

Federal Compliance Audit

Town of Kittery, Maine

June 30, 2012



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

CONTENTS

JUNE 30, 2012

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET ASSETS	11
STATEMENT B - STATEMENT OF ACTIVITIES	12 - 13
<u>FUND FINANCIAL STATEMENTS</u>	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	14
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	15
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	16
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17
STATEMENT G - BALANCE SHEET – PROPRIETARY FUNDS	18
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS	19
STATEMENT I - STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	20
STATEMENT J - STATEMENT OF NET ASSETS – FIDUCIARY FUNDS	21
NOTES TO FINANCIAL STATEMENTS	22 - 49

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	50
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND ACTUAL – GENERAL FUND	51
SCHEDULE 2 - BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS – BUDGET AND ACTUAL – GENERAL FUND REVENUES	52

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	53
SCHEDULE A - SCHEDULE OF DEPARTMENTAL OPERATIONS	54 - 55
SCHEDULE B - COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	56
SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	57
SPECIAL REVENUE FUNDS DESCRIPTION	58
SCHEDULE D - COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	59 - 66
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	67 - 74
CAPITAL PROJECTS DESCRIPTION	75
SCHEDULE F - COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS	76 - 83
SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR CAPITAL PROJECT FUNDS	84 - 91
PERMANENT FUNDS DESCRIPTION	92
SCHEDULE H - COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS	93 - 94

SCHEDULE I - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR PERMANENT FUNDS	95 - 96
GENERAL CAPITAL ASSETS DESCRIPTION	97
SCHEDULE J - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	98
SCHEDULE K - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	99
<u>FEDERAL COMPLIANCE</u>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	100
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	101
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	102 - 103
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	104 - 105
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	106
INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS	107
RECONCILIATION OF MEDMS UPLOAD TO FINANCIAL STATEMENTS	108



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

November 8, 2012

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, 2012, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012 on our consideration of the Town of Kittery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

3 Old Orchard Road, Buxton, Maine 04093

Tel: (800) 300-7708

(207) 929-4606

Fax: (207) 929-4609

www.rhrsmith.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kittery's financial statements as a whole. The combining and individual non major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RHR Smith & Company

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

(UNAUDITED)

The following management's discussion and analysis of Town of Kittery, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

The Statement of Net Assets – this statement presents *all* of the government's assets and liabilities with the difference being reported as net assets.

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental funds are \$31.6 million compared to \$31.3 million in the prior year, an increase of 0.85%. For the business-type activities total net assets are \$10.66 million as compared to \$10.69 million in the prior year, a decrease of 0.28%.

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 \$7.01 million at the end of this year for governmental activities and \$194,491 for the business-type activities.

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

	Governmental Activities		Business-Type Activities	
	2011		2011	
	2012	(Restated)	2012	(Restated)
Assets:				
Current and Other Assets	\$ 12,831,151	\$ 15,438,330	\$ 324,445	\$ 623,909
Capital Assets	40,744,745	35,233,432	14,383,960	14,542,683
Other Assets	-	-	5,473	9,867
Total Assets	<u>\$ 53,575,896</u>	<u>\$ 50,671,762</u>	<u>\$ 14,713,878</u>	<u>\$ 15,176,459</u>
Liabilities:				
Current Liabilities	\$ 3,288,282	\$ 5,191,365	\$ 431,807	\$ 440,521
Long-Term Debt Outstanding	18,710,864	14,169,941	3,619,756	4,044,199
Total Liabilities	<u>\$ 21,999,146</u>	<u>\$ 19,361,306</u>	<u>\$ 4,051,563</u>	<u>\$ 4,484,720</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 21,623,848	\$ 21,359,381	\$ 10,440,324	\$ 10,180,445
Restricted	2,939,093	4,107,830	27,500	-
Unrestricted	7,013,809	5,843,245	194,491	511,294
Total Net Assets	<u>\$ 31,576,750</u>	<u>\$ 31,310,456</u>	<u>\$ 10,662,315</u>	<u>\$ 10,691,739</u>

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

	Governmental Activities		Business-type Activities	
	2012	2011 (Restated)	2012	2011 (Restated)
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 905,769	\$ 803,292	\$ 2,039,271	\$ 2,045,734
Operating grants and contributions	1,718,566	2,231,596	179,930	165,301
Capital grants and contributions	198,095	-	-	-
<i>General Revenues:</i>				
Taxes	21,175,108	20,813,904	-	-
Grants and contributions not restricted to specific programs	1,807,719	1,655,065	-	-
Investment income	80,305	120,628	-	-
Miscellaneous	7,123,573	1,390,547	49,299	75,032
Total Revenues	<u>33,009,135</u>	<u>27,015,032</u>	<u>2,268,500</u>	<u>2,286,067</u>
Expenses				
General government	7,788,325	1,053,425	-	-
Public safety	3,841,228	3,480,447	-	-
Public works	1,826,140	2,006,465	-	-
Health and welfare	661,963	669,727	-	-
Social Services	166,480	55,722	-	-
Recreation and culture	1,037,285	1,009,959	-	-
Education	14,498,800	15,609,157	-	-
County tax	842,537	862,802	-	-
Capital outlay	507,780	2,062,668	-	-
Grant funds/misc. accounts	250,784	156,019	-	-
Overlay	-	101,600	-	-
Unallocated depreciation (Note 4)	115,440	112,027	-	-
Interest on long-term debt	125,746	105,301	-	-
State of Maine on - behalf payments	950,856	1,195,709	-	-
Enterprise funds	-	-	2,427,401	2,239,374
Total Expenses	<u>32,613,364</u>	<u>28,481,028</u>	<u>2,427,401</u>	<u>2,239,374</u>
Total transfers	<u>(129,477)</u>	<u>(208,032)</u>	<u>129,477</u>	<u>208,032</u>
Change in Net Assets	266,294	(1,674,028)	(29,424)	254,725
Net Assets - July 1	<u>31,310,456</u>	<u>32,984,484</u>	<u>10,691,739</u>	<u>10,437,014</u>
Net Assets - June 30	<u>\$ 31,576,750</u>	<u>\$ 31,310,456</u>	<u>\$ 10,662,315</u>	<u>\$ 10,691,739</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 22.19%, while total expenses increased by 14.51%. The biggest increase in expenses was in general government while the biggest increase in revenues was in miscellaneous revenue. These large increases can mostly be attributed to the community center project.

Revenues decreased by 0.77% in the Town's business type activities, while the total expenses increased by 8.40%. Most of the proprietary funds expenses were consistent with the previous year with minor increases or decreases. The biggest decrease in revenues was in the miscellaneous.

Financial Analysis of the Town's Fund Statements

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

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

	<u>2012</u>	<u>2011</u>
Major Funds:		
General Fund:		
Nonspendable	\$ -	\$ 2,350
Restricted	970,273	978,690
Unassigned	4,317,992	4,344,502
Mitchell/Shapleigh building project:		
Restricted	23,923	1,057,513
Community center:		
Committed	308,655	-
Unassigned	-	(280,513)
Total Major Funds	<u><u>\$ 5,620,843</u></u>	<u><u>\$ 6,102,542</u></u>
Nonmajor Funds:		
Permanent funds:		
Restricted	\$ 1,031,361	\$ 1,074,064
Capital project funds:		
Nonspendable	69,700	-
Restricted	852,631	776,259
Committed	2,151,358	1,467,072
Unassigned	(119,062)	(29,089)
Special revenue funds:		
Restricted	60,905	221,304
Committed	1,216,081	1,105,035
Assigned	41,426	117,905
Unassigned	(570,091)	(329,207)
Total Nonmajor Funds	<u><u>\$ 4,734,309</u></u>	<u><u>\$ 4,403,343</u></u>

The general fund total fund balance decreased by \$37,277 from the prior fiscal year. The Mitchell Shapleigh Building Project decreased by \$1,033,590 and the Community Center increased by \$589,168. The non-major fund balances increased by \$330,966 from the prior fiscal year.

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

The school lunch fund had an operating income for the current year of \$842, while the sewer fund had an operating loss of \$79,861.

Budgetary Highlights

There were significant differences between the original and final budget for the general fund. These differences were budget adjustments done by the Town for special town meetings or adjustments between departments as well as use of restricted and unassigned fund balances.

The general fund actual revenues exceeded the budget by \$94,953. This was a result of all revenues being receipted over budget with the exception of general tax revenue.

The general fund actual expenditures were under the budget by \$1,130,066. The following expenditures were under budget which accounts for most of the balance:

Education	\$970,273
Overlay	130,210

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the net book value of capital assets recorded by the Town increased by \$5,352,590. The increase was caused by capital additions of \$7,686,681 primarily resulting from the Mitchell/Shapleigh and Community Center projects less current year depreciation of \$2,334,091. Refer to Note 4 of Notes to Financial Statements for additional information.

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

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 12,571,938	\$ 12,661,066
Buildings and improvements	27,594,958	21,946,084
Machinery and equipment	1,038,810	979,688
Vehicles	1,609,412	1,705,600
Construction in progress	9,125,442	9,901,019
Infrastructure	<u>3,188,145</u>	<u>2,582,658</u>
Total	<u>\$ 55,128,705</u>	<u>\$ 49,776,115</u>

Debt

At June 30, 2012, the Town had \$22.22 million in bonds outstanding versus \$17.98 million last year, an increase of 23.53%. Other obligations include capital leases payable and accrued vacation and sick time. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

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

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, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,017,353	\$ -	\$ 6,017,353
Investments	5,364,626	-	5,364,626
Accounts receivable (net of allowance for uncollectibles):			
Taxes	878,542	-	878,542
Other	96,323	392,501	488,824
Due from other governments	309,638	8,282	317,920
Prepaid expenses	69,700	-	69,700
Inventory	-	18,631	18,631
Internal balances	94,969	(94,969)	-
Total current assets	12,831,151	324,445	13,155,596
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	16,341,606	4,009,942	20,351,548
Buildings and vehicles net of accumulated depreciation	24,403,139	10,374,018	34,777,157
Total noncurrent assets	40,744,745	14,383,960	55,128,705
Other assets:			
Bond issuance costs (net of amortization)	-	5,473	5,473
TOTAL ASSETS	\$ 53,575,896	\$ 14,713,878	\$ 68,289,774
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 669,792	\$ 11,988	\$ 681,780
Accrued expenses	743,277	-	743,277
Deferred revenue	-	3,345	3,345
Prepaid taxes	95,188	-	95,188
Other liabilities	247,857	-	247,857
Current portion of long-term obligations	1,532,168	416,474	1,948,642
Total current liabilities	3,288,282	431,807	3,720,089
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	16,930,000	3,527,162	20,457,162
Capital lease payable	658,729	-	658,729
Accrued compensated absences	1,122,135	92,594	1,214,729
Total noncurrent liabilities	18,710,864	3,619,756	22,330,620
TOTAL LIABILITIES	21,999,146	4,051,563	26,050,709
NET ASSETS			
Invested in capital assets, net of related debt	21,623,848	10,440,324	32,064,172
Restricted	2,939,093	27,500	2,966,593
Unrestricted	7,013,809	194,491	7,208,300
TOTAL NET ASSETS	31,576,750	10,662,315	42,239,065
TOTAL LIABILITIES AND NET ASSETS	\$ 53,575,896	\$ 14,713,878	\$ 68,289,774

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

STATEMENT B

TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating	Capital	Governmental Activities	Business-	Total
			Grants & Contributions	Grants & Contributions		type Activities	
<u>Governmental activities:</u>							
General government	\$ 7,788,325	\$ 309,103	\$ 36,929	\$ -	\$ (7,442,293)	\$ -	\$ (7,442,293)
Public safety	3,841,228	84,613	-	29,783	(3,726,832)	-	(3,726,832)
Public works	1,826,140	-	-	168,312	(1,657,828)	-	(1,657,828)
Recreation and culture	1,037,285	266,529	-	-	(770,756)	-	(770,756)
Health and sanitation	661,963	245,524	-	-	(416,439)	-	(416,439)
Social services	166,480	-	-	-	(166,480)	-	(166,480)
Education	14,498,800	-	730,781	-	(13,768,019)	-	(13,768,019)
County tax	842,537	-	-	-	(842,537)	-	(842,537)
State of Maine on-behalf payments	950,856	-	950,856	-	-	-	-
Capital outlay	507,780	-	-	-	(507,780)	-	(507,780)
Grant funds/misc. accounts	250,784	-	-	-	(250,784)	-	(250,784)
Overlay	-	-	-	-	-	-	-
Unallocated depreciation (Note 4)	115,440	-	-	-	(115,440)	-	(115,440)
Interest on long-term debt	125,746	-	-	-	(125,746)	-	(125,746)
Total governmental activities	<u>32,613,364</u>	<u>905,769</u>	<u>1,718,566</u>	<u>198,095</u>	<u>(29,790,934)</u>	<u>-</u>	<u>(29,790,934)</u>
<u>Business-type activities:</u>							
Sewer department	1,998,400	1,800,484	-	-	-	(197,916)	(197,916)
School lunch program	429,001	238,787	179,930	-	-	(10,284)	(10,284)
Total business-type activities	<u>2,427,401</u>	<u>2,039,271</u>	<u>179,930</u>	<u>-</u>	<u>-</u>	<u>(208,200)</u>	<u>(208,200)</u>
Total government	<u>\$ 35,040,765</u>	<u>\$ 2,945,040</u>	<u>\$ 1,898,496</u>	<u>\$ 198,095</u>	<u>(29,790,934)</u>	<u>(208,200)</u>	<u>(29,999,134)</u>

STATEMENT B (CONTINUED)

TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Activities	Business- type Activities	Total
Changes in net assets:			
Net (expense) revenue	<u>(29,790,934)</u>	<u>(208,200)</u>	<u>(29,999,134)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	19,766,701	-	19,766,701
Excise taxes	1,408,407	-	1,408,407
Grants and contributions not restricted to specific programs	1,807,719	-	1,807,719
Investment income	80,305	-	80,305
Miscellaneous	7,123,573	49,299	7,172,872
Transfers	<u>(129,477)</u>	<u>129,477</u>	<u>-</u>
Total general revenues and transfers	<u>30,057,228</u>	<u>178,776</u>	<u>30,236,004</u>
Change in net assets	266,294	(29,424)	236,870
NET ASSETS - JULY 1, RESTATED	<u>31,310,456</u>	<u>10,691,739</u>	<u>42,002,195</u>
NET ASSETS - JUNE 30	<u>\$ 31,576,750</u>	<u>\$ 10,662,315</u>	<u>\$ 42,239,065</u>

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

STATEMENT C

TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Mitchell/ Shapleigh Bldg Project	Community Center	Other Governmental Funds	Totals Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,882,077	\$ -	\$ -	\$ 135,276	\$ 6,017,353
Investments	4,677,535	-	-	687,091	5,364,626
Accounts receivables (net of allowance for uncollectibles):					
Taxes/liens	878,542	-	-	-	878,542
Other	3,842	-	5,460	87,021	96,323
Due from other governments	94,233	-	-	215,405	309,638
Prepaid expenses	-	-	-	69,700	69,700
Due from other funds	981,105	23,923	413,195	4,679,214	6,097,437
TOTAL ASSETS	\$ 12,517,334	\$ 23,923	\$ 418,655	\$ 5,873,707	\$ 18,833,619
LIABILITIES					
Accounts payable	\$ 281,850	\$ -	\$ 110,000	\$ 277,942	\$ 669,792
Accrued payroll	743,277	-	-	-	743,277
Due to other funds	5,141,012	-	-	861,456	6,002,468
Prepaid taxes	95,188	-	-	-	95,188
Deferred tax revenues	719,885	-	-	-	719,885
Other liabilities	247,857	-	-	-	247,857
TOTAL LIABILITIES	7,229,069	-	110,000	1,139,398	8,478,467
FUND BALANCES					
Nonspendable	-	-	-	69,700	69,700
Restricted	970,273	23,923	-	1,944,897	2,939,093
Committed	-	-	308,655	3,367,439	3,676,094
Assigned	-	-	-	41,426	41,426
Unassigned	4,317,992	-	-	(689,153)	3,628,839
TOTAL FUND BALANCES	5,288,265	23,923	308,655	4,734,309	10,355,152
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,517,334	\$ 23,923	\$ 418,655	\$ 5,873,707	\$ 18,833,619

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

TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

	Total Governmental Funds
Total Fund Balances	\$ 10,355,152
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	40,744,745
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	719,885
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(18,275,000)
Capital lease payable	(845,897)
Accrued compensated absences	<u>(1,122,135)</u>
Net assets of governmental activities	<u><u>\$ 31,576,750</u></u>

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

STATEMENT E

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	Mitchell/ Shapleigh	Community	Nonmajor	Totals
	Fund	Bldg Project	Center	Funds	Governmental
					Funds
REVENUES					
General tax revenue	\$ 21,128,812	\$ -	\$ -	\$ -	\$ 21,128,812
Intergovernmental revenue	1,745,857	-	-	1,027,667	2,773,524
Charges for services	905,769	-	-	-	905,769
Investment income	55,090	-	-	25,215	80,305
State of Maine on - behalf payments	950,856	-	-	-	950,856
Other revenue	456,948	-	5,629,456	1,037,169	7,123,573
TOTAL REVENUES	<u>25,243,332</u>	<u>-</u>	<u>5,629,456</u>	<u>2,090,051</u>	<u>32,962,839</u>
EXPENDITURES					
Current:					
General government	1,652,054	-	5,060,288	724,973	7,437,315
Public safety	3,202,649	-	-	307,739	3,510,388
Public works	1,017,302	-	-	409,976	1,427,278
Recreation and culture	1,029,281	-	-	-	1,029,281
Health and sanitation	653,819	-	-	-	653,819
Social services	166,480	-	-	-	166,480
Education	13,146,240	-	-	1,352,560	14,498,800
County tax	842,537	-	-	-	842,537
State of Maine on - behalf payments	950,856	-	-	-	950,856
Overlay	-	-	-	-	-
Grant funds/misc. accounts	250,784	-	-	-	250,784
Debt service	396,486	-	-	-	396,486
Capital outlay	-	1,033,590	-	786,481	1,820,071
TOTAL EXPENDITURES	<u>23,308,488</u>	<u>1,033,590</u>	<u>5,060,288</u>	<u>3,581,729</u>	<u>32,984,095</u>
EXCESS REVENUES OVER (UNDER)					
EXPENDITURES	<u>1,934,844</u>	<u>(1,033,590)</u>	<u>569,168</u>	<u>(1,491,678)</u>	<u>(21,256)</u>
OTHER FINANCING SOURCES					
Operating transfers in	18,000	-	20,000	2,037,822	2,075,822
Operating transfers (out)	(1,990,121)	-	-	(215,178)	(2,205,299)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,972,121)</u>	<u>-</u>	<u>20,000</u>	<u>1,822,644</u>	<u>(129,477)</u>
EXCESS OF REVENUES AND OTHER					
SOURCES OVER (UNDER) EXPENDITURES					
AND OTHER (USES)	(37,277)	(1,033,590)	589,168	330,966	(150,733)
FUND BALANCES - JULY 1, RESTATED	<u>5,325,542</u>	<u>1,057,513</u>	<u>(280,513)</u>	<u>4,403,343</u>	<u>10,505,885</u>
FUND BALANCES - JUNE 30	<u>\$ 5,288,265</u>	<u>\$ 23,923</u>	<u>\$ 308,655</u>	<u>\$ 4,734,309</u>	<u>\$ 10,355,152</u>

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, 2012

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (150,733)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases capitalized	13,589,087
Capital asset disposals	(6,187,352)
Depreciation expense	<u>(1,890,422)</u>
	<u>5,511,313</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>46,296</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	
	<u>(6,153,024)</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>906,178</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>106,264</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 266,294</u></u>

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

TOWN OF KITTERY, MAINE

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
ASSETS			
Current assets:			
Accounts receivable(net of allowance for uncollectibles)	\$ 392,501	\$ -	\$ 392,501
Inventory	-	18,631	18,631
Due from other governments	-	8,282	8,282
Due from other funds	-	24,680	24,680
Total current assets	392,501	51,593	444,094
Noncurrent assets:			
Land and buildings	275,200	-	275,200
Construction in progress	3,734,742	-	3,734,742
Vehicles and equipment	605,529	98,255	703,784
Plant / infrastructure	14,931,900	-	14,931,900
Total capital assets	19,547,371	98,255	19,645,626
Less: accumulated depreciation	(5,164,911)	(96,755)	(5,261,666)
Net capital assets	14,382,460	1,500	14,383,960
Other assets:			
Bond issuance costs(net of amortization)	5,473	-	5,473
TOTAL ASSETS	\$ 14,780,434	\$ 53,093	\$ 14,833,527
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 11,773	\$ 215	\$ 11,988
Accrued payroll	-	-	-
Deferred revenue	-	3,345	3,345
Due to other funds	119,649	-	119,649
Current portion of long-term debt	416,474	-	416,474
Total current liabilities	547,896	3,560	551,456
Noncurrent liabilities:			
Bonds payable	3,527,162	-	3,527,162
Accrued compensated absences	92,594	-	92,594
Total noncurrent liabilities	3,619,756	-	3,619,756
TOTAL LIABILITIES	4,167,652	3,560	4,171,212
NET ASSETS			
Invested in capital assets, net of related debt	10,438,824	1,500	10,440,324
Restricted	27,500	-	27,500
Unrestricted	146,458	48,033	194,491
TOTAL NET ASSETS	10,612,782	49,533	10,662,315
TOTAL LIABILITIES AND NET ASSETS	\$ 14,780,434	\$ 53,093	\$ 14,833,527

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

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		Totals
	Sewer Department	School Lunch Program	
OPERATING REVENUES			
Intergovernmental revenue	\$ -	\$ 179,930	\$ 179,930
Charges for services	1,800,484	238,787	2,039,271
Other	38,173	11,126	49,299
TOTAL OPERATING REVENUES	1,838,657	429,843	2,268,500
OPERATING EXPENSES			
Payroll and taxes	161,833	151,615	313,448
Benefits	138,217	21,380	159,597
Treatment plant	819,997	-	819,997
Pump stations	304,628	-	304,628
Food expense	-	191,423	191,423
Supplies	-	13,958	13,958
Line expense	21,177	-	21,177
Depreciation	442,135	1,534	443,669
Other	30,531	49,091	79,622
TOTAL OPERATING EXPENSES	1,918,518	429,001	2,347,519
OPERATING INCOME (LOSS)	(79,861)	842	(79,019)
NON-OPERATING INCOME (EXPENSE)			
Operating transfers in	52,925	76,552	129,477
Operating transfers (out)	-	-	-
Interest expense	(79,882)	-	(79,882)
TOTAL NON-OPERATING INCOME (EXPENSE)	(26,957)	76,552	49,595
CHANGE IN NET ASSETS	(106,818)	77,394	(29,424)
NET ASSETS - JULY 1, RESTATED	10,719,600	(27,861)	10,691,739
NET ASSETS - JUNE 30	\$ 10,612,782	\$ 49,533	\$ 10,662,315

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

TOWN OF KITTERY, MAINE

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,808,136	\$ 213,836	\$ 2,021,972
Intergovernmental receipts	-	-	-
Other receipts	38,173	191,056	229,229
Internal activity - receipts (payments) from/to other funds	348,088	-	348,088
Payments to employees	(303,726)	(151,615)	(455,341)
Payments to suppliers	(1,160,166)	(329,829)	(1,489,995)
Net cash provide (used) by operating activities	<u>730,505</u>	<u>(76,552)</u>	<u>653,953</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest payments on bond payable	(79,882)	-	(79,882)
Principal payments on bond payable	(418,602)	-	(418,602)
Transfers	52,925	76,552	129,477
(Purchase) sale of fixed assets	(284,946)	-	(284,946)
Net cash provided (used) by capital and related financing activities	<u>(730,505)</u>	<u>76,552</u>	<u>(653,953)</u>
NET INCREASE (DECREASE) IN CASH	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss) and other financing	\$ (79,861)	\$ 842	\$ (79,019)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	442,135	1,534	443,669
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	7,652	2,097	9,749
(Increase) decrease in inventory	-	(2,368)	(2,368)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in due from other funds	228,439	(24,680)	203,759
(Increase) decrease in bond costs	4,394	-	4,394
(Decrease) increase in deferred revenue	-	(1,389)	(1,389)
(Decrease) increase in accounts payable	11,773	20	11,793
(Decrease) increase in accrued payroll	-	(21,283)	(21,283)
(Decrease) increase in due to other funds	119,649	(31,325)	88,324
(Decrease) increase in compensated absences	(3,676)	-	(3,676)
NET CASH PROVIDED (USED) BY ACTIVITIES	<u>\$ 730,505</u>	<u>\$ (76,552)</u>	<u>\$ 653,953</u>

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

TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 67,332
Investments	<u>-</u>
TOTAL ASSETS	<u><u>\$ 67,332</u></u>
LIABILITIES	
Accounts payable	\$ -
Deposits held for others	<u>67,332</u>
TOTAL LIABILITIES	<u><u>\$ 67,332</u></u>

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Government –Wide and Fund Financial Statements

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

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

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

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 a description of the proprietary funds of the Town:

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

3. Fiduciary Funds:

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

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major 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.

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. 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

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

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

Revenues per budgetary basis	\$24,310,476
Add: On-behalf payments	<u>950,856</u>
Total GAAP basis	<u>\$25,261,332</u>
Expenditures per budgetary basis	\$24,347,753
Add: On-behalf basis	<u>950,856</u>
Total GAAP basis	<u>\$25,298,609</u>

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

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

Deposits and Investments

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Inventories

Inventories 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. The cost value is determined using the first-in, first-out (FIFO) method.

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements.

Transactions Between Funds

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$40,000 as of June 30, 2012. The allowance is for estimated uncollected personal property/real estate taxes in the general fund.

Capital Assets

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

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

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

Long-term Obligations

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable and compensated absences.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2012 the Town's liability for compensated absences is \$1,214,729.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

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

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

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

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

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

The Town is in the process of adopting a set of financial policies to guide the financial operation of the Town. Included in the policies will be guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 26, 2011 on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Taxes were due on October 31, 2011. Interest on unpaid taxes commenced on November 1, 2011, at 7% per annum.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$130,210 for the year ended June 30, 2012.

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (grant income/expenses).

Operating/Non-operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

Encumbrance Accounting

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

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2012, the Town's cash balance of \$6,017,353 was comprised of bank deposits amounting to \$6,586,729 and cash equivalents of \$15,232. Of these bank deposits, \$6,586,729 was insured by federal depository insurance or covered with an irrevocable standby letter of credit and consequently not exposed to custodial credit risk. The cash equivalents of \$15,232 were registered in the Town's name and fully covered by the Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 584,119
Savings	10,340
Money market	105,779
Sweep account	5,886,492
Cash equivalents	15,232
	<u>\$ 6,601,961</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments. However, in accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. As such, the Town's investments in fixed income and equity securities for \$687,091 and certificates of deposit of \$4,677,535 are not exposed to custodial credit risk because those securities are registered in the Town's name and are fully insured or fully covered by the Securities Investor Protection Corporation (SIPC).

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2012, the Town had the following investments and maturities:

Investment Type	Fair Value	N / A	< 1 Year	1 - 5 Years
Fixed income	\$ 512,237	\$ 512,237	\$ -	\$ -
Equities	174,854	174,854	-	-
Certificates of deposit	4,677,535	-	4,677,535	-
	<u>\$ 5,364,626</u>	<u>\$ 687,091</u>	<u>\$ 4,677,535</u>	<u>\$ -</u>

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

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a policy related to interest rate risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 981,105	\$ 5,141,012
Mitchell/Shapleigh building project	23,923	-
Community center	413,195	-
Special revenue fund	1,474,214	742,395
Capital project fund	2,993,245	119,061
Permanent fund	211,755	-
Enterprise fund	24,680	119,649
	<u>\$ 6,122,117</u>	<u>\$ 6,122,117</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2012:

	Balance, 7/1/11	Additions	Disposals	Balance, 6/30/12
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	6,187,352	5,390,700	(6,187,352)	5,390,700
	<u>17,138,258</u>	<u>5,390,700</u>	<u>(6,187,352)</u>	<u>16,341,606</u>
Depreciated assets:				
Land Improvements	1,886,867	-	-	1,886,867
Buildings	27,848,474	7,220,366	-	35,068,840
Building improvements	1,605,018	5,694	-	1,610,712
Machinery & equipment	3,277,225	100,189	(16,000)	3,361,414
Vehicles	3,597,678	110,632	(15,000)	3,693,310
Infrastructure	9,661,465	761,506	-	10,422,971
	47,876,727	8,198,387	(31,000)	56,044,114
Less: accumulated depreciation	(29,781,553)	(1,890,422)	31,000	(31,640,975)
	<u>18,095,174</u>	<u>6,307,965</u>	<u>-</u>	<u>24,403,139</u>
Net capital assets	<u>\$ 35,233,432</u>	<u>\$ 11,698,665</u>	<u>\$ (6,187,352)</u>	<u>\$ 40,744,745</u>
<u>Current year depreciation expense:</u>				
	Police			\$ 88,023
	General government			101,162
	Fire			242,817
	Highway			398,862
	Recycling			8,144
	Recreation			8,004
	Town-wide			115,440
	School Department			927,970
	Total depreciation expense			<u>\$ 1,890,422</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/11	Additions	Disposals	Balance, 6/30/12
<u>Business-type activities</u>				
Non-depreciated assets:				
Land / construction in progress	\$ 3,988,867	\$ 21,075	\$ -	\$ 4,009,942
	<u>3,988,867</u>	<u>21,075</u>	<u>-</u>	<u>4,009,942</u>
Depreciated assets:				
Infrastructure	-	25,768		25,768
Buildings	14,884,282	21,850	-	14,906,132
Vehicles	156,426	49,423	-	205,849
Machinery & equipment	331,105	166,830	-	497,935
	<u>15,371,813</u>	<u>263,871</u>	<u>-</u>	<u>15,635,684</u>
Less: accumulated depreciation	<u>(4,817,997)</u>	<u>(443,669)</u>	<u>-</u>	<u>(5,261,666)</u>
	<u>10,553,816</u>	<u>(179,798)</u>	<u>-</u>	<u>10,374,018</u>
Net capital assets	<u>\$ 14,542,683</u>	<u>\$ (158,723)</u>	<u>\$ -</u>	<u>\$ 14,383,960</u>

NOTE 5 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2012:

	Balance, 7/1/11	Additions	Deletions	Balance, 6/30/12	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 13,615,000	\$ 5,500,000	\$ (840,000)	\$ 18,275,000	\$ 1,345,000
Capital leases payable	259,051	653,024	(66,178)	845,897	187,168
Accrued compensated absences	<u>1,228,399</u>	<u>-</u>	<u>(106,264)</u>	<u>1,122,135</u>	<u>-</u>
Total Governmental Activities	<u>\$ 15,102,450</u>	<u>\$ 6,153,024</u>	<u>\$ (1,012,442)</u>	<u>\$ 20,243,032</u>	<u>\$ 1,532,168</u>
<u>Business-type Activities</u>					
Bonds payable	\$ 4,362,238	\$ -	\$ (418,602)	\$ 3,943,636	\$ 416,474
Accrued compensated absences	<u>96,270</u>	<u>-</u>	<u>(3,676)</u>	<u>92,594</u>	<u>-</u>
Total Business-type Activities	<u>\$ 4,458,508</u>	<u>\$ -</u>	<u>\$ (422,278)</u>	<u>\$ 4,036,230</u>	<u>\$ 416,474</u>

TOWN OF KITTERY, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

<u>Bonds</u>	<u>Governmental</u>	<u>Business-type</u>
\$7,200,000, 2010 General Obligation Bonds due in annual principal and interest installments through December 2032. Interest is charged at a rate from 2.00 % to 4.00 %.	\$ 7,200,000	\$ -
\$3,105,000, 2006 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2015. Interest is charged at a rate from 5.25% to 5.75% per annum.	1,380,000	-
\$2,660,000, 2006 General Obligation Bond due in annual principal 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.	1,885,000	-
\$4,000,000, 1992 General Obligation Bond due in annual principal installments and semiannual interest installments through October 2012. Interest is charged at a rate of 4.10% per annum. Annual principal Installments are \$200,000.	-	200,000
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual principal installments and semiannual interest installments through October 2022. Interest is charged at 1.94% per annum. Annual principal installments vary.	-	773,258
\$4,220,000, 2002 General Obligation Bond due in annual principal installments and semiannual interest installments through December 2022. Interest is charged at a rate from 3.25% to 4.75% per annum.	2,310,000	-
\$3,400,000, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through April 2030. Interest is charged at 1.00% per annum. Annual principal installments vary.	-	2,970,378
\$5,500,000, 2012 General Obligation Bond due in annual principal installments and semiannual interest installments through January 2012. Interest is charged at a rate from 2.0% to 3.15% per annum.	5,500,000	-
	<u>\$ 18,275,000</u>	<u>\$ 3,943,636</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - 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

	Principal	Principal Credits	Interest	Total Debt Service
2013	\$ 1,345,000	\$ -	\$ 582,165	\$ 1,927,165
2014	1,345,000	-	540,265	1,885,265
2015	1,345,000	-	492,202	1,837,202
2016	1,345,000	-	444,027	1,789,027
2017	970,000	-	406,182	1,376,182
2018-2022	4,810,000	-	1,601,774	6,411,774
2023-2027	3,940,000	-	893,026	4,833,026
2028-2032	3,175,000	-	303,339	3,478,339
	<u>\$ 18,275,000</u>	<u>\$ -</u>	<u>\$ 5,262,980</u>	<u>\$ 23,537,980</u>

Business - Type Activities

	Principal	Principal Credits	Interest	Total Debt Service
2013	\$ 416,474	\$ -	\$ 58,639	\$ 475,113
2014	218,909	-	49,643	268,552
2015	221,399	-	47,131	268,530
2016	223,946	-	44,562	268,508
2017	226,552	-	42,233	268,785
2018-2022	1,174,065	(6,594)	167,979	1,335,450
2023-2027	929,562	(5,623)	99,548	1,023,487
2028-2032	532,729	-	37,860	570,589
	<u>\$ 3,943,636</u>	<u>\$ (12,217)</u>	<u>\$ 547,595</u>	<u>\$ 4,479,014</u>

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town. Principal credit represents the Town's portion of savings realized by the Maine Municipal Bond Bank upon debt refunding, amortized over the remaining life of the bond.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

Capital Leases

	<u>Governmental</u>	<u>Business-type</u>
\$59,180, 2010 Capital Lease payable to Northway Bank for copiers due in annual installments of \$13,225 through August 2015. Interest is charged at a rate of 3.93% per annum.	\$ 36,762	\$ -
The School Department Leases software under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2012. Interest is charged at a rate of 3.10% per annum.	19,800	-
\$58,645, 2003 Capital Lease payable to Old National Bank for equipment due in annual installments through July 2014. Interest is charged at a rate of 5% per annum.	62,723	-
\$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.	168,719	-
\$84,433, 2010 Capital Lease payable to Ocean Bank for equipment due in annual installments of \$18,686 through January 2014. Interest is charged at a rate of 4.25% per annum.	35,118	-
\$522,775, 2011 Capital Lease payable to Gorham Leasing for HVAC equipment due in annual installments of \$115,228 through August 2016. Interest is charged at a rate of 3.33% per annum.	522,775	-
	<u>\$ 845,897</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - LONG TERM DEBT (CONTINUED)

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

2013	\$ 218,400
2014	218,092
2015	186,063
2016	152,482
2017	152,481
2018-2021	<u>-</u>
Total minimum lease payments	927,518
Less: Amount representing interest	<u>(81,621)</u>
Present value of future minimum lease payments	<u><u>\$ 845,897</u></u>

NOTE 6 - RESTRICTED FUND BALANCES

At June 30, 2012, the Town had the following restricted fund balances:

General Fund:	
Education	\$ 970,273
Mitchell/Shapleigh building project	23,923
Nonmajor special revenue funds (Schedule D)	60,905
Nonmajor capital project funds (Schedule F)	852,631
Nonmajor permanent funds (Schedule H)	<u>1,031,361</u>
	<u><u>\$ 2,939,093</u></u>

NOTE 7 - COMMITTED FUND BALANCES

At June 30, 2012, the Town had the following committed fund balances:

Community Center	\$ 308,655
Nonmajor special revenue funds (Schedule D)	1,216,081
Nonmajor capital project funds (Schedule F)	<u>2,151,358</u>
	<u><u>\$ 3,676,094</u></u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 8 - ASSIGNED FUND BALANCES

At June 30, 2012, the general fund had the following assigned fund balances:

Nonmajor special revenue funds (Schedule D)	<u>\$ 41,426</u>
---	------------------

NOTE 9 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2012, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 9,900,000	5.41%	<u>\$ 535,441</u>

NOTE 10 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

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

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLD's Consolidated Board of Trustees. The Town's police department employees are part of the PLD's special plan "1C" and are required to contribute 6.5% of their annual salary, while all other employees are part of the PLD's plan "AC" and are also required to contribute 6.5% of their annual salary. The Town is required to contribute 10.2% of special plan "1C" members' covered payroll and 4.4% of

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

the plan “AC” members’ covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer’s percentage of employees’ covered payroll to determine the employers actual cost.

As of June 30, 2011, the Town had an unfunded actuarial accrued liability credit computed using the actuarial method used for funding purposes. (The amount of the unfunded actuarial accrued liability credit as of June 30, 2012 is not currently available.) This credit is being used to reduce future contributions and is being amortized over a closed period of 10 years. Actual plan contributions made by the Town and employees after the unfunded actuarial accrued liability credit was deducted from the annual pension cost were \$407,315, \$426,314 and \$339,339 for the years ended June 30, 2012, 2011 and 2010, respectively.

Education Employees Retirement

A. Plan Description

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System’s teacher retirement program. The teacher’s program is a cost-sharing plan with a special funding situation, established by the Maine State Legislature. The program requires that both employees and the Department contribute, and 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 authority to establish and amend benefit provisions rests with the State Legislature. The funding status and progress for the teacher retirement program may be obtained by contacting the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling (800) 451-9800.

B. Funding Policy

Program members are required to contribute 7.65% of their compensation to the retirement system. The Department’s payroll for employees covered by this program was approximately \$6,640,057 for the year ended June 30, 2012. The State of Maine is required to contribute the employer contribution which amounts to 14.32% of compensation. Contributions paid by the State were approximately \$950,856 for the year ended June 30, 2012. There is no contribution required by the Department, except for federally funded teachers. The Department’s contributions to the plan for 2012, 2011, and 2010 were \$307,265, \$332,719 and \$272,123, respectively.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT
CORPORATION

A. Plan Description

The Town contributes to a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457 through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all Town employees permits them to defer a portion of their salary, in addition to Town contributions, until future years. 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.

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town Council. The Town will contribute 1% of annual salary for professional level employees that participate in the Town's defined benefit plan. For professional employees that choose to participate in the 457 plan alone, the Town will contribute an amount equal to the required employer contribution for the defined benefit plan plus 1.00%. For the Town's office workers, highway and police department employees that choose not to join the Town's defined benefit plan, the Town will contribute an amount up to 5.3% of their annual salary. For this group, the Town's minimum required contribution to the defined benefit plan is 5.00%. Employee match provisions apply thereafter to bring contributions up to the required minimum.

The Town's contributions to the plan including employee contributions for 2012, 2011, and 2010 were \$81,979, \$75,286, and \$97,083, respectively.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2012, the Town had the following overspent appropriations:

Public Safety	\$ 113,321
Recreation and culture	34,566
Debt service	9,206
Total	<u>\$ 157,093</u>

NOTE 13 - DEFICIT FUND BALANCES

At June 30, 2012, the Town had the following deficit fund balances/net assets:

Non-major funds:	
Storm damage/FEMA	\$ 748
Munis loan	11,497
Accrued compensated absences	120,680
Legal ads	2,185
Outfall pipe water test	4,039
Harbor planning grant	518
Spruce creek 319 grant	19,748
Town pier repair	403,204
Harbor pier	2,712
Shellfish conservation commission	265
Traip mechanical retrofit	1,148
Office restrooms	1
Public works shed/office building	11,713
Public works lid Town hall	887
PW lid Rt. 1 northgarden	1,054
Traffic light Rt. 236 MACN	20,336
Haley field project	13,850
Municipal facility maint. reserve	3,727
Total	<u>\$ 618,312</u>

NOTE 14 - CONTINGENCIES

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 - CONTINGENCIES (CONTINUED)

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

NOTE 15 - RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The Town's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial company's reinsurance contracts, individual stop loss coverage for member Town's for claims in excess of \$400,000 with an excess limit of \$2,000,000.

The Town is also a member of the Maine Municipal Association – Property and Casualty Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town 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, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

NOTE 16 - RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2012, the Department paid an individual to run the clock at basketball games. This individual is related to a member of the school committee. During fiscal year 2012, payments for these services totaled \$490. The Department also contracted with a vendor to perform electrical work. The individual hired is related to a member of the school committee. In fiscal year 2012, payments for these services totaled \$6,747. We understand each of the school committee members recused themselves in any matters concerning the related parties.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 17 - RESTATEMENT

As of July 1, 2011, the net assets in the Town's proprietary fund - sewer department have been restated by \$27,901. This change was made to adjust prior year accounts payable. The proprietary fund - sewer fund net assets have increased by \$27,901 as of July 1, 2011. The Town's governmental fund - special revenue funds were also restated as of July 1, 2011. This restatement of \$103,100 was done as a result of timing issues between the School and Town which have been resolved during the current fiscal year. Both the governmental fund - special revenue fund balance and net assets have increased by \$103,100 as of July 1, 2011.

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS

The Town, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the Town and the various unions representing Town employees. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the Town's medical benefits program.

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

The following is the current census of Town benefit participants as of June 30, 2012:

Active members	\$	50
Retirees and spouses		<u>14</u>
Total	\$	<u><u>64</u></u>

Annual OPEB Cost and Net OPEB Obligations

The Town of Kittery's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Annual required contribution (ARC)	\$ 285,954
Interest on net OPEB obligation	5,553
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	291,507
Contributions made	<u>(115,000)</u>
Increase in net OPEB obligation	176,507
Net OPEB obligation, beginning of year	<u>1,016,055</u>
Net OPEB obligation, end of year	<u><u>\$ 1,192,562</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2011 is presented below. Data is presented for the fiscal years ended June 30, 2011, 2010 and 2009. The information for June 30, 2012 is not available.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 448,446	\$ 115,000	25.6%	\$ 387,618
6/30/2010	\$ 615,594	\$ 115,000	18.7%	\$ 1,016,055
6/30/2011	\$ 291,507	\$ 115,000	39.5%	\$ 1,192,562

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

In the June 30, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual healthcare cost blended trend rate of 7.5% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.0% for 2029 and later. The remaining amortization period at June 30, 2011 was 20 years. As of June 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$3,146,751, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3,146,751.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Data is only presented for June 30, 2011 due to this being the first certified valuation.

Schedule of Funding Progress

Group	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
Union	6/30/2009	\$ -	\$ 3,632,619	0.0%	N/A	N/A
Non-union	6/30/2009	\$ -	\$ 924,582	0.0%	N/A	N/A
Active	6/30/2010	\$ -	\$ 3,868,753	0.0%	N/A	N/A
Retirees	6/30/2010	\$ -	\$ 5,006,625	0.0%	N/A	N/A
Active	6/30/2011	\$ -	\$ 1,741,526	0.0%	N/A	N/A
Retirees	6/30/2011	\$ -	\$ 1,405,225	0.0%	N/A	N/A

These numbers are based on information that was presented on October 2011 for June 30, 2011. The amortization method that was used to calculate the numbers is presented below.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	Level Dollar	Level % of Pay
Discount rate	4.00%	4.00%
Payroll growth assumption	N/A	3.00%
Accrued liability	\$ 3,146,751	\$ 3,146,751
Value of assets	-	-
Unfunded liability	\$ 3,146,751	\$ 3,146,751
Normal cost	\$ 105,423	\$ 105,423
Amortization of unfunded	174,978	120,245
Interest	5,553	4,469
Annual required contribution	\$ 285,954	\$ 230,137

Required Supplementary Information

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

- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual - General Fund
- Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues

TOWN OF KITTERY, MAINE

**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,325,542	\$ 5,325,542	\$ 5,325,542	\$ -
Resources (Inflows):				
General tax revenue	21,249,472	21,249,472	21,128,812	(120,660)
Intergovernmental revenue	1,639,474	1,708,628	1,745,857	37,229
Charges for services	776,614	776,614	905,769	129,155
Investment income	50,000	50,000	55,090	5,090
Other revenue	252,200	416,409	456,948	40,539
Transfers from other funds	14,400	14,400	18,000	3,600
Amounts Available for Appropriation	29,307,702	29,541,065	29,636,018	94,953
Charges to Appropriation (Outflows):				
Current:				
General government	1,665,165	1,665,165	1,652,054	13,111
Public safety	3,089,328	3,089,328	3,202,649	(113,321)
Public works	1,081,693	1,081,693	1,017,302	64,391
Recreation and culture	994,715	994,715	1,029,281	(34,566)
Health and sanitation	673,635	673,635	653,819	19,816
Social services	174,494	174,494	166,480	8,014
Education	13,634,752	14,116,513	13,146,240	970,273
County tax	842,538	842,538	842,537	1
Debt service	387,280	387,280	396,486	(9,206)
Overlay	130,210	130,210	-	130,210
Grant funds/misc accounts	293,257	293,257	250,784	42,473
Transfers to other funds	1,609,752	2,028,991	1,990,121	38,870
Total Charges to Appropriations	24,576,819	25,477,819	24,347,753	1,130,066
Budgetary Fund Balance, June 30	\$ 4,730,883	\$ 4,063,246	\$ 5,288,265	\$ 1,225,019
Utilization of unassigned fund balance	\$ 324,229	\$ 554,036	\$ -	\$ (554,036)
Utilization of assigned fund balance	270,430	708,260	-	(708,260)
	\$ 594,659	\$ 1,262,296	\$ -	\$ (1,262,296)

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues				
Property taxes	\$ 19,783,761	\$ 19,783,761	\$ 19,720,405	\$ (63,356)
Vehicle excise taxes	1,430,711	1,430,711	1,375,042	(55,669)
Boat excise taxes	35,000	35,000	33,365	(1,635)
Intergovernmental revenues				
Education subsidy	651,670	649,676	649,676	-
State revenue sharing	548,359	588,402	588,402	-
Homestead exemption	115,845	115,845	128,828	12,983
Other education revenue	50,000	81,105	81,105	-
GMH Housing	260,000	260,000	259,875	(125)
Tree growth	-	-	1,042	1,042
General assistance	13,600	13,600	36,929	23,329
Charges for services				
Recreation fees	12,100	12,100	-	(12,100)
Code enforcement fees	124,000	124,000	231,034	107,034
Registration fees	29,375	29,375	26,807	(2,568)
Town clerk fees	23,564	23,564	20,420	(3,144)
Planning fees	2,500	2,500	9,578	7,078
Sign / ordinances	5,700	5,700	3,720	(1,980)
Solid waste / recycling	137,060	137,060	144,494	7,434
Solid waste / perm its	130,635	130,635	101,030	(29,605)
Fort Foster fees	125,000	125,000	173,948	48,948
Eliot dispatching services	60,000	60,000	60,000	-
Police department	18,100	18,100	19,610	1,510
Animal control	2,000	2,000	5,003	3,003
Mooring/launch fees	99,000	99,000	92,581	(6,419)
Other	7,580	7,580	17,544	9,964
Investment income:				
Investment income	50,000	50,000	55,090	5,090
Other income:				
Interest / fees on taxes	52,000	52,000	64,837	12,837
Other income	76,200	76,200	103,902	27,702
Other education	124,000	288,209	288,209	-
Transfers from other funds				
Enterprise fund	14,400	14,400	18,000	3,600
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
Total revenues	\$ 23,982,160	\$ 24,215,523	\$ 24,310,476	\$ 94,953

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

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Budget Adjustments	Final Available	Actual	Balances Positive (Negative)
General government					
Administration	\$ 826,410	\$ -	\$ 826,410	\$ 831,078	\$ (4,668)
Assessing	183,852	-	183,852	161,330	22,522
Code enforcement	122,122	-	122,122	116,963	5,159
Town planner	204,314	-	204,314	206,636	(2,322)
Insurance	290,850	-	290,850	310,609	(19,759)
Planning board	16,779	-	16,779	14,218	2,561
Elections	10,288	-	10,288	7,576	2,712
Council	10,550	-	10,550	3,644	6,906
	<u>1,665,165</u>	<u>-</u>	<u>1,665,165</u>	<u>1,652,054</u>	<u>13,111</u>
Public safety					
Police department	2,554,916	-	2,554,916	2,670,569	(115,653)
Fire department	238,749	-	238,749	237,961	788
Street lights	100,100	-	100,100	100,155	(55)
Hydrants	193,213	-	193,213	193,964	(751)
Civil emergency preparedness	2,350	-	2,350	-	2,350
	<u>3,089,328</u>	<u>-</u>	<u>3,089,328</u>	<u>3,202,649</u>	<u>(113,321)</u>
Public works:					
Highways	1,081,693	-	1,081,693	1,017,302	64,391
	<u>1,081,693</u>	<u>-</u>	<u>1,081,693</u>	<u>1,017,302</u>	<u>64,391</u>
Health and sanitation:					
Solid waste	673,635	-	673,635	653,819	19,816
	<u>673,635</u>	<u>-</u>	<u>673,635</u>	<u>653,819</u>	<u>19,816</u>
Social services					
General assistance	40,000	-	40,000	58,991	(18,991)
Frisbee school facility	118,196	-	118,196	98,061	20,135
Community agencies	15,713	-	15,713	9,171	6,542
Public health services	585	-	585	257	328
	<u>174,494</u>	<u>-</u>	<u>174,494</u>	<u>166,480</u>	<u>8,014</u>

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Budget Adjustments	Final Available	Actual	Balances Positive (Negative)
Recreation and culture:					
Parks	272,871	-	272,871	306,548	(33,677)
Recreation	194,173	-	194,173	193,057	1,116
Library	434,400	-	434,400	434,400	-
Port Authority	93,271	-	93,271	95,276	(2,005)
	<u>994,715</u>	<u>-</u>	<u>994,715</u>	<u>1,029,281</u>	<u>(34,566)</u>
Education	<u>13,634,752</u>	<u>481,761</u>	<u>14,116,513</u>	<u>13,146,240</u>	<u>970,273</u>
County tax	<u>842,538</u>	<u>-</u>	<u>842,538</u>	<u>842,537</u>	<u>1</u>
Debt service					
Principal	285,000	-	285,000	285,000	-
Interest	102,280	-	102,280	111,486	(9,206)
	<u>387,280</u>	<u>-</u>	<u>387,280</u>	<u>396,486</u>	<u>(9,206)</u>
Overlay	<u>130,210</u>	<u>-</u>	<u>130,210</u>	<u>-</u>	<u>130,210</u>
Grant funds/misc accounts					
Growth management	4,549	-	4,549	2,127	2,422
EPA storm water program	20,000	-	20,000	19,617	383
Computer repair	52,737	-	52,737	63,430	(10,693)
Memorial day activities	700	-	700	672	28
Ambulance services	75,840	-	75,840	25,000	50,840
Seacoast shipyard	1,500	-	1,500	1,500	-
Shellfish conservation	2,800	-	2,800	2,750	50
Mosquito/tick control	57,200	-	57,200	57,200	-
GIS/web account	3,600	-	3,600	3,600	-
PSAP paid to York police dept.	20,000	-	20,000	19,086	914
Bank fees/charges	250	-	250	3	247
Adult education	54,081	-	54,081	54,081	-
FICA employer	-	-	-	1,718	(1,718)
	<u>293,257</u>	<u>-</u>	<u>293,257</u>	<u>250,784</u>	<u>42,473</u>
Total Expenditures	<u>\$ 22,967,067</u>	<u>\$ 481,761</u>	<u>\$ 23,448,828</u>	<u>\$ 22,357,632</u>	<u>\$ 1,091,196</u>

See accompanying independent auditors' report.

SCHEDULE B

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 131	\$ -	\$ 135,145	\$ 135,276
Investments	-	-	687,091	687,091
Accounts receivable (net of allowance for uncollectibles)	45,743	41,278	-	87,021
Due from other governments	215,405	-	-	215,405
Prepaid expenses	-	69,700	-	69,700
Due from other funds	1,474,214	2,993,245	211,755	4,679,214
Total assets	<u>\$ 1,735,493</u>	<u>\$ 3,104,223</u>	<u>\$ 1,033,991</u>	<u>\$ 5,873,707</u>
LIABILITIES				
Accounts payable	\$ 244,777	\$ 30,535	\$ 2,630	\$ 277,942
Bond anticipation note	-	-	-	-
Due to other funds	742,395	119,061	-	861,456
Total liabilities	<u>987,172</u>	<u>149,596</u>	<u>2,630</u>	<u>1,139,398</u>
FUND BALANCES				
Nonspendable	-	69,700	-	69,700
Restricted	60,905	852,631	1,031,361	1,944,897
Committed	1,216,081	2,151,358	-	3,367,439
Assigned	41,426	-	-	41,426
Unassigned	(570,091)	(119,062)	-	(689,153)
Total fund balances	<u>748,321</u>	<u>2,954,627</u>	<u>1,031,361</u>	<u>4,734,309</u>
Total liabilities and fund balances	<u>\$ 1,735,493</u>	<u>\$ 3,104,223</u>	<u>\$ 1,033,991</u>	<u>\$ 5,873,707</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, 2012

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 859,355	\$ 168,312	\$ -	\$ 1,027,667
Other income	930,832	66,030	40,307	1,037,169
Investment income	2,327	7,052	15,836	25,215
TOTAL REVENUES	<u>1,792,514</u>	<u>241,394</u>	<u>56,143</u>	<u>2,090,051</u>
EXPENDITURES				
Administration	606,860	20,922	97,191	724,973
Public safety	80,267	227,472	-	307,739
Public works	-	409,976	-	409,976
Education	1,076,972	273,933	1,655	1,352,560
Capital outlay	786,481	-	-	786,481
TOTAL EXPENDITURES	<u>2,550,580</u>	<u>932,303</u>	<u>98,846</u>	<u>3,581,729</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(758,066)</u>	<u>(690,909)</u>	<u>(42,703)</u>	<u>(1,491,678)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	524,291	1,513,531	-	2,037,822
Operating Transfers (Out)	<u>(132,941)</u>	<u>(82,237)</u>	<u>-</u>	<u>(215,178)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>391,350</u>	<u>1,431,294</u>	<u>-</u>	<u>1,822,644</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER (USES)	<u>(366,716)</u>	<u>740,385</u>	<u>(42,703)</u>	<u>330,966</u>
FUND BALANCES, JULY 1, RESTATED	<u>1,115,037</u>	<u>2,214,242</u>	<u>1,074,064</u>	<u>4,403,343</u>
FUND BALANCES, JUNE 30	<u>\$ 748,321</u>	<u>\$ 2,954,627</u>	<u>\$ 1,031,361</u>	<u>\$ 4,734,309</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.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Fire Hazmat Spill Cleanup	Highway Internal Services
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	23,369	-	4,557	-	-
Due from other funds	531,984	43,169	1,032	-	2,150	3,181
TOTAL ASSETS	<u>\$ 531,984</u>	<u>\$ 66,538</u>	<u>\$ 1,032</u>	<u>\$ 4,557</u>	<u>\$ 2,150</u>	<u>\$ 3,181</u>
LIABILITIES						
Accounts payable	\$ 160,014	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	5,305	-	-
TOTAL LIABILITIES	<u>160,014</u>	<u>-</u>	<u>-</u>	<u>5,305</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	1,032	-	2,150	-
Committed	371,970	66,538	-	-	-	-
Assigned	-	-	-	-	-	3,181
Unassigned	-	-	-	(748)	-	-
TOTAL FUND BALANCES	<u>371,970</u>	<u>66,538</u>	<u>1,032</u>	<u>(748)</u>	<u>2,150</u>	<u>3,181</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 531,984</u>	<u>\$ 66,538</u>	<u>\$ 1,032</u>	<u>\$ 4,557</u>	<u>\$ 2,150</u>	<u>\$ 3,181</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Police New Officer Grant	Munis Loan	Oil & More	Sub Host Program	GIS Work	GIS Web Account
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other funds	10,828	-	16,742	-	-	-
TOTAL ASSETS	<u>\$ 10,828</u>	<u>\$ -</u>	<u>\$ 16,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	11,497	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>11,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	10,828	-	-	-	-	-
Committed	-	-	16,742	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	(11,497)	-	-	-	-
TOTAL FUND BALANCES	<u>10,828</u>	<u>(11,497)</u>	<u>16,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,828</u>	<u>\$ -</u>	<u>\$ 16,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Volunteer <u>Recognition</u>	Memorial <u>Day Activities</u>	Accrued Compensated <u>Absences</u>	Channel <u>22</u>	Self Insurance <u>Claim</u>	Grant Matching <u>Funds</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other funds	49	626	-	130,766	26,807	5,180
TOTAL ASSETS	<u>\$ 49</u>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 130,766</u>	<u>\$ 26,807</u>	<u>\$ 5,180</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	120,680	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>120,680</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	5,180
Committed	-	-	-	130,766	26,807	-
Assigned	49	626	-	-	-	-
Unassigned	-	-	(120,680)	-	-	-
TOTAL FUND BALANCES	<u>49</u>	<u>626</u>	<u>(120,680)</u>	<u>130,766</u>	<u>26,807</u>	<u>5,180</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 49</u>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 130,766</u>	<u>\$ 26,807</u>	<u>\$ 5,180</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Emergency Fuel Account	Ballot Counting Machines	General Assistance Program	Legal Ads	Kittery Energy/Earth Day
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-
Due from other funds	40,000	15,572	9,870	-	95
TOTAL ASSETS	<u>\$ 40,000</u>	<u>\$ 15,572</u>	<u>\$ 9,870</u>	<u>\$ -</u>	<u>\$ 95</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	2,185	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	40,000	15,572	9,870	-	95
Assigned	-	-	-	-	-
Unassigned	-	-	-	(2,185)	-
TOTAL FUND BALANCES	<u>40,000</u>	<u>15,572</u>	<u>9,870</u>	<u>(2,185)</u>	<u>95</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,000</u>	<u>\$ 15,572</u>	<u>\$ 9,870</u>	<u>\$ -</u>	<u>\$ 95</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	UNH Spruce Creek Grant	Outfall Pipe Water Test	Harbor Planning Grant	Spruce Creek 319 Grant	Spruce Creek 319 Grant	Wood Island State Grant
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	1,971
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,971
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,736	\$ -
Due to other funds	-	4,039	518	-	16,012	-
TOTAL LIABILITIES	-	4,039	518	-	19,748	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	1,971
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	(4,039)	(518)	-	(19,748)	-
TOTAL FUND BALANCES	-	(4,039)	(518)	-	(19,748)	1,971
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,971

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Tree Planting Grant	ASA Applicant Code Enforcement	Town Pier Repair	Pier Condition Report	Harbor Pier	York Hospital Scholarship	Concerts In The Park
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other funds	-	12,413	-	1,098	-	10,807	2,027
TOTAL ASSETS	\$ -	\$ 12,413	\$ -	\$ 1,098	\$ -	\$ 10,807	\$ 2,027
LIABILITIES							
Accounts payable	\$ -	\$ 1,065	\$ 54,957	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	348,247	-	2,712	-	-
TOTAL LIABILITIES	-	1,065	403,204	-	2,712	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	10,807	-
Committed	-	-	-	1,098	-	-	2,027
Assigned	-	11,348	-	-	-	-	-
Unassigned	-	-	(403,204)	-	(2,712)	-	-
TOTAL FUND BALANCES	-	11,348	(403,204)	1,098	(2,712)	10,807	2,027
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 12,413	\$ -	\$ 1,098	\$ -	\$ 10,807	\$ 2,027

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Phase 2 Spruce Creek Pipe Test	Alternative Energy Fund	Recreation
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Due from other funds	48,363	-	1,499	50,329	-	24,716	27,930
TOTAL ASSETS	<u>\$ 48,363</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 50,329</u>	<u>\$ -</u>	<u>\$ 24,716</u>	<u>\$ 27,930</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,503
Due to other funds	-	265	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,503</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	48,363	-	1,499	50,329	-	24,716	-
Assigned	-	-	-	-	-	-	16,427
Unassigned	-	(265)	-	-	-	-	-
TOTAL FUND BALANCES	<u>48,363</u>	<u>(265)</u>	<u>1,499</u>	<u>50,329</u>	<u>-</u>	<u>24,716</u>	<u>16,427</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,363</u>	<u>\$ -</u>	<u>\$ 1,499</u>	<u>\$ 50,329</u>	<u>\$ -</u>	<u>\$ 24,716</u>	<u>\$ 27,930</u>

SCHEDULE D (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Property Valuation	Traip Mechanical Retrofit	Defibrillators	Langdon Gravel Pit	Block Party	School Grants	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131	\$ 131
Due from other governments	-	-	-	-	-	215,405	215,405
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	17,817	45,743
Due from other funds	80,000	-	7,348	4,000	12,542	351,120	1,474,214
TOTAL ASSETS	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 7,348</u>	<u>\$ 4,000</u>	<u>\$ 12,542</u>	<u>\$ 584,473</u>	<u>\$ 1,735,493</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 5,706	\$ -	\$ 5,693	\$ 2,103	\$ 244,777
Due to other funds	-	1,148	-	-	-	229,787	742,395
TOTAL LIABILITIES	<u>-</u>	<u>1,148</u>	<u>5,706</u>	<u>-</u>	<u>5,693</u>	<u>231,890</u>	<u>987,172</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	28,937	60,905
Committed	80,000	-	-	4,000	6,849	318,840	1,216,081
Assigned	-	-	1,642	-	-	8,153	41,426
Unassigned	-	(1,148)	-	-	-	(3,347)	(570,091)
TOTAL FUND BALANCES	<u>80,000</u>	<u>(1,148)</u>	<u>1,642</u>	<u>4,000</u>	<u>6,849</u>	<u>352,583</u>	<u>748,321</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 7,348</u>	<u>\$ 4,000</u>	<u>\$ 12,542</u>	<u>\$ 584,473</u>	<u>\$ 1,735,493</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Fire Hazmat Spill Cleanup	Highway Internal Services
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 22,783	\$ -	\$ -
Other income	56,680	-	-	4,557	565	-
Investment income	2,106	134	-	87	-	-
TOTAL REVENUES	58,786	134	-	27,427	565	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	3,289	55,920	1,883	-
Education	-	-	-	-	-	-
Capital outlay	259,509	-	-	-	-	-
TOTAL EXPENDITURES	259,509	-	3,289	55,920	1,883	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(200,723)	134	(3,289)	(28,493)	(1,318)	-
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers (Out)	(21,075)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(21,075)	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(221,798)	134	(3,289)	(28,493)	(1,318)	-
FUND BALANCES, JULY 1, RESTATED	593,768	66,404	4,321	27,745	3,468	3,181
FUND BALANCES, JUNE 30	\$ 371,970	\$ 66,538	\$ 1,032	\$ (748)	\$ 2,150	\$ 3,181

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Police New Officer Grant	Munis Loan	Oil & More	Sub Host Program	GIS Work	GIS Web Account
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	57,111	-	-	-
Investment income	-	-	-	-	-	-
TOTAL REVENUES	-	-	57,111	-	-	-
EXPENDITURES						
Administration	-	18,612	61,404	-	-	-
Public safety	-	-	-	-	5,960	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	-	18,612	61,404	-	5,960	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(18,612)	(4,293)	-	(5,960)	-
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	18,687	-	776	-	-
Operating Transfers (Out)	-	-	-	-	(6,056)	(1,800)
TOTAL OTHER FINANCING SOURCES (USES)	-	18,687	-	776	(6,056)	(1,800)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	75	(4,293)	776	(12,016)	(1,800)
FUND BALANCES, JULY 1, RESTATED	10,828	(11,572)	21,035	(776)	12,016	1,800
FUND BALANCES, JUNE 30	\$ 10,828	\$ (11,497)	\$ 16,742	\$ -	\$ -	\$ -

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Volunteer Recognition	Memorial Day Activities	Accrued Compensated Absences	Channel 22	Self Insurance Claim	Grant Matching Funds
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	149,437	838	-
Investment income	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	149,437	838	-
EXPENDITURES						
Administration	-	-	78,302	18,671	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	3,675	-
TOTAL EXPENDITURES	-	-	78,302	18,671	3,675	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(78,302)	130,766	(2,837)	-
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	125,000	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	125,000	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	-	46,698	130,766	(2,837)	-
FUND BALANCES, JULY 1, RESTATED	49	626	(167,378)	-	29,644	5,180
FUND BALANCES, JUNE 30	\$ 49	\$ 626	\$ (120,680)	\$ 130,766	\$ 26,807	\$ 5,180

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Emergency Fuel Account	Ballot Counting Machines	General Assistance Program	Legal Ads	Kittery Energy/Earth Day
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-
Investment income	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	20,000	5,144	-	-	-
Operating Transfers (Out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,000	5,144	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	20,000	5,144	-	-	-
FUND BALANCES, JULY 1, RESTATED	20,000	10,428	9,870	(2,185)	95
FUND BALANCES, JUNE 30	\$ 40,000	\$ 15,572	\$ 9,870	\$ (2,185)	\$ 95

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	UNH Spruce Creek Grant	Outfall Pipe Water Test	Harbor Planning Grant	Spruce Creek 319 Grant	Spruce Creek 319 Grant Phase II	Wood Island State Grant
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	56,773	-
Investment income	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	56,773	-
EXPENDITURES						
Administration	-	3,884	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	48,828	-
TOTAL EXPENDITURES	-	3,884	-	-	48,828	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,884)	-	-	7,945	-
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	6,084	-
Operating Transfers (Out)	(7,926)	-	-	(1,017)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(7,926)	-	-	(1,017)	6,084	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(7,926)	(3,884)	-	(1,017)	14,029	-
FUND BALANCES, JULY 1, RESTATED	7,926	(155)	(518)	1,017	(33,777)	1,971
FUND BALANCES, JUNE 30	\$ -	\$ (4,039)	\$ (518)	\$ -	\$ (19,748)	\$ 1,971

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Tree Planting Grant	ASA Applicant Code Enforcement	Town Pier Repair	Pier Condition Report	Harbor Pier	York Hospital Scholarship	Concerts In The Park
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	20,526	43,600	-	-	18,600	2,053
Investment income	-	-	-	-	-	-	-
TOTAL REVENUES	-	20,526	43,600	-	-	18,600	2,053
EXPENDITURES							
Administration	1,198	22,272	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	442,276	-	7,712	13,659	1,251
TOTAL EXPENDITURES	1,198	22,272	442,276	-	7,712	13,659	1,251
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,198)	(1,746)	(398,676)	-	(7,712)	4,941	802
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	-	70,000	-	-	-	-
Operating Transfers (Out)	-	-	(90,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(20,000)	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(1,198)	(1,746)	(418,676)	-	(7,712)	4,941	802
FUND BALANCES, JULY 1, RESTATED	1,198	13,094	15,472	1,098	5,000	5,866	1,225
FUND BALANCES, JUNE 30	\$ -	\$ 11,348	\$ (403,204)	\$ 1,098	\$ (2,712)	\$ 10,807	\$ 2,027

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Phase 2 Spruce Creek Pipe Test	Alternative Energy Fund	Recreation
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	10,500	-	-	291,433
Investment income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	10,500	-	-	291,433
EXPENDITURES							
Administration	-	-	-	-	-	-	370,919
Public safety	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	3,210	-	213	-	6,148	-	-
TOTAL EXPENDITURES	3,210	-	213	-	6,148	-	370,919
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,210)	-	(213)	10,500	(6,148)	-	(79,486)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	(5,067)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(5,067)	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(3,210)	-	(213)	10,500	(11,215)	-	(79,486)
FUND BALANCES, JULY 1, RESTATED	51,573	(265)	1,712	39,829	11,215	24,716	95,913
FUND BALANCES, JUNE 30	\$ 48,363	\$ (265)	\$ 1,499	\$ 50,329	\$ -	\$ 24,716	\$ 16,427

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Property Valuation	Traip Mechanical Retrofit	Defibrillators	Langdon Gravel Pit	Block Party	Other School Grants	Totals
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ 7,000	\$ -	\$ -	\$ 829,572	\$ 859,355
Other income	-	-	3,098	-	25,925	189,136	930,832
Investment income	-	-	-	-	-	-	2,327
TOTAL REVENUES	-	-	10,098	-	25,925	1,018,708	1,792,514
EXPENDITURES							
Administration	-	-	-	3,000	28,598	-	606,860
Public safety	-	-	13,215	-	-	-	80,267
Education	-	16,148	-	-	-	1,060,824	1,076,972
Capital outlay	-	-	-	-	-	-	786,481
TOTAL EXPENDITURES	-	16,148	13,215	3,000	28,598	1,060,824	2,550,580
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(16,148)	(3,117)	(3,000)	(2,673)	(42,116)	(758,066)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	40,000	-	8,000	-	-	230,600	524,291
Operating Transfers (Out)	-	-	-	-	-	-	(132,941)
TOTAL OTHER FINANCING SOURCES (USES)	40,000	-	8,000	-	-	230,600	391,350
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	40,000	(16,148)	4,883	(3,000)	(2,673)	188,484	(366,716)
FUND BALANCES, JULY 1, RESTATED	40,000	15,000	(3,241)	7,000	9,522	164,099	1,115,037
FUND BALANCES, JUNE 30	\$ 80,000	\$ (1,148)	\$ 1,642	\$ 4,000	\$ 6,849	\$ 352,583	\$ 748,321

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.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ 41,278	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-
Due from other funds	747,427	807	783	1,778	7,534	29,251
TOTAL ASSETS	<u>\$ 788,705</u>	<u>\$ 807</u>	<u>\$ 783</u>	<u>\$ 1,778</u>	<u>\$ 7,534</u>	<u>\$ 29,251</u>
LIABILITIES						
Accounts payable	\$ 10,900	\$ 80	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>10,900</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	777,805	-	-	-	-	-
Committed	-	727	783	1,778	7,534	29,251
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>777,805</u>	<u>727</u>	<u>783</u>	<u>1,778</u>	<u>7,534</u>	<u>29,251</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 788,705</u>	<u>\$ 807</u>	<u>\$ 783</u>	<u>\$ 1,778</u>	<u>\$ 7,534</u>	<u>\$ 29,251</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-
Due from other funds	149	34,606	2,319	68,053	49,902	5,239
TOTAL ASSETS	<u>\$ 149</u>	<u>\$ 34,606</u>	<u>\$ 2,319</u>	<u>\$ 68,053</u>	<u>\$ 49,902</u>	<u>\$ 5,239</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	149	34,606	2,319	68,053	49,902	5,239
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>149</u>	<u>34,606</u>	<u>2,319</u>	<u>68,053</u>	<u>49,902</u>	<u>5,239</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 149</u>	<u>\$ 34,606</u>	<u>\$ 2,319</u>	<u>\$ 68,053</u>	<u>\$ 49,902</u>	<u>\$ 5,239</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-	-
Due from other funds	40,390	20,536	253	6,903	8,885	43,488	176
TOTAL ASSETS	<u>\$ 40,390</u>	<u>\$ 20,536</u>	<u>\$ 253</u>	<u>\$ 6,903</u>	<u>\$ 8,885</u>	<u>\$ 43,488</u>	<u>\$ 176</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	43,488	-
Committed	40,390	20,536	253	5,403	8,885	-	176
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>40,390</u>	<u>20,536</u>	<u>253</u>	<u>5,403</u>	<u>8,885</u>	<u>43,488</u>	<u>176</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,390</u>	<u>\$ 20,536</u>	<u>\$ 253</u>	<u>\$ 6,903</u>	<u>\$ 8,885</u>	<u>\$ 43,488</u>	<u>\$ 176</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Public Safety	Office Restrooms
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-	-
Due from other funds	37,547	26,993	27,206	50,924	-	58,213	-
TOTAL ASSETS	<u>\$ 37,547</u>	<u>\$ 26,993</u>	<u>\$ 27,206</u>	<u>\$ 50,924</u>	<u>\$ -</u>	<u>\$ 58,213</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 17,099	\$ -	\$ -	\$ -	\$ 1
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>17,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	26,993	-	-	-	-	-
Committed	37,547	-	10,107	50,924	-	58,213	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(1)
TOTAL FUND BALANCES	<u>37,547</u>	<u>26,993</u>	<u>10,107</u>	<u>50,924</u>	<u>-</u>	<u>58,213</u>	<u>(1)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,547</u>	<u>\$ 26,993</u>	<u>\$ 27,206</u>	<u>\$ 50,924</u>	<u>\$ -</u>	<u>\$ 58,213</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Municipal Roof Depreciation	Public Works Shed Office Building	Public Works Lid Town Hall	PW Lid Rt. 1 N. Raingarden	Traffic Light Rt. 236 MRTN	Traffic Light Rt. 236 MACN	Crockett Neck Rd. Culvert
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-	-
Due from other funds	90,683	-	-	-	2,889	-	109,770
TOTAL ASSETS	<u>\$ 90,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,889</u>	<u>\$ -</u>	<u>\$ 109,770</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	11,713	887	1,054	-	20,336	-
TOTAL LIABILITIES	<u>-</u>	<u>11,713</u>	<u>887</u>	<u>1,054</u>	<u>-</u>	<u>20,336</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	90,683	-	-	-	2,889	-	109,770
Assigned	-	-	-	-	-	-	-
Unassigned	-	(11,713)	(887)	(1,054)	-	(20,336)	-
TOTAL FUND BALANCES	<u>90,683</u>	<u>(11,713)</u>	<u>(887)</u>	<u>(1,054)</u>	<u>2,889</u>	<u>(20,336)</u>	<u>109,770</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 90,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,889</u>	<u>\$ -</u>	<u>\$ 109,770</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Fort Foster Restrooms	Boating Infrastructure	Haley Field Project	Buildings and Grounds	Computer Repair Replacement	Municipal Facility Maint. Resrv.	Public Safety Radio Antenna
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-	-
Due from other funds	3,174	90,000	-	17,113	17,546	-	-
TOTAL ASSETS	<u>\$ 3,174</u>	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 17,113</u>	<u>\$ 17,546</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	13,850	-	-	3,727	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>13,850</u>	<u>-</u>	<u>-</u>	<u>3,727</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	3,174	90,000	-	17,113	17,546	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	(13,850)	-	-	(3,727)	-
TOTAL FUND BALANCES	<u>3,174</u>	<u>90,000</u>	<u>(13,850)</u>	<u>17,113</u>	<u>17,546</u>	<u>(3,727)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,174</u>	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 17,113</u>	<u>\$ 17,546</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Bond Hill Creek Drive	Fort Foster Park Bench	Sewer Vehicle Reserve	Sewer Depreciation	Treatment Plant Upgrade II	Records Preservation	Pepperell Butterworth
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-	-	-	-
Due from other funds	1,000	11,841	29,438	755,120	3,305	49,787	84,390
TOTAL ASSETS	<u>\$ 1,000</u>	<u>\$ 11,841</u>	<u>\$ 29,438</u>	<u>\$ 755,120</u>	<u>\$ 3,305</u>	<u>\$ 49,787</u>	<u>\$ 84,390</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 955	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>955</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	1,000	-	-	-	3,305	-	-
Committed	-	11,841	29,438	754,165	-	49,787	84,390
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,000</u>	<u>11,841</u>	<u>29,438</u>	<u>754,165</u>	<u>3,305</u>	<u>49,787</u>	<u>84,390</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,000</u>	<u>\$ 11,841</u>	<u>\$ 29,438</u>	<u>\$ 755,120</u>	<u>\$ 3,305</u>	<u>\$ 49,787</u>	<u>\$ 84,390</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

	Architectural Barrier	Treatment Plant Upgrade	School Maintenance Reserve	Capital Improvement Fund	Shapleigh Track Replacement	FF Protective Clothing	Totals
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,278
Prepaid expenses	-	-	-	69,700	-	-	69,700
Due from other funds	53,236	40	404,321	-	230	-	2,993,245
TOTAL ASSETS	\$ 53,236	\$ 40	\$ 404,321	\$ 69,700	\$ 230	\$ -	\$ 3,104,223
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,535
Due to other funds	-	-	-	67,494	-	-	119,061
TOTAL LIABILITIES	-	-	-	67,494	-	-	149,596
FUND BALANCES							
Nonspendable	-	-	-	69,700	-	-	69,700
Restricted	-	40	-	-	-	-	852,631
Committed	53,236	-	404,321	-	230	-	2,151,358
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(67,494)	-	-	(119,062)
TOTAL FUND BALANCES	53,236	40	404,321	2,206	230	-	2,954,627
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,236	\$ 40	\$ 404,321	\$ 69,700	\$ 230	\$ -	\$ 3,104,223

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2012

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
REVENUES						
Intergovernmental revenue	\$ 168,312	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	5,000
Investment income	2,156	73	8	4	12	64
TOTAL REVENUES	<u>170,468</u>	<u>73</u>	<u>8</u>	<u>4</u>	<u>12</u>	<u>5,064</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	229,845	26,200	1,700	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>229,845</u>	<u>26,200</u>	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER)						
EXPENDITURES	<u>(59,377)</u>	<u>(26,127)</u>	<u>(1,692)</u>	<u>4</u>	<u>12</u>	<u>5,064</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Operating Transfers In	159,344	8,000	-	886	7,500	10,000
Operating Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>159,344</u>	<u>8,000</u>	<u>-</u>	<u>886</u>	<u>7,500</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	99,967	(18,127)	(1,692)	890	7,512	15,064
FUND BALANCES, JULY 1	<u>677,838</u>	<u>18,854</u>	<u>2,475</u>	<u>888</u>	<u>22</u>	<u>14,187</u>
FUND BALANCES, JUNE 30	<u>\$ 777,805</u>	<u>\$ 727</u>	<u>\$ 783</u>	<u>\$ 1,778</u>	<u>\$ 7,534</u>	<u>\$ 29,251</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, 2012

	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	1,200	-
Investment income	1	62	12	180	125	18
TOTAL REVENUES	1	62	12	180	1,325	18
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	280	-	1,361	-	36,504	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	280	-	1,361	-	36,504	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(279)	62	(1,349)	180	(35,179)	18
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Operating Transfers In	-	31,827	-	23,000	88,057	79,000
Operating Transfers (Out)	-	-	-	-	-	(79,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	31,827	-	23,000	88,057	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(279)	31,889	(1,349)	23,180	52,878	18
FUND BALANCES, JULY 1	428	2,717	3,668	44,873	(2,976)	5,221
FUND BALANCES, JUNE 30	\$ 149	\$ 34,606	\$ 2,319	\$ 68,053	\$ 49,902	\$ 5,239

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, 2012

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	5,479	-	-	-	-	-
Investment income	177	39	7	23	30	146	1
TOTAL REVENUES	177	5,518	7	23	30	146	1
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	1,948	19,562	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	1,948	19,562	-	-	-
EXCESS OF REVENUES OVER (UNDER)							
EXPENDITURES	177	5,518	(1,941)	(19,539)	30	146	1
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	12,983	4,761	-	23,917	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	12,983	4,761	-	23,917	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	13,160	10,279	(1,941)	4,378	30	146	1
FUND BALANCES, JULY 1	27,230	10,257	2,194	1,025	8,855	43,342	175
FUND BALANCES, JUNE 30	\$ 40,390	\$ 20,536	\$ 253	\$ 5,403	\$ 8,885	\$ 43,488	\$ 176

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, 2012

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Public Safety	Office Restrooms
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	3,280	-	-	34,715	-
Investment income	126	97	132	138	11	108	-
TOTAL REVENUES	126	97	3,412	138	11	34,823	-
EXPENDITURES							
Administration	-	-	-	-	-	-	1
Public safety	-	2,062	69,899	-	-	-	-
Public works	-	-	-	9,999	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	2,062	69,899	9,999	-	-	1
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	126	(1,965)	(66,487)	(9,861)	11	34,823	(1)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	-	-	65,000	38,440	-	3,103	-
Operating Transfers (Out)	-	-	-	-	(3,237)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	65,000	38,440	(3,237)	3,103	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	126	(1,965)	(1,487)	28,579	(3,226)	37,926	(1)
FUND BALANCES, JULY 1	37,421	28,958	11,594	22,345	3,226	20,287	-
FUND BALANCES, JUNE 30	\$ 37,547	\$ 26,993	\$ 10,107	\$ 50,924	\$ -	\$ 58,213	\$ (1)

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, 2012

	Municipal Roof Depreciation	Public Works Shed Office Building	Public Works Lid Town Hall	PW Lid Rt. 1 N. Raingarden	Traffic Light Rt. 236 MRTN	Traffic Light Rt. 236 MACN	Crockett Neck Rd. Culvert
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-	-
Investment income	235	-	-	-	-	-	-
TOTAL REVENUES	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	7,111	49,900	-
Public works	-	5,118	-	-	-	-	15,230
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>5,118</u>	<u>-</u>	<u>-</u>	<u>7,111</u>	<u>49,900</u>	<u>15,230</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>235</u>	<u>(5,118)</u>	<u>-</u>	<u>-</u>	<u>(7,111)</u>	<u>(49,900)</u>	<u>(15,230)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	40,128	-	-	-	-	14,782	125,000
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>40,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,782</u>	<u>125,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	40,363	(5,118)	-	-	(7,111)	(35,118)	109,770
FUND BALANCES, JULY 1	<u>50,320</u>	<u>(6,595)</u>	<u>(887)</u>	<u>(1,054)</u>	<u>10,000</u>	<u>14,782</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 90,683</u>	<u>\$ (11,713)</u>	<u>\$ (887)</u>	<u>\$ (1,054)</u>	<u>\$ 2,889</u>	<u>\$ (20,336)</u>	<u>\$ 109,770</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, 2012

	Fort Foster Restrooms	Boating Infrastructure	Haley Field Project	Buildings and Grounds	Computer Repair Replacement	Municipal Facility Maint. Resrv.	Public Safety Radio Antenna
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	6,868	-	-
Public safety	-	-	-	-	-	-	48,500
Public works	-	-	-	19,803	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	19,803	6,868	-	48,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(19,803)	(6,868)	-	(48,500)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	-	90,000	-	22,926	-	-	48,500
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	90,000	-	22,926	-	-	48,500
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	90,000	-	3,123	(6,868)	-	-
FUND BALANCES, JULY 1	3,174	-	(13,850)	13,990	24,414	(3,727)	-
FUND BALANCES, JUNE 30	\$ 3,174	\$ 90,000	\$ (13,850)	\$ 17,113	\$ 17,546	\$ (3,727)	\$ -

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, 2012

	Bond Hill Creek Drive	Fort Foster Park Bench	Sewer Vehicle Reserve	Sewer Depreciation	Treatment Plant Upgrade II	Records Preservation	Pepperell Butterworth
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	10,800	3,350	-	-	-	-
Investment income	-	-	163	2,590	74	92	-
TOTAL REVENUES	-	10,800	3,513	2,590	74	92	-
EXPENDITURES							
Administration	-	5,371	-	-	-	3,072	5,610
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	20,576	21,850	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	5,371	-	20,576	21,850	3,072	5,610
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	5,429	3,513	(17,986)	(21,776)	(2,980)	(5,610)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	49,400	90,000
Operating Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	49,400	90,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	5,429	3,513	(17,986)	(21,776)	46,420	84,390
FUND BALANCES, JULY 1	1,000	6,412	25,925	772,151	25,081	3,367	-
FUND BALANCES, JUNE 30	\$ 1,000	\$ 11,841	\$ 29,438	\$ 754,165	\$ 3,305	\$ 49,787	\$ 84,390

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, 2012

	Architectural Barrier	Treatment Plant Upgrade	School Maintenance Reserve	Capital Improvement Fund	Shapleigh Track Replacement	FF Protective Clothing	Totals
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,312
Other income	-	-	-	2,206	-	-	66,030
Investment income	148	-	-	-	-	-	7,052
TOTAL REVENUES	148	-	-	2,206	-	-	241,394
EXPENDITURES							
Administration	-	-	-	-	-	-	20,922
Public safety	-	-	-	-	-	50,000	227,472
Public works	-	-	-	-	-	-	409,976
Education	-	-	84,163	-	189,770	-	273,933
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	84,163	-	189,770	50,000	932,303
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	148	-	(84,163)	2,206	(189,770)	(50,000)	(690,909)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	-	-	-	-	-	-
Operating Transfers In	17,738	-	219,239	-	190,000	50,000	1,513,531
Operating Transfers (Out)	-	-	-	-	-	-	(82,237)
TOTAL OTHER FINANCING SOURCES (USES)	17,738	-	219,239	-	190,000	50,000	1,431,294
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	17,886	-	135,076	2,206	230	-	740,385
FUND BALANCES, JULY 1	35,350	40	269,245	-	-	-	\$ 2,214,242
FUND BALANCES, JUNE 30	\$ 53,236	\$ 40	\$ 404,321	\$ 2,206	\$ 230	\$ -	\$ 2,954,627

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 Raynes Trust and the school department scholarships.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2012

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 33,221	\$ -
Investments	-	-	687,091	-
Due from other funds	100,762	27,275	-	9,009
TOTAL ASSETS	<u>\$ 100,762</u>	<u>\$ 27,275</u>	<u>\$ 720,312</u>	<u>\$ 9,009</u>
LIABILITIES				
Accounts payable	\$ 2,630	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>2,630</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	98,132	27,275	720,312	9,009
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>98,132</u>	<u>27,275</u>	<u>720,312</u>	<u>9,009</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 100,762</u>	<u>\$ 27,275</u>	<u>\$ 720,312</u>	<u>\$ 9,009</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2012

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 101,924	\$ -	\$ -	\$ 135,145
Investments	-	-	-	687,091
Due from other funds	-	17,153	57,556	211,755
TOTAL ASSETS	<u>\$ 101,924</u>	<u>\$ 17,153</u>	<u>\$ 57,556</u>	<u>\$ 1,033,991</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,630
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,630</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	101,924	17,153	57,556	1,031,361
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>101,924</u>	<u>17,153</u>	<u>57,556</u>	<u>1,031,361</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 101,924</u>	<u>\$ 17,153</u>	<u>\$ 57,556</u>	<u>\$ 1,033,991</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, 2012

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
REVENUES				
Investment income	\$ 398	\$ 90	\$ 14,929	\$ 30
Other income	500	-	30,456	-
TOTAL REVENUES	<u>898</u>	<u>90</u>	<u>45,385</u>	<u>30</u>
EXPENDITURES				
Education	-	-	-	-
Town wide	23,270	-	54,421	-
TOTAL EXPENDITURES	<u>23,270</u>	<u>-</u>	<u>54,421</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,372)</u>	<u>90</u>	<u>(9,036)</u>	<u>30</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(22,372)</u>	<u>90</u>	<u>(9,036)</u>	<u>30</u>
FUND BALANCES, JULY 1	<u>120,504</u>	<u>27,185</u>	<u>729,348</u>	<u>8,979</u>
FUND BALANCES, JUNE 30	<u>\$ 98,132</u>	<u>\$ 27,275</u>	<u>\$ 720,312</u>	<u>\$ 9,009</u>

TOWN OF KITTERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
REVENUES				
Investment income	\$ 98	\$ 98	\$ 193	\$ 15,836
Other income	275	9,076	-	40,307
TOTAL REVENUES	373	9,174	193	56,143
EXPENDITURES				
Education	1,655	-	-	1,655
Town wide	-	19,500	-	97,191
TOTAL EXPENDITURES	1,655	19,500	-	98,846
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,282)	(10,326)	193	(42,703)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(1,282)	(10,326)	193	(42,703)
FUND BALANCES, JULY 1	103,206	27,479	57,363	1,074,064
FUND BALANCES, JUNE 30	\$ 101,924	\$ 17,153	\$ 57,556	\$ 1,031,361

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 KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2012

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Police	\$ -	\$ 84,458	\$ 982,360	\$ -	\$ 1,066,818
General government	-	2,689,485	219,387	-	2,908,872
Fire	353,200	3,484,537	2,213,515	-	6,051,252
Highway	8,628,900	3,422,650	3,009,225	9,980,695	25,041,470
Recycling	-	98,226	29,288	442,276	569,790
Recreation	5,340,800	151,254	86,159	-	5,578,213
Library	-	8,711	-	-	8,711
Town-wide	1,973,300	3,258,904	61,058	-	5,293,262
School Department	45,406	25,315,931	505,995	-	25,867,332
Sewer Department	4,009,942	14,906,132	605,529	25,768	19,547,371
School Lunch Program	-	-	98,255	-	98,255
Total General Capital Assets	20,351,548	53,420,288	7,810,771	10,448,739	92,031,346
Less: Accumulated Depreciation	-	(24,479,498)	(5,162,549)	(7,260,594)	(36,902,641)
Net General Capital Assets	<u>\$ 20,351,548</u>	<u>\$ 28,940,790</u>	<u>\$ 2,648,222</u>	<u>\$ 3,188,145</u>	<u>\$ 55,128,705</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2012

	General Capital Assets 7/1/11	Additions	Deletions	General Capital Assets 6/30/12
Police	\$ 948,418	\$ 118,400	\$ -	\$ 1,066,818
General government	2,890,201	18,671	-	2,908,872
Fire	6,038,037	13,215	-	6,051,252
Highway	24,606,687	434,783	-	25,041,470
Recycling	143,514	442,276	(16,000)	569,790
Recreation	237,413	5,340,800	-	5,578,213
Library	8,711	-	-	8,711
Town-wide	5,293,262	-	-	5,293,262
School Department	24,848,742	1,033,590	(15,000)	25,867,332
Sewer Department	19,262,425	284,946	-	19,547,371
School Lunch Program	98,255	-	-	98,255
Total General Capital Assets	84,375,665	7,686,681	(31,000)	92,031,346
Less: Accumulated Depreciation	(34,599,550)	(2,334,091)	31,000	(36,902,641)
Net General Capital Assets	<u>\$ 49,776,115</u>	<u>\$ 5,352,590</u>	<u>\$ -</u>	<u>\$ 55,128,705</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Thru Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State of Maine - of Education and Cultural Services:			
Food Distribution	10.550	N/A	\$ 36,613
School Breakfast Program	10.555	013-06A-7127-05	38,090
School Lunch Program	10.555	013-06A-7128-95	106,681
Total Department of Agriculture			<u>181,384</u>
U.S. Department of Education			
Passed through State of Maine-Department of Education and Cultural Services:			
Title IA - Educationally Deprived	84.010	013-05A-3057-13	136,905
Title IA - CIPS	85.010	013-05A-3057-13	6,346
Local Entitlement	84.027	013-05A-3046-12	247,194
Local Entitlement - Part B Section 619	84.173	013-05A-6241-23	6,119
Title IIA-Teaching Quality	84.367	013-05A-3042-11	39,922
State Stabilization	84.394	020-05A-2077-01	144,536
ARRA Local Entitlement IDEA	84.391A	020-05A-3046-12	16,134
Adult Ed and Family Literacy	84.048	013-05A-6296-64	9,505
Education Jobs Fund	84.410	013-05A-3099-10	125,132
Total Department of Education			<u>731,793</u>
Department of Homeland Security			
Federal Emergency Management Agency			
Public Assistance Grants	97.036	N/A	<u>51,363</u>
Total Department of Homeland Security			<u>51,363</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 964,540</u>

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Kittery, Maine. All federal financial assistance received is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. The following programs were tested as Type A program as outlined in OMB Circular A-133.

- 1) 84.027 - Local Entitlement
- 2) 84.394 - State Stabilization



Proven Expertise and Integrity

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

November 8, 2012

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of the Town of Kittery, Maine, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Kittery, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kittery, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

Compliance and Other Matters

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

This report is intended solely for the information of the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in dark ink that reads "RHR Smith & Company". The script is cursive and fluid, with the letters "RHR" being particularly prominent and stylized.

Certified Public Accountants



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

November 8, 2012

Town Council
Town of Kittery
Kittery, Maine

Compliance

We have audited the compliance of Town of Kittery, Maine, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. Town of Kittery, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Kittery, Maine's management. Our responsibility is to express an opinion on Town of Kittery, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Kittery, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Kittery, Maine's compliance with those requirements.

In our opinion, Town of Kittery, Maine, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2012.

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

Internal Control Over Compliance

The management of Town of Kittery, Maine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Kittery, Maine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Kittery, Maine's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.



Certified Public Accountants

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unqualified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported

In accordance with section 510(a) of OMB Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Local Entitlement
84.394	State Stabilization

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

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

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

November 8, 2012

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of Town of Kittery for the year ended June 30, 2012 and have issued our report thereon dated November 8, 2012. 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, 2012 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

3 Old Orchard Road, Buxton, Maine 04093
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609
www.rhrsmith.com

KITTERY SCHOOL DEPARTMENT
RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (3000)	Totals
June 30, 2012 balance per MEDMS financial system	\$ 691,915	\$ 140,204	\$ (896,308)	\$ (64,189)
Revenue Adjustments:				
Reverse out posting of use of fund balance	(270,430)	-	-	(270,430)
Expenditure Adjustments:				
Audit adjustments	(4,590)	-	-	(4,590)
Transfer out to reserve accounts	(419,239)	-	-	(419,239)
Audit adjustments to clean up ARRA funds	(6,073)	6,073	-	-
Other adjustments:				
Beginning balances not reported on MEDMS	978,690	164,099	1,326,758	2,469,547
Audit adjustments state stabilization	-	669	-	669
Audit adjustments ARRA local entitlement	-	13,249	-	13,249
Audit adjustments adult education regular	-	30,092	-	30,092
Audit adjustments healthy maine	-	7,971	-	7,971
Audit adjustments title IA	-	(581)	-	(581)
Audit adjustments local entitlement	-	(181)	-	(181)
Audit adjustments education jobs bill	-	(155)	-	(155)
Audit adjustments ARRA preschool	-	(8,743)	-	(8,743)
Client adjustments Healthy Maine Partnership	-	386	-	386
School health coordinator not on MEDMS system	-	(500)	-	(500)
Audited GAAP Basis Fund balance June 30, 2012	<u>\$ 970,273</u>	<u>\$ 352,583</u>	<u>\$ 430,450</u>	<u>\$ 1,753,306</u>