916,502
TOTAL FUND EQUITY	<u>5,041</u>	<u>43,040</u>	<u>64,163</u>	<u>97,040</u>	<u>916,502</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,041</u>	<u>\$ 44,233</u>	<u>\$ 64,163</u>	<u>\$ 127,854</u>	<u>\$ 952,948</u>

See accompanying independent auditors' report.

SCHEDULE E

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Vehicle Exhaust Grant	Route One Sewer Project
REVENUES						
Intergovernmental revenue	\$ -	\$ -	-	\$ -	-	\$ -
Charges for services	290,600	-	-	-	-	-
Investment income	23,664	39	-	-	-	-
Total revenue	<u>314,264</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	34,983	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>34,983</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>314,264</u>	<u>39</u>	<u>(34,983)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	12,319
Operating Transfers Out	(87,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(87,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,319</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>227,264</u>	<u>39</u>	<u>(34,983)</u>	<u>-</u>	<u>-</u>	<u>12,319</u>
FUND BALANCE, JULY 1	<u>349,687</u>	<u>57,812</u>	<u>105,897</u>	<u>(1,186)</u>	<u>2,688</u>	<u>(12,319)</u>
FUND BALANCE, JUNE 30	<u>\$ 576,951</u>	<u>\$ 57,851</u>	<u>\$ 70,914</u>	<u>\$ (1,186)</u>	<u>\$ 2,688</u>	<u>\$ -</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SHCEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCE – NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ 148,083	\$ -	\$ 487,353	\$ 635,436
Charges for services	-	-	4,229	-	294,829
Investment income	-	-	-	-	23,703
Total revenue	-	148,083	4,229	487,353	953,968
EXPENDITURES					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Education	-	149,227	8,641	464,281	622,149
Capital outlay	-	-	-	-	34,983
Total expenditures	-	149,227	8,641	464,281	657,132
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,144)	(4,412)	23,072	296,836
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	8,543	-	26,796	47,658
Operating Transfers Out	(135,000)	(604)	-	(25,008)	(247,612)
TOTAL OTHER FINANCING SOURCES (USES)	(135,000)	7,939	-	1,788	(199,954)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(135,000)	6,795	(4,412)	24,860	96,882
FUND BALANCE, JULY 1	140,041	36,245	68,575	72,180	819,620
FUND BALANCE, JUNE 30	\$ 5,041	\$ 43,040	\$ 64,163	\$ 97,040	\$ 916,502

See accompanying independent auditors' report.

Capital Projects Funds

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

SCHEDULE F

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL FUNDS
JUNE 30, 2008

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	953,834	15,495	2,383	5,801	185,252	(5,492)
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 953,834</u>	<u>\$ 15,495</u>	<u>\$ 2,383</u>	<u>\$ 5,801</u>	<u>\$ 185,252</u>	<u>\$ (5,492)</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	6,682	17,262	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,682</u>	<u>17,262</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	953,834	15,495	2,383	(881)	167,990	(5,492)
Total fund equity	<u>953,834</u>	<u>15,495</u>	<u>2,383</u>	<u>(881)</u>	<u>167,990</u>	<u>(5,492)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 953,834</u>	<u>\$ 15,495</u>	<u>\$ 2,383</u>	<u>\$ 5,801</u>	<u>\$ 185,252</u>	<u>\$ (5,492)</u>

TOWN OF KITTEERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL FUNDS
JUNE 30, 2008

	Asphalt Surface Maintenance	Solid Waste Vehicle / Equipment	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	77,107	99,377	3,533	3,005	133,611	88,470
Due from other funds	-	-	-	-	62,959	-
Total assets	<u>\$ 77,107</u>	<u>\$ 99,377</u>	<u>\$ 3,533</u>	<u>\$ 3,005</u>	<u>\$ 196,570</u>	<u>\$ 88,470</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	86,052	15,350	3,500	-	-	-
Total liabilities	<u>86,052</u>	<u>15,350</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	(8,945)	84,027	33	3,005	196,570	88,470
Total fund equity	<u>(8,945)</u>	<u>84,027</u>	<u>33</u>	<u>3,005</u>	<u>196,570</u>	<u>88,470</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 77,107</u>	<u>\$ 99,377</u>	<u>\$ 3,533</u>	<u>\$ 3,005</u>	<u>\$ 196,570</u>	<u>\$ 88,470</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS
JUNE 30, 2008

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	21,570	38,400	2,538	23,216	4,090	41,737
Due from other funds	1,990	-	-	-	-	-
Total assets	<u>\$ 23,560</u>	<u>\$ 38,400</u>	<u>\$ 2,538</u>	<u>\$ 23,216</u>	<u>\$ 4,090</u>	<u>\$ 41,737</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,554	-	-	-	-
Total liabilities	<u>-</u>	<u>1,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	23,560	36,846	2,538	23,216	4,090	41,737
Total fund equity	<u>23,560</u>	<u>36,846</u>	<u>2,538</u>	<u>23,216</u>	<u>4,090</u>	<u>41,737</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 23,560</u>	<u>\$ 38,400</u>	<u>\$ 2,538</u>	<u>\$ 23,216</u>	<u>\$ 4,090</u>	<u>\$ 41,737</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS
JUNE 30, 2008

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Office Restrooms
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	32,238	29,755	31,308	144,667	3,107	46
Due from other funds	-	-	-	15,350	-	-
Total assets	<u>\$ 32,238</u>	<u>\$ 29,755</u>	<u>\$ 31,308</u>	<u>\$ 160,017</u>	<u>\$ 3,107</u>	<u>\$ 46</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,732	-	-	-	-
Total liabilities	<u>-</u>	<u>2,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Unreserved:						
Designated for subsequent years'	32,238	27,023	31,308	160,017	3,107	46
Total fund equity	<u>32,238</u>	<u>27,023</u>	<u>31,308</u>	<u>160,017</u>	<u>3,107</u>	<u>46</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 32,238</u>	<u>\$ 29,755</u>	<u>\$ 31,308</u>	<u>\$ 160,017</u>	<u>\$ 3,107</u>	<u>\$ 46</u>

SCHEDULE F (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS
JUNE 30, 2008

	Records Preservation	Architectural Barrier	Treatment Plant Upgrade	Munis Software	Irving Oil Road	Mercury UW Facility	Totals
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	8,363	133,481	126,673	-	-	-	2,218,640
Due from other funds	-	-	-	-	40,173	-	120,472
Total assets	<u>\$ 8,363</u>	<u>\$ 133,481</u>	<u>\$ 126,673</u>	<u>\$ -</u>	<u>\$ 40,173</u>	<u>\$ -</u>	<u>\$ 2,339,112</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	8,000	12,357	22,838	-	-	3,206	179,533
Total liabilities	<u>8,000</u>	<u>12,357</u>	<u>22,838</u>	<u>-</u>	<u>-</u>	<u>3,206</u>	<u>179,533</u>
FUND EQUITY							
Fund balance:							
Unreserved:							
Designated for subsequent years'	363	121,124	103,835	-	40,173	(3,206)	2,159,579
Total fund equity	<u>363</u>	<u>121,124</u>	<u>103,835</u>	<u>-</u>	<u>40,173</u>	<u>(3,206)</u>	<u>2,159,579</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 8,363</u>	<u>\$ 133,481</u>	<u>\$ 126,673</u>	<u>\$ -</u>	<u>\$ 40,173</u>	<u>\$ -</u>	<u>\$ 2,339,112</u>

See accompanying independent auditors' report.

SCHEDULE G

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2008

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
REVENUES						
Intergovernmental revenue	\$ 188,582	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	2,500	254
Investment income	56,394	744	119	284	9,858	80
Total revenue	<u>244,976</u>	<u>744</u>	<u>119</u>	<u>284</u>	<u>12,358</u>	<u>334</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	482,688	-	-	-	71,666	7,601
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>482,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,666</u>	<u>7,601</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(237,712)	744	119	284	(59,308)	(7,267)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	172,472	-	-	-	64,900	10,000
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>172,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,900</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(65,240)	744	119	284	5,592	2,733
FUND BALANCE, JULY 1	<u>1,019,074</u>	<u>14,751</u>	<u>2,264</u>	<u>(1,165)</u>	<u>162,398</u>	<u>(8,225)</u>
FUND BALANCE, JUNE 30	<u>\$ 953,834</u>	<u>\$ 15,495</u>	<u>\$ 2,383</u>	<u>\$ (881)</u>	<u>\$ 167,990</u>	<u>\$ (5,492)</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2008

	Asphalt Surface Maintenance	Solid Waste Vehicle / Equipment	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	14,000	-
Investment income	3,888	4,813	172	138	6,707	7,131
Total revenue	<u>3,888</u>	<u>4,813</u>	<u>172</u>	<u>138</u>	<u>20,707</u>	<u>7,131</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	90,891	1,555	-	-	60,615	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	90,412
Total expenditures	<u>90,891</u>	<u>1,555</u>	<u>-</u>	<u>-</u>	<u>60,615</u>	<u>90,412</u>
EXPENDITURES	(87,003)	3,258	172	138	(39,908)	(83,281)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	7,500	14,850	-	2,500	145,385	85,000
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,500</u>	<u>14,850</u>	<u>-</u>	<u>2,500</u>	<u>145,385</u>	<u>85,000</u>
SOURCES OVER (UNDER) EXPENDITURES	(79,503)	18,108	172	2,638	105,477	1,719
FUND BALANCE, JULY 1	70,558	65,919	(139)	367	91,093	86,751
FUND BALANCE, JUNE 30	<u>\$ (8,945)</u>	<u>\$ 84,027</u>	<u>\$ 33</u>	<u>\$ 3,005</u>	<u>\$ 196,570</u>	<u>\$ 88,470</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2008

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
Investment income	1,007	1,941	127	1,100	201	1,980
Total revenue	<u>1,007</u>	<u>1,941</u>	<u>127</u>	<u>1,100</u>	<u>201</u>	<u>1,980</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	1,555	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	3,145	-	-	-	-
Total expenditures	<u>1,555</u>	<u>3,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES	(548)	(1,204)	127	1,100	201	1,980
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	13,483	-	-	2,500	1,500	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>13,483</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>1,500</u>	<u>-</u>
SOURCES OVER (UNDER) EXPENDITURES	12,935	(1,204)	127	3,600	1,701	1,980
FUND BALANCE, JULY 1	10,625	38,050	2,411	19,616	2,389	39,757
FUND BALANCE, JUNE 30	<u>\$ 23,560</u>	<u>\$ 36,846</u>	<u>\$ 2,538</u>	<u>\$ 23,216</u>	<u>\$ 4,090</u>	<u>\$ 41,737</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2008

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Office Restrooms
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	5,477	8,203	-	-	-
Investment income	1,899	1,662	5,278	11,364	157	2
Total revenue	<u>1,899</u>	<u>7,139</u>	<u>13,481</u>	<u>11,364</u>	<u>157</u>	<u>2</u>
EXPENDITURES						
Administration	9,938	-	-	-	-	-
Public safety	-	15,248	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	96,275	-	-	-
Total expenditures	<u>9,938</u>	<u>15,248</u>	<u>96,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES	(8,039)	(8,109)	(82,794)	11,364	157	2
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	15,000	-	55,000	16,850	-	-
Operating Transfers Out	-	-	-	(100,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>-</u>	<u>55,000</u>	<u>(83,150)</u>	<u>-</u>	<u>-</u>
SOURCES OVER (UNDER) EXPENDITURES	6,961	(8,109)	(27,794)	(71,786)	157	2
FUND BALANCE, JULY 1	<u>25,277</u>	<u>35,132</u>	<u>59,102</u>	<u>231,803</u>	<u>2,950</u>	<u>44</u>
FUND BALANCE, JUNE 30	<u>\$ 32,238</u>	<u>\$ 27,023</u>	<u>\$ 31,308</u>	<u>\$ 160,017</u>	<u>\$ 3,107</u>	<u>\$ 46</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2008

	Records Preservation	Architectural Barrier	Treatment Plant Upgrade	Munis Software	Irving Oil Road	Mercury UW Facility	Totals
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,582
Other income	-	-	-	-	-	-	30,434
Investment income	399	6,303	15,484	-	-	-	140,649
Total revenue	399	6,303	15,484	-	-	-	359,665
EXPENDITURES							
Administration	8,000	-	-	-	-	-	17,938
Public safety	-	-	-	-	-	-	16,803
Public works	-	-	-	-	-	-	715,016
Education	-	-	-	-	-	-	-
Capital outlay	-	-	190,096	-	-	-	446,400
Total expenditures	8,000	-	190,096	-	-	-	1,196,157
EXPENDITURES	(7,601)	6,303	(174,612)	-	-	-	(836,492)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	8,000	-	519,000	-	-	-	1,214,070
Operating Transfers Out	-	-	(499,169)	(45,638)	-	-	(644,807)
TOTAL OTHER FINANCING SOURCES (USES)	8,000	-	19,831	(45,638)	-	-	569,263
SOURCES OVER (UNDER) EXPENDITURES	399	6,303	(154,781)	(45,638)	-	-	(267,229)
FUND BALANCE, JULY 1	(36)	114,821	258,616	45,638	40,173	(3,206)	\$ 2,426,808
FUND BALANCE, JUNE 30	\$ 363	\$ 121,124	\$ 103,835	\$ -	\$ 40,173	\$ (3,206)	\$ 2,159,579

See accompanying independent auditors' report.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Kittery, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds have been established for the provision and/or maintenance of the cemeteries, Public Health Trust and Lester Rayes Trust and the school department scholarships.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2008

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Rayes Trust	Recycling Scholarship Fund
ASSETS					
Cash	\$ -	\$ -	\$ 110,211	\$ -	\$ -
Investments	135,050	26,437	556,571	9,357	29,437
Accounts receivable (net of allowance)	-	-	67,678	-	-
Due from other funds	-	-	-	-	440
Total assets	<u>\$ 135,050</u>	<u>\$ 26,437</u>	<u>\$ 734,460</u>	<u>\$ 9,357</u>	<u>\$ 29,877</u>
LIABILITIES					
Due to other funds	\$ 3,870	\$ -	\$ -	\$ 167	\$ -
Total liabilities	<u>3,870</u>	<u>-</u>	<u>-</u>	<u>167</u>	<u>-</u>
FUND EQUITY					
Fund balance:					
Unreserved:					
Designated for subsequent years'	131,180	26,437	734,460	9,190	29,877
Total fund equity	<u>131,180</u>	<u>26,437</u>	<u>734,460</u>	<u>9,190</u>	<u>29,877</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 135,050</u>	<u>\$ 26,437</u>	<u>\$ 734,460</u>	<u>\$ 9,357</u>	<u>\$ 29,877</u>

TOWN OF KITTYRY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2008

	School Trust Funds	Smart Thaxter	Samuels Beautification Funds	Totals
ASSETS				
Cash	\$ 103,480	\$ -	\$ -	\$ 213,691
Investments	-	-	56,969	813,821
Accounts receivable (net of allowance)	-	-	-	67,678
Due from other funds	-	-	-	440
Total assets	<u>\$ 103,480</u>	<u>\$ -</u>	<u>\$ 56,969</u>	<u>\$ 1,095,630</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ 4,037
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,037</u>
FUND EQUITY				
Fund balance:				
Unreserved:	-	-	-	-
Designated for subsequent years'	103,480	-	56,969	1,091,593
Total fund equity	<u>103,480</u>	<u>-</u>	<u>56,969</u>	<u>1,091,593</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 103,480</u>	<u>\$ -</u>	<u>\$ 56,969</u>	<u>\$ 1,095,630</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES - NONMAJOR
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Rayes Trust	Recycling Scholarship Fund
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Investment income	6,528	1,131	16,670	400	2,199
Total revenue	<u>6,528</u>	<u>1,131</u>	<u>16,670</u>	<u>400</u>	<u>2,199</u>
EXPENDITURES					
Administration	4,620	-	28,992	167	500
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>4,620</u>	<u>-</u>	<u>28,992</u>	<u>167</u>	<u>500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,908	1,131	(12,322)	233	1,699
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	-	-	(25,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,908	1,131	(37,322)	233	1,699
FUND BALANCE, JULY 1	<u>129,272</u>	<u>25,306</u>	<u>771,782</u>	<u>8,957</u>	<u>28,178</u>
FUND BALANCE, JUNE 30	<u>\$ 131,180</u>	<u>\$ 26,437</u>	<u>\$ 734,460</u>	<u>\$ 9,190</u>	<u>\$ 29,877</u>

SCHEDULE I (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	School Trust Funds	Smart Thaxter	Samuels Beautification Funds	Totals
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Investment income	4,943	-	2,985	34,856
Total revenue	<u>4,943</u>	<u>-</u>	<u>2,985</u>	<u>34,856</u>
EXPENDITURES				
Administration	-	-	-	34,279
Public safety	-	-	-	-
Education	3,256	-	-	3,256
Capital outlay	-	-	-	-
Total expenditures	<u>3,256</u>	<u>-</u>	<u>-</u>	<u>37,535</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,687	-	2,985	(2,679)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,687	-	2,985	(27,679)
FUND BALANCE, JULY 1	<u>101,793</u>	<u>-</u>	<u>53,984</u>	<u>1,119,272</u>
FUND BALANCE, JUNE 30	<u>\$ 103,480</u>	<u>\$ -</u>	<u>\$ 56,969</u>	<u>\$ 1,091,593</u>

See accompanying independent auditors' report.

General Capital Assets

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

TOWN OF KITTEERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2008

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Police	\$ -	\$ 84,458	\$ 1,001,284	\$ -	\$ 1,085,742
General government	-	2,689,485	200,716	-	2,890,201
Fire	358,894	3,478,843	1,499,071	-	5,336,808
Highway	8,579,000	2,611,172	2,933,796	9,661,465	23,785,433
Recycling	-	98,226	22,588	-	120,814
Recreation	-	151,254	86,159	-	237,413
Library	-	8,711	-	-	8,711
Town-wide	1,973,300	284,210	61,058	-	2,318,568
School Department	45,406	21,584,108	321,120	-	21,950,634
Sewer Department	1,609,877	14,884,282	272,572	-	16,766,731
School Lunch Program	-	-	98,255	-	98,255
Total General Capital Assets	12,566,477	45,874,749	6,496,619	9,661,465	74,599,310
Less: Accumulated Depreciation	-	(17,765,898)	(3,471,229)	(6,508,931)	(27,746,058)
Net General Capital Assets	\$ 12,566,477	\$ 28,108,851	\$ 3,025,390	\$ 3,152,534	\$ 46,853,252

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2008

	General Assets 7/1/07	Additions	Deletions	General Capital Assets 6/30/08
Police	\$ 930,087	\$ 155,655	\$ -	\$ 1,085,742
General government	2,875,118	15,083	-	2,890,201
Fire	5,240,702	96,106	-	5,336,808
Highway	22,882,185	903,248	-	23,785,433
Recycling	120,814	-	-	120,814
Recreation	237,413	-	-	237,413
Library	8,711	-	-	8,711
Town-wide	2,042,893	275,675	-	2,318,568
School Department	21,898,371	52,815	-	21,951,186
Sewer Department	15,432,054	1,334,677	-	16,766,731
School Lunch Program	98,808	-	(1,105)	97,703
Total General Capital Assets	71,767,156	2,833,259	(1,105)	74,599,310
Less: Accumulated Depreciation	(25,489,202)	(2,256,856)	-	(27,746,058)
Net General Capital Assets	\$ 46,277,954	\$ 576,403	\$ (1,105)	\$ 46,853,252

See accompanying independent auditors' report.

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INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

September 18, 2008

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of Town of Kittery for the year ended June 30, 2008 and have issued our report thereon dated September 11, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Department for accuracy. In addition we have reviewed quarterly EF-U-415 reports for the year ended June 30, 2008 and the Town's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

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

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

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

RHR Smith & Company
Certified Public Accountants

TOWN OF KITTERY, MAINE

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund (100)	Special Revenue Funds (200)	Capital Projects Fund (300)	Totals
June 30 balance per MEDMS financial system	\$ 450,270	\$ 1,374,458	\$ 397,331	\$ 2,222,059
Revenue Adjustments:				
Net Income(loss)	43,469	-	-	43,469
Deferred revenue adjustments (medicaid)	55,629	-	-	55,629
Accounts receivable not recorded on client	24,110	45,662	-	69,772
Expenditure Adjustments:				
Net income not closed	43,469	-	-	43,469
Transfers variance	11,168	-	-	11,168
Adult education variance	-	(1,452)	-	(1,452)
Capital projects expense variance	-	-	(1,231)	(1,231)
Other adjustments:				
Remove old medicaid balance from gen ledger	-	-	-	-
Beginning balance variance in Local Entitlement	-	(1,216,946)	-	(1,216,946)
	-	6,110	-	6,110
	-	-	-	-
Audited GAAP Basis Fund balance June 30	\$ 628,115	\$ 207,832	\$ 396,100	\$ 1,232,047