

Federal Compliance Audit

Town of Kittery, Maine

June 30, 2013



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

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JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

Town Council
Town of Kittery
Kittery, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kittery's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, 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 considering the Town of Kittery's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
October 15, 2013

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

(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, 2013. 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 Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

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

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

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, 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 three 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 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 position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental funds are \$31.5 million compared to \$30.2 million in the prior year, an increase of \$1,249,666. For the business-type activities, total net position are \$10.55 million as compared to \$10.66 million in the prior year, a decrease of \$115,749.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$4.86 million at the end of this year for governmental activities and \$67,909 for the business-type activities.

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

	Governmental Activities		Business-type Activities	
	2012			
	2013	(Restated)	2013	2012
Assets:				
Current and Other Assets	\$ 12,433,561	\$ 12,831,151	\$ 237,285	\$ 324,445
Capital Assets	41,124,446	40,744,745	13,978,320	14,383,960
Other Assets	-	-	3,121	5,473
Total Assets	<u>53,558,007</u>	<u>53,575,896</u>	<u>14,218,726</u>	<u>14,713,878</u>
Liabilities:				
Current Liabilities	3,227,315	3,193,094	258,635	428,462
Long-Term Debt Outstanding	<u>18,770,588</u>	<u>20,065,332</u>	<u>3,408,824</u>	<u>3,619,756</u>
Total Liabilities	<u>21,997,903</u>	<u>23,258,426</u>	<u>3,667,459</u>	<u>4,048,218</u>
Deferred Inflows of Resources:				
Deferred Revenue	-	-	4,701	3,345
Prepaid Taxes	<u>88,156</u>	<u>95,188</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>88,156</u>	<u>95,188</u>	<u>4,701</u>	<u>3,345</u>
Net Position:				
Invested in Capital Assets, Net of Related Debt	23,562,048	21,623,848	10,451,157	10,440,324
Restricted	3,033,147	2,939,093	27,500	27,500
Unrestricted	<u>4,876,753</u>	<u>5,659,341</u>	<u>67,909</u>	<u>194,491</u>
Total Net Position	<u>\$ 31,471,948</u>	<u>\$ 30,222,282</u>	<u>\$ 10,546,566</u>	<u>\$ 10,662,315</u>

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

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 1,442,646	\$ 905,769	\$ 1,945,524	\$ 2,039,271
Operating grants and contributions	2,121,955	1,718,566	205,547	179,930
Capital grants and contributions	-	198,095	-	-
<i>General Revenues:</i>				
Taxes	22,280,279	21,175,108	-	-
Grants and contributions not restricted to specific programs	1,836,919	1,807,719	-	-
Investment income	101,993	80,305	-	-
Miscellaneous	919,133	7,123,573	6,969	49,299
Total Revenues	<u>28,702,925</u>	<u>33,009,135</u>	<u>2,158,040</u>	<u>2,268,500</u>
Expenses				
General government	2,226,807	7,788,325	-	-
Public safety	3,626,600	3,841,228	-	-
Public works	1,790,487	1,826,140	-	-
Health and welfare	651,352	661,963	-	-
Social Services	101,696	166,480	-	-
Recreation and culture	1,840,774	1,037,285	-	-
Education	14,700,074	14,498,800	-	-
County tax	817,322	842,537	-	-
Capital outlay	8,399	507,780	-	-
Grant funds/misc. accounts	302,629	250,784	-	-
Overlay	-	-	-	-
Unallocated depreciation (Note 4)	109,815	115,440	-	-
Interest on long-term debt	226,179	125,746	-	-
State of Maine on - behalf payments	980,928	950,856	-	-
Enterprise funds	-	-	2,343,986	2,427,401
Total Expenses	<u>27,383,062</u>	<u>32,613,364</u>	<u>2,343,986</u>	<u>2,427,401</u>
Total transfers	<u>(70,197)</u>	<u>(129,477)</u>	<u>70,197</u>	<u>129,477</u>
Change in Net Position	1,249,666	395,771	(115,749)	(29,424)
Net Position - July 1, Restated	<u>30,222,282</u>	<u>29,955,988</u>	<u>10,662,315</u>	<u>10,691,739</u>
Net Position - June 30	<u>\$ 31,471,948</u>	<u>\$ 30,222,282</u>	<u>\$ 10,546,566</u>	<u>\$ 10,662,315</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 13.05%, while total expenses decreased by 16.04%. The completion of the Community Center project was the major impetus behind the decline in both revenues and expenses, partially offset by increases in other categories.

Revenues decreased by 4.87% in the Town's business type activities, while the total expenses decreased by 3.44%. Most of the proprietary funds expenses were consistent with the previous year with minor increases or decreases. The biggest decrease in revenues was in charges for services.

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>2013</u>	<u>2012</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 142,374	\$ -
Restricted	1,274,916	970,273
Unassigned	4,157,238	4,317,992
Community center:		
Committed	-	308,655
Total Major Funds	<u>\$ 5,574,528</u>	<u>\$ 5,620,843</u>
Nonmajor Funds:		
Permanent funds:		
Restricted	\$ 1,009,132	\$ 1,031,361
Capital project funds:		
Nonspendable	-	69,700
Restricted	631,912	852,631
Committed	1,862,128	2,175,281
Unassigned	(230,418)	(119,062)
Special revenue funds:		
Restricted	117,187	60,905
Committed	1,243,642	1,216,081
Assigned	121,815	41,426
Unassigned	(240,406)	(570,091)
Total Nonmajor Funds	<u>\$ 4,514,992</u>	<u>\$ 4,758,232</u>

The general fund total fund balance increased by \$262,340 from the prior fiscal year. The Community Center decreased by \$308,655 and the non-major fund balances decreased by \$243,240 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 a reduction in net position for the current year of \$27,078, while the sewer fund had a reduction in net position of \$88,671.

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 committed and unassigned fund balances.

The general fund actual revenues exceeded the budget by \$70,949. This was a result of all revenues being receipted over budget with the exception of charges for services and transfers to other funds.

The general fund actual expenditures were under budget by \$1,185,492. The following expenditures were under budget which accounts for most of the balance:

Education	\$1,274,916
Recreation and culture	137,436

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2013, the net book value of capital assets recorded by the Town decreased by \$25,939. This decrease is a result of current year depreciation expense less the capital additions. 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>2013</u>	<u>2012</u>
Land and improvements	\$ 12,799,578	\$ 12,571,938
Buildings and improvements	26,827,688	27,594,958
Machinery and equipment	1,184,104	1,038,810
Vehicles	1,497,414	1,609,412
Construction in progress	9,279,751	9,125,442
Infrastructure	<u>3,514,231</u>	<u>3,188,145</u>
Total	<u><u>\$ 55,102,766</u></u>	<u><u>\$ 55,128,705</u></u>

Debt

At June 30, 2013, the Town had \$20.46 million in bonds outstanding versus \$22.22 million last year. Other obligations include capital leases payable, accrued vacation and sick time and pension benefit obligations. 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 slipped below a level of sufficient unassigned fund balance to sustain government operations for a period of approximately two months. However, the Town maintains significant reserve accounts for future capital and program needs. The Town is working to rebuild this balance to a sufficient level.

Contacting the Town's Financial Management

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

STATEMENT A

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,482,401	\$ -	\$ 5,482,401
Investments	5,404,559	-	5,404,559
Accounts receivable (net of allowance for uncollectibles):			
Taxes	821,969	-	821,969
Other	71,646	368,058	439,704
Due from other governments	356,832	15,154	371,986
Prepaid expenses	120,079	-	120,079
Inventory	22,295	7,853	30,148
Internal balances	153,780	(153,780)	-
Total current assets	<u>12,433,561</u>	<u>237,285</u>	<u>12,670,846</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	16,491,015	4,024,122	20,515,137
Buildings and vehicles net of accumulated depreciation	<u>24,633,431</u>	<u>9,954,198</u>	<u>34,587,629</u>
Total noncurrent assets	<u>41,124,446</u>	<u>13,978,320</u>	<u>55,102,766</u>
Other assets:			
Bond issuance costs (net of amortization)	-	3,121	3,121
TOTAL ASSETS	<u><u>\$ 53,558,007</u></u>	<u><u>\$ 14,218,726</u></u>	<u><u>\$ 67,776,733</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 414,080	\$ 38,565	\$ 452,645
Accrued expenses	768,376	1,161	769,537
Other liabilities	517,587	-	517,587
Current portion of long-term obligations	<u>1,527,272</u>	<u>218,909</u>	<u>1,746,181</u>
Total current liabilities	<u>3,227,315</u>	<u>258,635</u>	<u>3,485,950</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	15,585,000	3,308,254	18,893,254
Capital lease payable	450,126	-	450,126
Accrued compensated absences	1,218,530	100,570	1,319,100
Pension benefit obligations	<u>1,516,932</u>	<u>-</u>	<u>1,516,932</u>
Total noncurrent liabilities	<u>18,770,588</u>	<u>3,408,824</u>	<u>22,179,412</u>
TOTAL LIABILITIES	<u>21,997,903</u>	<u>3,667,459</u>	<u>25,665,362</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	4,701	4,701
Prepaid taxes	<u>88,156</u>	<u>-</u>	<u>88,156</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>88,156</u>	<u>4,701</u>	<u>92,857</u>
NET POSITION			
Invested in capital assets, net of related debt	23,562,048	10,451,157	34,013,205
Restricted	3,033,147	27,500	3,060,647
Unrestricted	<u>4,876,753</u>	<u>67,909</u>	<u>4,944,662</u>
TOTAL NET POSITION	<u>31,471,948</u>	<u>10,546,566</u>	<u>42,018,514</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 53,558,007</u></u>	<u><u>\$ 14,218,726</u></u>	<u><u>\$ 67,776,733</u></u>

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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
<u>Governmental activities:</u>							
General government	\$ 2,226,807	\$ 242,394	\$ 39,062	\$ -	\$ (1,945,351)	\$ -	\$ (1,945,351)
Public safety	3,626,600	94,771	-	-	(3,531,829)	-	(3,531,829)
Public works	1,790,487	-	-	-	(1,790,487)	-	(1,790,487)
Recreation and culture	1,840,774	854,157	-	-	(986,617)	-	(986,617)
Health and sanitation	651,352	192,488	-	-	(458,864)	-	(458,864)
Social services	101,696	-	-	-	(101,696)	-	(101,696)
Education	14,700,074	58,836	1,101,965	-	(13,539,273)	-	(13,539,273)
County tax	817,322	-	-	-	(817,322)	-	(817,322)
State of Maine on-behalf payments	980,928	-	980,928	-	-	-	-
Capital outlay	8,399	-	-	-	(8,399)	-	(8,399)
Grant funds/misc. accounts	302,629	-	-	-	(302,629)	-	(302,629)
Unallocated depreciation (Note 4) *	109,815	-	-	-	(109,815)	-	(109,815)
Interest on long-term debt	226,179	-	-	-	(226,179)	-	(226,179)
Total governmental activities	<u>27,383,062</u>	<u>1,442,646</u>	<u>2,121,955</u>	<u>-</u>	<u>(23,818,461)</u>	<u>-</u>	<u>(23,818,461)</u>
<u>Business-type activities:</u>							
Sewer department	1,814,087	1,710,271	-	-	-	(103,816)	(103,816)
School lunch program	529,899	235,253	205,547	-	-	(89,099)	(89,099)
Total business-type activities	<u>2,343,986</u>	<u>1,945,524</u>	<u>205,547</u>	<u>-</u>	<u>-</u>	<u>(192,915)</u>	<u>(192,915)</u>
Total government	<u>\$ 29,727,048</u>	<u>\$ 3,388,170</u>	<u>\$ 2,327,502</u>	<u>\$ -</u>	<u>(23,818,461)</u>	<u>(192,915)</u>	<u>(24,011,376)</u>

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

STATEMENT B (CONTINUED)
TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>(23,818,461)</u>	<u>(192,915)</u>	<u>(24,011,376)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	20,846,158	-	20,846,158
Excise taxes	1,434,121	-	1,434,121
Grants and contributions not restricted to specific programs	1,836,919	-	1,836,919
Investment income, net of unrealized gains/(losses)	101,993	-	101,993
Miscellaneous	919,133	6,969	926,102
Transfers	<u>(70,197)</u>	<u>70,197</u>	<u>-</u>
Total general revenues and transfers	<u>25,068,127</u>	<u>77,166</u>	<u>25,145,293</u>
Change in net position	1,249,666	(115,749)	1,133,917
NET POSITION - JULY 1, RESTATED	<u>30,222,282</u>	<u>10,662,315</u>	<u>40,884,597</u>
NET POSITION - JUNE 30	<u><u>\$ 31,471,948</u></u>	<u><u>\$ 10,546,566</u></u>	<u><u>\$ 42,018,514</u></u>

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

STATEMENT C

TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Community Center	Other Governmental Funds	Totals Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,365,181	\$ -	\$ 117,220	\$ 5,482,401
Investments	4,701,909	-	702,650	5,404,559
Accounts receivables (net of allowance for uncollectibles):				
Taxes/liens	821,969	-	-	821,969
Other	42,722	-	28,924	71,646
Prepaid expenses	120,079	-	-	120,079
Inventory	22,295	-	-	22,295
Due from other governments	123,813	-	233,019	356,832
Due from other funds	847,017	-	4,189,720	5,036,737
TOTAL ASSETS	\$ 12,044,985	\$ -	\$ 5,271,533	\$ 17,316,518
LIABILITIES				
Accounts payable	\$ 343,437	\$ -	\$ 70,643	\$ 414,080
Accrued payroll	768,376	-	-	768,376
Due to other funds	4,197,059	-	685,898	4,882,957
Other liabilities	517,587	-	-	517,587
TOTAL LIABILITIES	5,826,459	-	756,541	6,583,000
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	88,156	-	-	88,156
Deferred tax revenues	555,842	-	-	555,842
TOTAL DEFERRED INFLOWS OF RESOURCES	643,998	-	-	643,998
FUND BALANCES				
Nonspendable	142,374	-	-	142,374
Restricted	1,274,916	-	1,758,231	3,033,147
Committed	-	-	3,105,770	3,105,770
Assigned	-	-	121,815	121,815
Unassigned	4,157,238	-	(470,824)	3,686,414
TOTAL FUND BALANCES	5,574,528	-	4,514,992	10,089,520
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,044,985	\$ -	\$ 5,271,533	\$ 17,316,518

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

TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

	Total Governmental Funds
Total Fund Balances	\$ 10,089,520
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	41,124,446
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	555,842
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(16,930,000)
Capital lease payable	(632,398)
Accrued compensated absences	(1,218,530)
Pension benefit obligations	(1,516,932)
	<u> </u>
Net position of governmental activities	<u><u>\$ 31,471,948</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, 2013

	General Fund	Community Center	Nonmajor Funds	Totals Governmental Funds
REVENUES				
General tax revenue	\$ 22,444,322	\$ -	\$ -	\$ 22,444,322
Intergovernmental revenue	2,156,637	-	821,309	2,977,946
Charges for services	1,407,454	-	35,192	1,442,646
Investment income, net of unrealized gains/(losses)	61,767	-	40,226	101,993
State of Maine on - behalf payments	980,928	-	-	980,928
Other revenue	131,559	90,515	732,251	954,325
TOTAL REVENUES	<u>27,182,667</u>	<u>90,515</u>	<u>1,628,978</u>	<u>28,902,160</u>
EXPENDITURES				
Current:				
General government	1,708,627	-	492,929	2,201,556
Public safety	3,167,252	-	340,746	3,507,998
Public works	1,141,753	-	1,149,505	2,291,258
Recreation and culture	1,830,315	-	-	1,830,315
Health and sanitation	621,094	-	-	621,094
Social services	101,696	-	-	101,696
Education	13,944,089	-	755,985	14,700,074
County tax	817,322	-	-	817,322
State of Maine on - behalf payments	980,928	-	-	980,928
Overlay	-	-	-	-
Grant funds/misc. accounts	302,629	-	-	302,629
Debt service	691,179	-	-	691,179
Capital outlay	-	409,589	641,957	1,051,546
TOTAL EXPENDITURES	<u>25,306,884</u>	<u>409,589</u>	<u>3,381,122</u>	<u>29,097,595</u>
EXCESS REVENUES OVER (UNDER)				
EXPENDITURES	<u>1,875,783</u>	<u>(319,074)</u>	<u>(1,752,144)</u>	<u>(195,435)</u>
OTHER FINANCING SOURCES				
Operating transfers in	45,066	10,419	2,280,669	2,336,154
Operating transfers (out)	(1,634,586)	-	(771,765)	(2,406,351)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,589,520)</u>	<u>10,419</u>	<u>1,508,904</u>	<u>(70,197)</u>
NET CHANGE IN FUND BALANCES	286,263	(308,655)	(243,240)	(265,632)
FUND BALANCES - JULY 1	<u>5,288,265</u>	<u>308,655</u>	<u>4,758,232</u>	<u>10,355,152</u>
FUND BALANCES - JUNE 30	<u>\$ 5,574,528</u>	<u>\$ -</u>	<u>\$ 4,514,992</u>	<u>\$ 10,089,520</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, 2013

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (265,632)</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	2,220,811
Capital asset disposals	-
Depreciation expense	<u>(1,841,110)</u>
	<u>379,701</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(164,043)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>1,558,499</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	(96,395)
Pension benefit obligations	<u>(162,464)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 1,249,666</u></u>

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

TOWN OF KITTERY, MAINE

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
ASSETS			
Current assets:			
Accounts receivable (net of allowance for uncollectibles)	\$ 367,979	\$ 79	\$ 368,058
Inventory	-	7,853	7,853
Due from other governments	-	15,154	15,154
Due from other funds	-	7,339	7,339
Total current assets	<u>367,979</u>	<u>30,425</u>	<u>398,404</u>
Noncurrent assets:			
Land and buildings	289,380	-	289,380
Construction in progress	3,734,742	-	3,734,742
Vehicles and equipment	629,394	98,255	727,649
Plant/infrastructure	14,931,900	-	14,931,900
Total capital assets	<u>19,585,416</u>	<u>98,255</u>	<u>19,683,671</u>
Less: accumulated depreciation	<u>(5,607,846)</u>	<u>(97,505)</u>	<u>(5,705,351)</u>
Total noncurrent assets	<u>13,977,570</u>	<u>750</u>	<u>13,978,320</u>
Other assets:			
Bond issuance costs (net of amortization)	<u>3,121</u>	<u>-</u>	<u>3,121</u>
TOTAL ASSETS	<u><u>\$ 14,348,670</u></u>	<u><u>\$ 31,175</u></u>	<u><u>\$ 14,379,845</u></u>
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 34,546	\$ 4,019	\$ 38,565
Accrued payroll	1,161	-	1,161
Due to other funds	161,119	-	161,119
Current portion of long-term debt	<u>218,909</u>	<u>-</u>	<u>218,909</u>
Total current liabilities	<u>415,735</u>	<u>4,019</u>	<u>419,754</u>
Noncurrent liabilities:			
Bonds payable	3,308,254	-	3,308,254
Accrued compensated absences	<u>100,570</u>	<u>-</u>	<u>100,570</u>
Total noncurrent liabilities	<u>3,408,824</u>	<u>-</u>	<u>3,408,824</u>
TOTAL LIABILITIES	<u>3,824,559</u>	<u>4,019</u>	<u>3,828,578</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>-</u>	<u>4,701</u>	<u>4,701</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>4,701</u>	<u>4,701</u>
NET POSITION			
Invested in capital assets, net of related debt	10,450,407	750	10,451,157
Restricted	27,500	-	27,500
Unrestricted	<u>46,204</u>	<u>21,705</u>	<u>67,909</u>
TOTAL NET POSITION	<u>10,524,111</u>	<u>22,455</u>	<u>10,546,566</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 14,348,670</u></u>	<u><u>\$ 31,175</u></u>	<u><u>\$ 14,379,845</u></u>

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

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
OPERATING REVENUES			
Intergovernmental revenue	\$ -	\$ 205,547	\$ 205,547
Charges for services	1,710,271	235,253	1,945,524
Other	-	6,969	6,969
TOTAL OPERATING REVENUES	<u>1,710,271</u>	<u>447,769</u>	<u>2,158,040</u>
OPERATING EXPENSES			
Payroll and taxes	163,353	204,140	367,493
Benefits	155,016	63,269	218,285
Treatment plant	722,211	-	722,211
Pump stations	257,524	-	257,524
Food expense	-	216,124	216,124
Supplies	3,162	23,594	26,756
Line expense	-	-	-
Depreciation	442,935	750	443,685
Other	11,744	22,022	33,766
TOTAL OPERATING EXPENSES	<u>1,755,945</u>	<u>529,899</u>	<u>2,285,844</u>
OPERATING INCOME (LOSS)	<u>(45,674)</u>	<u>(82,130)</u>	<u>(127,804)</u>
NON-OPERATING INCOME (EXPENSE)			
Operating transfers in	33,145	55,052	88,197
Operating transfers (out)	(18,000)	-	(18,000)
Interest expense	(58,142)	-	(58,142)
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>(42,997)</u>	<u>55,052</u>	<u>12,055</u>
CHANGE IN NET POSITION	(88,671)	(27,078)	(115,749)
NET POSITION - JULY 1	<u>10,612,782</u>	<u>49,533</u>	<u>10,662,315</u>
NET POSITION - JUNE 30	<u>\$ 10,524,111</u>	<u>\$ 22,455</u>	<u>\$ 10,546,566</u>

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, 2013

	Enterprise Funds		
	Sewer Department	School Lunch Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,734,793	\$ 246,141	\$ 1,980,934
Intergovernmental receipts	-	-	-
Other receipts	-	205,455	205,455
Internal activity - receipts (payments) from/to other funds	41,470	17,341	58,811
Payments to employees	(309,232)	(256,580)	(565,812)
Payments to suppliers	(969,516)	(267,409)	(1,236,925)
Net cash provide (used) by operating activities	497,515	(55,052)	442,463
CASH FLOWS FROM NONCAPITAL FINANCING			
Operating transfers in	15,145	55,052	70,197
Net cash provided (used) by noncapital financing	15,145	55,052	70,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest payments on bond payable	(58,142)	-	(58,142)
Principal payments on bond payable	(416,473)	-	(416,473)
(Purchase) sale of fixed assets	(38,045)	-	(38,045)
Net cash provided (used) by capital and related financing activities	(512,660)	-	(512,660)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (45,674)	\$ (82,130)	\$ (127,804)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	442,935	750	443,685
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	24,522	(79)	24,443
(Increase) decrease in inventory	-	10,778	10,778
(Increase) decrease in due from other governments	-	(6,872)	(6,872)
(Increase) decrease in due from other funds	-	17,341	17,341
(Increase) decrease in bond costs	2,352	-	2,352
(Decrease) increase in deferred revenue	-	1,356	1,356
(Decrease) increase in accounts payable	22,773	3,804	26,577
(Decrease) increase in accrued payroll	1,161	-	1,161
(Decrease) increase in due to other funds	41,470	-	41,470
(Decrease) increase in compensated absences	7,976	-	7,976
NET CASH PROVIDED (USED) BY ACTIVITIES	\$ 497,515	\$ (55,052)	\$ 442,463

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

TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 55,072
Investments	<u>-</u>
TOTAL ASSETS	<u><u>\$ 55,072</u></u>
LIABILITIES	
Accounts payable	\$ -
Deposits held for others	<u>55,072</u>
TOTAL LIABILITIES	<u><u>\$ 55,072</u></u>

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, 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, 2013

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 that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended, and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds

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

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

3. Fiduciary Funds:

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. 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, 2013

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	\$26,246,805
Add: On-behalf payments	<u>980,928</u>
Total GAAP basis	<u>\$27,227,733</u>
Expenditures per budgetary basis	\$25,960,542
Add: On-behalf basis	<u>980,928</u>
Total GAAP basis	<u>\$26,941,470</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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Inventories

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures when used. In the general fund, inventory consists of diesel fuel and gasoline. 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained on certain receivables that historically experience collectible amounts. Allowances are based on collection experience and management's evaluation of the current status of those receivables. The allowance for uncollectible accounts is estimated to be \$40,000 as of June 30, 2013. 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, 2013, the Town's liability for compensated absences is \$1,319,100.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 19, 2012 on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. Taxes were due on October 31, 2013. Interest on unpaid taxes commenced on November 1, 2013, at 7% per annum.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$128,524 for the year ended June 30, 2013.

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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2013, the Town's cash balance of \$5,482,401 was comprised of bank deposits amounting to \$5,746,859 and cash equivalents of \$4,482. Of these bank deposits, \$432,934 was insured by federal depository insurance and consequently not exposed to custodial credit risk. The remaining bank deposits of \$5,313,925 were collateralized with securities held by the financial institution in the Town's name. The cash equivalents of \$4,482 were registered in the Town's name and fully covered by the Securities Investor Protection Corporation (SIPC).

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 517,550
Savings	10,730
Money market	101,044
Sweep account	5,117,535
Cash equivalents	4,482
	<u>\$ 5,751,341</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 certificates of deposit of \$4,701,909 are collateralized with securities held by the financial institution in the Town's name. The Town's investments in fixed income mutual funds,

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

corporate bonds and equity securities for \$702,650 are registered in the Town's name and are covered by the Securities Investor Protection Corporation (SIPC) in an amount up to \$604,362. The remaining investments in fixed income mutual funds of \$98,288 are not exposed to custodial credit risk because they do not exist in physical or book entry form as a security.

At June 30, 2013, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Mutual funds - fixed income	\$ 252,584	\$ 252,584	\$ -	\$ -
Corporate bonds	352,820	-	-	352,820
Equities	97,246	97,246	-	-
Certificates of deposit	4,701,909	-	4,701,909	-
	<u>\$ 5,404,559</u>	<u>\$ 349,830</u>	<u>\$ 4,701,909</u>	<u>\$ 352,820</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 formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 847,017	\$ 4,197,059
Community center	-	-
Nonmajor special revenue funds	1,478,687	455,480
Nonmajor capital project funds	2,519,050	230,418
Nonmajor permanent funds	191,983	-
Enterprise funds	7,339	161,119
	<u>\$ 5,044,076</u>	<u>\$ 5,044,076</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2013:

	Balance, 7/1/12	Additions	Disposals	Balance, 6/30/13
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	5,390,700	149,409	-	5,540,109
	<u>16,341,606</u>	<u>149,409</u>	<u>-</u>	<u>16,491,015</u>
Depreciated assets:				
Land improvements	1,886,867	316,767	-	2,203,634
Buildings	35,068,840	496,480	-	35,565,320
Building improvements	1,610,712	231,606	-	1,842,318
Machinery & equipment	3,376,414	343,293	-	3,719,707
Vehicles	3,693,310	141,408	-	3,834,718
Infrastructure	10,422,971	541,848	-	10,964,819
	<u>56,044,114</u>	<u>2,071,402</u>	<u>-</u>	<u>58,130,516</u>
Less: accumulated depreciation	<u>(31,655,975)</u>	<u>(1,841,110)</u>	<u>-</u>	<u>(33,497,085)</u>
	<u>24,403,139</u>	<u>230,292</u>	<u>-</u>	<u>24,633,431</u>
Net capital assets	<u>\$ 40,744,745</u>	<u>\$ 379,701</u>	<u>\$ -</u>	<u>\$ 41,124,446</u>

<u>Current year depreciation expense:</u>	Police	\$ 79,278
	General government	102,769
	Fire	240,547
	Highway	475,670
	Recycling	30,258
	Recreation	10,459
	Town-wide	109,815
	School Department	792,314
	Total depreciation expense	<u>\$ 1,841,110</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, 7/1/12	Additions	Disposals	Balance, 6/30/13
<u>Business-type activities</u>				
Non-depreciated assets:				
Land/construction in progress	\$ 4,009,942	\$ 14,180	\$ -	\$ 4,024,122
	<u>4,009,942</u>	<u>14,180</u>	<u>-</u>	<u>4,024,122</u>
Depreciated assets:				
Infrastructure	25,768	-		25,768
Buildings	14,906,132	-	-	14,906,132
Vehicles	205,849	-	-	205,849
Machinery & equipment	497,935	23,865	-	521,800
	<u>15,635,684</u>	<u>23,865</u>	<u>-</u>	<u>15,659,549</u>
Less: accumulated depreciation	<u>(5,261,666)</u>	<u>(443,685)</u>	<u>-</u>	<u>(5,705,351)</u>
	<u>10,374,018</u>	<u>(419,820)</u>	<u>-</u>	<u>9,954,198</u>
Net capital assets	<u>\$ 14,383,960</u>	<u>\$ (405,640)</u>	<u>\$ -</u>	<u>\$ 13,978,320</u>

NOTE 5 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2013:

	Balance, 7/1/12	Additions	Deletions	Balance, 6/30/13	Due Within One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 18,275,000	\$ -	\$ (1,345,000)	\$ 16,930,000	\$ 1,345,000
Capital leases payable	845,897	-	(213,499)	632,398	182,272
Accrued compensated absences	1,122,135	96,395	-	1,218,530	-
Pension benefit obligations	1,354,468	162,464	-	1,516,932	-
Total Governmental Activities	<u>\$ 21,597,500</u>	<u>\$ 258,859</u>	<u>\$ (1,558,499)</u>	<u>\$ 20,297,860</u>	<u>\$ 1,527,272</u>
<u>Business-type Activities</u>					
Bonds payable	\$ 3,943,636	\$ -	\$ (416,473)	\$ 3,527,163	\$ 218,909
Accrued compensated absences	92,594	7,976	-	100,570	-
Total Business-type Activities	<u>\$ 4,036,230</u>	<u>\$ 7,976</u>	<u>\$ (416,473)</u>	<u>\$ 3,627,733</u>	<u>\$ 218,909</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 %.	\$ 6,840,000	\$ -
\$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.	1,035,000	-
\$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.	1,730,000	-
\$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.	-	708,221
\$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.	2,100,000	-
\$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.	-	2,818,942
\$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.	5,225,000	-
	<u>\$ 16,930,000</u>	<u>\$ 3,527,163</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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
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	970,000	-	378,548	1,348,548
2019-2023	4,800,000	-	1,451,789	6,251,789
2024-2028	3,615,000	-	769,413	4,384,413
2029-2033	2,540,000	-	198,389	2,738,389
	<u>\$ 16,930,000</u>	<u>\$ -</u>	<u>\$ 4,680,815</u>	<u>\$ 21,610,815</u>

Business-type Activities

	Principal	Principal Credits	Interest	Total Debt Service
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	229,219	-	39,242	268,461
2019-2023	1,188,394	(12,217)	153,513	1,329,690
2024-2028	861,826	-	89,156	950,982
2029-2033	356,918	-	23,476	380,394
	<u>\$ 3,527,163</u>	<u>\$ (12,217)</u>	<u>\$ 488,956</u>	<u>\$ 4,003,902</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, 2013

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>
\$182,836 2003 Capital Lease payable to Old National Bank for equipment due in annual installments of \$22,865 through July 2014. Interest is charged at a rate of 4.61 % per annum.	\$ 42,750	\$ -
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.	9,900	-
\$522,755 2011 Capital Lease payable to Gorham Leasing Group for HVAC equipment due in annual installments of \$115,228 through August 2016. Interest is charged at a rate of 3.33 % per annum.	424,955	-
\$168,719, 2011 Capital Lease payable to M.S.T. Government Leasing, LLC for photocopiers due in annual installments of \$37,254 through August 2016. Interest is charged at a rate of 3.49% per annum.	136,869	-
\$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.	17,924	-
	<u>\$ 632,398</u>	<u>\$ -</u>

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

2014	\$ 204,867
2015	175,752
2016	152,482
2017	152,482
2018	-
Total minimum lease payments	<u>685,583</u>
Less: Amount representing interest	<u>(53,185)</u>
Present value of future minimum lease payments	<u>\$ 632,398</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – NONSPENDABLE FUND BALANCES

At June 30, 2013, the Town had the following nonspendable fund balances:

General Fund:	
Prepaid expenses	\$ 120,079
Inventory	22,295
	<u>\$ 142,374</u>

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2013, the Town had the following restricted fund balances:

General Fund:	
Education	\$ 1,274,916
Nonmajor special revenue funds (Schedule D)	117,187
Nonmajor capital project funds (Schedule F)	631,912
Nonmajor permanent funds (Schedule H)	1,009,132
	<u>\$ 3,033,147</u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2013, the Town had the following committed fund balances:

Nonmajor special revenue funds (Schedule D)	\$ 1,243,642
Nonmajor capital project funds (Schedule F)	1,862,128
	<u>\$ 3,105,770</u>

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2013, the general fund had the following assigned fund balances:

Nonmajor special revenue funds (Schedule D)	<u>\$ 121,815</u>
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TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2013, the Town's share was as follows:

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

NOTE 11 - 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 12.8% of special plan "1C" members' covered payroll and 6.5% of

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 – 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, 2012, 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, 2013 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 \$451,392, \$407,315 and \$426,314 for the years ended June 30, 2013, 2012 and 2011, 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 \$6,850,059 for the year ended June 30, 2013. 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 \$980,928 for the year ended June 30, 2013. There is no contribution required by the Department, except for federally funded teachers. The Department’s contributions to the plan for 2013, 2012, and 2011 were \$216,204, \$307,265 and \$332,719, respectively.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT
CORPORATION

A. Plan Description

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

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

B. Funding Policy

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

The Town's contributions to the plan including employee contributions for 2013, 2012, and 2011 were \$82,538, \$81,979, and \$75,286, respectively.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 - DEFERRED COMPENSATION PLAN (CONTINUED)

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

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

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

NOTE 13 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2013, the Town had the following overspent appropriations:

Public Safety	\$ 43,995
Public works	79,090
Social services	47,122
Grant funds/misc. accounts	53,898
Transfers to other funds	290,308
Total	<u>\$ 514,413</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 - DEFICIT FUND BALANCES

At June 30, 2013, the Town had the following deficit fund balances:

Non-major funds:	
Munis loan	\$ 18,613
Spruce creek 319 grant	4,431
Spruce creek 319 grant Phase II	3,910
Town pier repair	210,112
Recreation vehicle	3,000
Kittery community center	180
Traffic light Rt. 236 MRTN	105,364
Pepperrell Cove Utilities	3,867
Fire Dept SCBA's	118,007
Other school grants:	
Adult Education Regular	3,288
AEFLA	52
Total	<u>\$ 470,824</u>

NOTE 15 - CONTINGENCIES

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

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

NOTE 16 - RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16 - RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL
(CONTINUED)

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2013. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 17 - 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, 2013:

Active members	61
Retirees and spouses	<u>20</u>
Total	<u><u>81</u></u>

The Town is considering its valuation of other postemployment benefits and a strategy to not only disclose a cost of the benefit, but to also comply with GASB Statement #45. The most recent available other postemployment benefit information follows:

Annual OPEB Cost and Net OPEB Obligations

The Town of Kittery's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

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

Annual required contribution (ARC)	\$ 285,954
Interest on net OPEB obligation	6,838
Adjustment to annual required contribution	<u>(9,328)</u>
Annual OPEB cost	283,464
Contributions made	<u>(121,000)</u>
Increase in net OPEB obligation	162,464
Net OPEB obligation, beginning of year	<u>1,354,468</u>
Net OPEB obligation, end of year	<u><u>\$ 1,516,932</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, 2013 is presented below. Data is presented for the fiscal years ended June 30, 2013, 2012 and 2011.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2011	\$ 291,507	\$ 115,000	39.5%	\$ 1,192,562
6/30/2012	\$ 282,906	\$ 121,000	42.8%	\$ 1,354,468
6/30/2013	\$ 283,464	\$ 121,000	42.7%	\$ 1,516,932

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

In the 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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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)
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
Active	6/30/2012	\$ -	\$ 1,741,526	0.0%	N/A	N/A
Retirees	6/30/2012	\$ -	\$ 1,405,225	0.0%	N/A	N/A
Active	6/30/2013	\$ -	\$ 1,741,526	0.0%	N/A	N/A
Retirees	6/30/2013	\$ -	\$ 1,405,225	0.0%	N/A	N/A

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

	Level Dollar
Discount rate	4.00%
Payroll growth assumption	N/A
Accrued liability	\$ 3,146,751
Value of assets	-
Unfunded liability	\$ 3,146,751
Normal cost	\$ 123,352
Amortization of unfunded	155,764
Interest	6,838
Annual required contribution	<u>\$ 285,954</u>

NOTE 18 - RESTATEMENT

As of July 1, 2011, the net position of the Town's governmental activities has been restated by \$1,354,468. This change was made to correctly reflect the Town's prior year obligation for other postemployment benefits in the government-wide financial statements.

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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 5,288,265	\$ 5,288,265	\$ 5,288,265	\$ -
Resources (Inflows):				
General tax revenue	22,291,961	22,291,961	22,444,322	152,361
Intergovernmental revenue	1,982,488	2,087,374	2,156,637	69,263
Charges for services	1,528,764	1,528,764	1,407,454	(121,310)
Investment income	45,000	45,000	61,767	16,767
Other revenue	140,228	155,295	131,559	(23,736)
Transfers from other funds	67,462	67,462	45,066	(22,396)
Amounts Available for Appropriation	31,344,168	31,464,121	31,535,070	70,949
Charges to Appropriation (Outflows):				
General government	1,755,946	1,767,612	1,708,627	58,985
Public safety	3,123,257	3,123,257	3,167,252	(43,995)
Public works	1,069,240	1,062,663	1,141,753	(79,090)
Recreation and culture	1,967,684	1,967,751	1,830,315	137,436
Health and sanitation	723,582	721,138	621,094	100,044
Social services	54,574	54,574	101,696	(47,122)
Education	14,420,679	15,219,005	13,944,089	1,274,916
County tax	817,322	817,322	817,322	-
Debt service	691,179	691,179	691,179	-
Overlay	128,524	128,524	-	128,524
Grant funds/misc. accounts	246,309	248,731	302,629	(53,898)
Transfers to other funds	1,260,528	1,344,278	1,634,586	(290,308)
Total Charges to Appropriations	26,258,824	27,146,034	25,960,542	1,185,492
Budgetary Fund Balance, June 30	\$ 5,085,344	\$ 4,318,087	\$ 5,574,528	\$ 1,256,441
Utilization of unassigned fund balance	\$ -	\$ 767,412	\$ -	\$ (767,412)
Utilization of committed fund balance	202,921	202,921	-	(202,921)
	\$ 202,921	\$ 970,333	\$ -	\$ (970,333)

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

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues				
Property taxes	\$ 20,826,249	\$ 20,826,249	\$ 21,010,201	\$ 183,952
Vehicle excise taxes	1,430,712	1,430,712	1,405,458	(25,254)
Boat excise taxes	35,000	35,000	28,663	(6,337)
Intergovernmental revenues				
Education subsidy	897,079	748,494	748,494	-
State revenue sharing	583,992	583,992	595,501	11,509
Homestead exemption	106,695	106,695	110,108	3,413
Other education revenue	100,000	353,471	353,471	-
GMH Housing	267,800	267,800	267,651	(149)
General assistance	26,922	26,922	39,062	12,140
Other	-	-	42,350	42,350
Charges for services				
Recreation fees	667,420	667,420	586,686	(80,734)
Code enforcement fees	175,000	175,000	161,247	(13,753)
Registration fees	30,000	30,000	28,381	(1,619)
Town clerk fees	24,000	24,000	19,612	(4,388)
Planning fees	6,000	6,000	18,090	12,090
Sign/ordinances	4,700	4,700	4,077	(623)
Solid waste/recycling	150,000	150,000	98,831	(51,169)
Solid waste/permits	100,000	100,000	93,657	(6,343)
Fort Foster fees	150,000	150,000	161,997	11,997
Eliot dispatching services	80,000	80,000	60,000	(20,000)
Police department	18,100	18,100	28,824	10,724
Animal control	4,461	4,461	5,947	1,486
Mooring/launch fees	107,387	107,387	105,474	(1,913)
Education	-	-	23,644	23,644
Other	11,696	11,696	10,987	(709)
Investment income				
Investment income	45,000	45,000	61,767	16,767
Other income				
Interest/fees on taxes	78,511	78,511	81,997	3,486
Other income	37,717	37,717	34,169	(3,548)
Other education	24,000	39,067	15,393	(23,674)
Transfers from other funds				
Enterprise fund	18,000	18,000	18,000	-
Special revenue funds	49,462	49,462	27,066	(22,396)
Total revenues	<u>\$ 26,055,903</u>	<u>\$ 26,175,856</u>	<u>\$ 26,246,805</u>	<u>\$ 70,949</u>

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, 2013

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
General government					
Administration	\$ 924,438	\$ 17,154	\$ 941,592	\$ 943,280	\$ (1,688)
Assessing	181,962	877	182,839	160,655	22,184
Code enforcement	117,439	728	118,167	114,993	3,174
Town planner	219,119	(2,012)	217,107	223,384	(6,277)
Insurance	269,636	(7,793)	261,843	230,515	31,328
Planning board	16,923	-	16,923	14,447	2,476
Elections	15,558	2,712	18,270	12,984	5,286
Council	10,871	-	10,871	8,369	2,502
	<u>1,755,946</u>	<u>11,666</u>	<u>1,767,612</u>	<u>1,708,627</u>	<u>58,985</u>
Public safety					
Police department	2,569,501	-	2,569,501	2,608,292	(38,791)
Fire department	251,454	-	251,454	361,092	(109,638)
Street lights	100,100	-	100,100	-	100,100
Hydrants	194,752	-	194,752	197,795	(3,043)
Civil emergency preparedness	7,450	-	7,450	73	7,377
	<u>3,123,257</u>	<u>-</u>	<u>3,123,257</u>	<u>3,167,252</u>	<u>(43,995)</u>
Public works					
Highways	1,069,240	(6,577)	1,062,663	1,141,753	(79,090)
	<u>1,069,240</u>	<u>(6,577)</u>	<u>1,062,663</u>	<u>1,141,753</u>	<u>(79,090)</u>
Health and sanitation					
Solid waste	723,582	(2,444)	721,138	621,094	100,044
	<u>723,582</u>	<u>(2,444)</u>	<u>721,138</u>	<u>621,094</u>	<u>100,044</u>
Social services					
General assistance	40,000	-	40,000	93,088	(53,088)
Frisbee school facility	-	-	-	-	-
Community agencies	13,989	-	13,989	8,034	5,955
Public health services	585	-	585	574	11
	<u>54,574</u>	<u>-</u>	<u>54,574</u>	<u>101,696</u>	<u>(47,122)</u>

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
Recreation and culture					
Parks	307,053	(1,693)	305,360	287,938	17,422
Recreation	1,120,087	(10,943)	1,109,144	999,094	110,050
Library	434,400	-	434,400	434,400	-
Port Authority	106,144	12,703	118,847	108,883	9,964
	<u>1,967,684</u>	<u>67</u>	<u>1,967,751</u>	<u>1,830,315</u>	<u>137,436</u>
Education	<u>14,420,679</u>	<u>798,326</u>	<u>15,219,005</u>	<u>13,944,089</u>	<u>1,274,916</u>
County tax	<u>817,322</u>	<u>-</u>	<u>817,322</u>	<u>817,322</u>	<u>-</u>
Debt service					
Principal	465,000	-	465,000	465,000	-
Interest	226,179	-	226,179	226,179	-
	<u>691,179</u>	<u>-</u>	<u>691,179</u>	<u>691,179</u>	<u>-</u>
Overlay	<u>128,524</u>	<u>-</u>	<u>128,524</u>	<u>-</u>	<u>128,524</u>
Grant funds/misc. accounts					
Growth management	10,000	2,422	12,422	11,351	1,071
EPA stormwater program	20,000	-	20,000	10,932	9,068
Snowplowing private roads	-	-	-	31,000	(31,000)
Memorial day activities	700	-	700	674	26
Computer repair	-	-	-	29,882	(29,882)
Ambulance services	30,000	-	30,000	25,000	5,000
Seacoast shipyard	1,500	-	1,500	1,500	-
Shellfish conservation	2,800	-	2,800	2,500	300
Conservation commission	-	-	-	280	(280)
Self insurance claims	-	-	-	4,956	(4,956)
Mosquito/tick control	50,000	-	50,000	50,000	-
GIS/web account	3,600	-	3,600	3,000	600
PSAP paid to York police dept.	20,000	-	20,000	23,857	(3,857)
Bank fees/charges	250	-	250	238	12
Adult education	54,081	-	54,081	54,081	-
TIF financing	53,378	-	53,378	53,378	-
	<u>246,309</u>	<u>2,422</u>	<u>248,731</u>	<u>302,629</u>	<u>(53,898)</u>
Total Expenditures	<u>\$ 24,998,296</u>	<u>\$ 803,460</u>	<u>\$ 25,801,756</u>	<u>\$ 24,325,956</u>	<u>\$ 1,475,800</u>

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 131	\$ -	\$ 117,089	\$ 117,220
Investments	-	-	702,650	702,650
Accounts receivable (net of allowance for uncollectibles)	28,924	-	-	28,924
Due from other governments	233,019	-	-	233,019
Due from other funds	1,478,687	2,519,050	191,983	4,189,720
TOTAL ASSETS	<u>\$ 1,740,761</u>	<u>\$ 2,519,050</u>	<u>\$ 1,011,722</u>	<u>\$ 5,271,533</u>
LIABILITIES				
Accounts payable	\$ 43,043	\$ 25,010	\$ 2,590	\$ 70,643
Due to other funds	455,480	230,418	-	685,898
TOTAL LIABILITIES	<u>498,523</u>	<u>255,428</u>	<u>2,590</u>	<u>756,541</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	117,187	631,912	1,009,132	1,758,231
Committed	1,243,642	1,862,128	-	3,105,770
Assigned	121,815	-	-	121,815
Unassigned	(240,406)	(230,418)	-	(470,824)
TOTAL FUND BALANCES	<u>1,242,238</u>	<u>2,263,622</u>	<u>1,009,132</u>	<u>4,514,992</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,740,761</u>	<u>\$ 2,519,050</u>	<u>\$ 1,011,722</u>	<u>\$ 5,271,533</u>

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

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, 2013

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 652,117	\$ 169,192	\$ -	\$ 821,309
Other income	432,289	250,279	49,683	732,251
Investment income, net of unrealized gains/(losses)	-	-	40,174	40,174
Interest income	-	-	52	52
Charges for services	35,192	-	-	35,192
TOTAL REVENUES	<u>1,119,598</u>	<u>419,471</u>	<u>89,909</u>	<u>1,628,978</u>
EXPENDITURES				
Administration	296,328	86,559	110,042	492,929
Public safety	12,555	328,191	-	340,746
Public works	-	1,149,505	-	1,149,505
Education	713,788	40,101	2,096	755,985
Capital outlay	124,085	517,872	-	641,957
TOTAL EXPENDITURES	<u>1,146,756</u>	<u>2,122,228</u>	<u>112,138</u>	<u>3,381,122</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(27,158)</u>	<u>(1,702,757)</u>	<u>(22,229)</u>	<u>(1,752,144)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	817,171	1,463,498	-	2,280,669
Operating transfers (out)	(296,096)	(475,669)	-	(771,765)
TOTAL OTHER FINANCING SOURCES (USES)	<u>521,075</u>	<u>987,829</u>	<u>-</u>	<u>1,508,904</u>
NET CHANGE IN FUND BALANCES	493,917	(714,928)	(22,229)	(243,240)
FUND BALANCES, JULY 1	<u>748,321</u>	<u>2,978,550</u>	<u>1,031,361</u>	<u>4,758,232</u>
FUND BALANCES, JUNE 30	<u>\$ 1,242,238</u>	<u>\$ 2,263,622</u>	<u>\$ 1,009,132</u>	<u>\$ 4,514,992</u>

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

Special Revenue Funds

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Sewer Impact Fees	Sewer Betterment Fees	Sewer Safety	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)	-	23,156	-	-	-	-	-
Due from other funds	313,660	40,553	-	1,032	30,373	1,652	-
TOTAL ASSETS	<u>\$ 313,660</u>	<u>\$ 63,709</u>	<u>\$ -</u>	<u>\$ 1,032</u>	<u>\$ 30,373</u>	<u>\$ 1,652</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ 950	\$ -	\$ -	\$ -	\$ 1,599	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,599</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	1,032	28,774	1,652	-
Committed	312,710	63,709	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>312,710</u>	<u>63,709</u>	<u>-</u>	<u>1,032</u>	<u>28,774</u>	<u>1,652</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 313,660</u>	<u>\$ 63,709</u>	<u>\$ -</u>	<u>\$ 1,032</u>	<u>\$ 30,373</u>	<u>\$ 1,652</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Police New Officer Grant	Munis Loan	Oil & More	Special Events	Spruce Creek 319	Shore & Harbor
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other funds	-	-	17,205	793	-	5,000
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,205</u>	<u>\$ 793</u>	<u>\$ -</u>	<u>\$ 5,000</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 17	\$ -	\$ 2,369	\$ 1,358
Due to other funds	-	18,613	-	-	2,062	-
TOTAL LIABILITIES	<u>-</u>	<u>18,613</u>	<u>17</u>	<u>-</u>	<u>4,431</u>	<u>1,358</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	17,188	-	-	-
Assigned	-	-	-	793	-	3,642
Unassigned	-	(18,613)	-	-	(4,431)	-
TOTAL FUND BALANCES	<u>-</u>	<u>(18,613)</u>	<u>17,188</u>	<u>793</u>	<u>(4,431)</u>	<u>3,642</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,205</u>	<u>\$ 793</u>	<u>\$ -</u>	<u>\$ 5,000</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Volunteer Recognition	Memorial Day Activities	Accrued Compensated Absences	Channel 22	Self Insurance Claim	Grant Matching Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other funds	-	-	80,752	164,114	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,752</u>	<u>\$ 164,114</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,619	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,619</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	162,495	-	-
Assigned	-	-	80,752	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>80,752</u>	<u>162,495</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,752</u>	<u>\$ 164,114</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Emergency Fuel Account	Ballot Counting Machines	General Assistance Program	Legal Ads	TIF	Kittery Energy/Earth Day
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other funds	-	15,572	-	297	53,378	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 15,572</u>	<u>\$ -</u>	<u>\$ 297</u>	<u>\$ 53,378</u>	<u>\$ -</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	-	-	-	-	53,378	-
Committed	-	15,572	-	-	-	-
Assigned	-	-	-	297	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>15,572</u>	<u>-</u>	<u>297</u>	<u>53,378</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 15,572</u>	<u>\$ -</u>	<u>\$ 297</u>	<u>\$ 53,378</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Outfall Pipe Water Test	Harbor Planning Grant	Spruce Creek 319 Grant Phase II	Wood Island State Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	3,910	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>3,910</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(3,910)	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>(3,910)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	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	21,630	-	-	-	373	2,107
TOTAL ASSETS	<u>\$ 21,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ 2,107</u>
LIABILITIES						
Accounts payable	\$ 10,319	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	210,112	-	-	-	-
TOTAL LIABILITIES	<u>10,319</u>	<u>210,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	373	-
Committed	-	-	-	-	-	2,107
Assigned	11,311	-	-	-	-	-
Unassigned	-	(210,112)	-	-	-	-
TOTAL FUND BALANCES	<u>11,311</u>	<u>(210,112)</u>	<u>-</u>	<u>-</u>	<u>373</u>	<u>2,107</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ 2,107</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Alternative Energy Fund	Recreation
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Due from other funds	46,047	-	99,680	7,400	-	-
TOTAL ASSETS	<u>\$ 46,047</u>	<u>\$ -</u>	<u>\$ 99,680</u>	<u>\$ 7,400</u>	<u>\$ -</u>	<u>\$ -</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	46,047	-	99,680	7,400	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>46,047</u>	<u>-</u>	<u>99,680</u>	<u>7,400</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,047</u>	<u>\$ -</u>	<u>\$ 99,680</u>	<u>\$ 7,400</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Property Valuation	Traip Mechanical Retrofit	Defibrillators	Langdon Gravel Pit	Block Party	Other School Grants	Totals
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131	\$ 131
Due from other governments	-	-	-	-	-	233,019	233,019
Accounts receivable (net of allowance for uncollectibles)	-	-	-	-	-	5,768	28,924
Due from other funds	82,108	-	690	-	21,135	473,136	1,478,687
TOTAL ASSETS	<u>\$ 82,108</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ -</u>	<u>\$ 21,135</u>	<u>\$ 712,054</u>	<u>\$ 1,740,761</u>
LIABILITIES							
Accounts payable	\$ 10,364	\$ -	\$ -	\$ -	\$ 2,463	\$ 11,985	\$ 43,043
Due to other funds	-	-	-	-	-	220,783	455,480
TOTAL LIABILITIES	<u>10,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,463</u>	<u>232,768</u>	<u>498,523</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	31,978	117,187
Committed	71,744	-	-	-	18,672	426,318	1,243,642
Assigned	-	-	690	-	-	24,330	121,815
Unassigned	-	-	-	-	-	(3,340)	(240,406)
TOTAL FUND BALANCES	<u>71,744</u>	<u>-</u>	<u>690</u>	<u>-</u>	<u>18,672</u>	<u>479,286</u>	<u>1,242,238</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 82,108</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ -</u>	<u>\$ 21,135</u>	<u>\$ 712,054</u>	<u>\$ 1,740,761</u>

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

SCHEDULE E

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Sewer Impact Fees	Sewer Betterment Fees	Sewer Safety	GMH Police / Fire Rescue	Storm Damage / FEMA	Fire Hazmat Spill Cleanup	Highway Internal Services
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 40,399	\$ -	\$ -
Other income	13,347	-	2,791	-	-	576	-
Charges for services	-	-	-	-	-	-	-
TOTAL REVENUES	<u>13,347</u>	<u>-</u>	<u>2,791</u>	<u>-</u>	<u>40,399</u>	<u>576</u>	<u>-</u>
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	10,877	1,074	-
Education	-	-	-	-	-	-	-
Capital outlay	54,175	2,829	2,791	-	-	-	-
TOTAL EXPENDITURES	<u>54,175</u>	<u>2,829</u>	<u>2,791</u>	<u>-</u>	<u>10,877</u>	<u>1,074</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(40,828)</u>	<u>(2,829)</u>	<u>-</u>	<u>-</u>	<u>29,522</u>	<u>(498)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers (out)	(18,432)	-	-	-	-	-	(3,181)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,432)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,181)</u>
NET CHANGE IN FUND BALANCES	(59,260)	(2,829)	-	-	29,522	(498)	(3,181)
FUND BALANCES, JULY 1	<u>371,970</u>	<u>66,538</u>	<u>-</u>	<u>1,032</u>	<u>(748)</u>	<u>2,150</u>	<u>3,181</u>
FUND BALANCES, JUNE 30	<u>\$ 312,710</u>	<u>\$ 63,709</u>	<u>\$ -</u>	<u>\$ 1,032</u>	<u>\$ 28,774</u>	<u>\$ 1,652</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Police New Officer Grant	Munis Loan	Oil & More	Special Events	Spruce Creek 319	Shore & Harbor
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	51,829	3,590	-	5,000
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	-	-	51,829	3,590	-	5,000
EXPENDITURES						
Administration	-	18,613	51,383	2,797	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	4,431	1,358
TOTAL EXPENDITURES	-	18,613	51,383	2,797	4,431	1,358
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(18,613)	446	793	(4,431)	3,642
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	11,497	-	-	-	-
Operating transfers (out)	(10,828)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(10,828)	11,497	-	-	-	-
NET CHANGE IN FUND BALANCES	(10,828)	(7,116)	446	793	(4,431)	3,642
FUND BALANCES, JULY 1	10,828	(11,497)	16,742	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ (18,613)	\$ 17,188	\$ 793	\$ (4,431)	\$ 3,642

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Volunteer Recognition	Memorial Day Activities	Accrued Compensated Absences	Channel 22	Self Insurance Claim	Grant Matching Funds
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	78,540	-	-
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	78,540	-	-
EXPENDITURES						
Administration	-	-	74,937	46,811	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	74,937	46,811	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(74,937)	31,729	-	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	306,532	-	-	-
Operating transfers (out)	(49)	(626)	(30,163)	-	(26,807)	(5,180)
TOTAL OTHER FINANCING SOURCES (USES)	(49)	(626)	276,369	-	(26,807)	(5,180)
NET CHANGE IN FUND BALANCES	(49)	(626)	201,432	31,729	(26,807)	(5,180)
FUND BALANCES, JULY 1	49	626	(120,680)	130,766	26,807	5,180
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ 80,752	\$ 162,495	\$ -	\$ -

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Emergency Fuel Account	Ballot Counting Machines	General Assistance Program	Legal Ads	TIF	Kittery Energy/Earth Day
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	53,378	-
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	53,378	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	53,378	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	2,482	-	-
Operating transfers (out)	(40,000)	-	(9,870)	-	-	(95)
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	-	(9,870)	2,482	-	(95)
NET CHANGE IN FUND BALANCES	(40,000)	-	(9,870)	2,482	53,378	(95)
FUND BALANCES, JULY 1	40,000	15,572	9,870	(2,185)	-	95
FUND BALANCES, JUNE 30	\$ -	\$ 15,572	\$ -	\$ 297	\$ 53,378	\$ -

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Outfall Pipe Water Test	Harbor Planning Grant	Spruce Creek 319 Grant Phase II	Wood Island State Grant
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Other income	-	-	17,935	-
Charges for services	-	-	-	-
TOTAL REVENUES	-	-	17,935	-
EXPENDITURES				
Administration	-	-	-	-
Public safety	-	-	-	-
Education	-	-	-	-
Capital outlay	-	-	9,103	-
TOTAL EXPENDITURES	-	-	9,103	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	8,832	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,039	518	7,006	-
Operating transfers (out)	-	-	-	(1,971)
TOTAL OTHER FINANCING SOURCES (USES)	4,039	518	7,006	(1,971)
NET CHANGE IN FUND BALANCES	4,039	518	15,838	(1,971)
FUND BALANCES, JULY 1	(4,039)	(518)	(19,748)	1,971
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ (3,910)	\$ -

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	ASA Applicant Code Enforcement	Town Pier Repair	Pier Condition Report	Harbor Pier	York Hospital Scholarship	Concerts In The Park
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	30,675	-	-	-	18,500	2,480
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	<u>30,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,500</u>	<u>2,480</u>
EXPENDITURES						
Administration	30,712	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	17,554	-	-	28,934	2,400
TOTAL EXPENDITURES	<u>30,712</u>	<u>17,554</u>	<u>-</u>	<u>-</u>	<u>28,934</u>	<u>2,400</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37)</u>	<u>(17,554)</u>	<u>-</u>	<u>-</u>	<u>(10,434)</u>	<u>80</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	210,646	-	2,712	-	-
Operating transfers (out)	-	-	(1,098)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>210,646</u>	<u>(1,098)</u>	<u>2,712</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(37)	193,092	(1,098)	2,712	(10,434)	80
FUND BALANCES, JULY 1	<u>11,348</u>	<u>(403,204)</u>	<u>1,098</u>	<u>(2,712)</u>	<u>10,807</u>	<u>2,027</u>
FUND BALANCES, JUNE 30	<u>\$ 11,311</u>	<u>\$ (210,112)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ 2,107</u>

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Open Space Reserve	Shellfish Conservation Committee	Conservation Committee	Wetlands Mitigation	Alternative Energy Fund	Recreation
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	7,400	-	-
Charges for services	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	7,400	-	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	510	-	-	-
TOTAL EXPENDITURES	-	-	510	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(510)	7,400	-	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	46,047	265	98,691	-	-	-
Operating transfers (out)	(48,363)	-	-	(50,329)	(24,716)	(16,427)
TOTAL OTHER FINANCING SOURCES (USES)	(2,316)	265	98,691	(50,329)	(24,716)	(16,427)
NET CHANGE IN FUND BALANCES	(2,316)	265	98,181	(42,929)	(24,716)	(16,427)
FUND BALANCES, JULY 1	48,363	(265)	1,499	50,329	24,716	16,427
FUND BALANCES, JUNE 30	\$ 46,047	\$ -	\$ 99,680	\$ 7,400	\$ -	\$ -

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Property Valuation	Traip Mechanical Retrofit	Defibrillators	Langdon Gravel Pit	Block Party	Other School Grants	Totals
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,718	\$ 652,117
Other income	-	-	-	-	38,116	108,132	432,289
Charges for services	-	-	-	-	-	35,192	35,192
TOTAL REVENUES	-	-	-	-	38,116	755,042	1,119,598
EXPENDITURES							
Administration	48,256	-	-	-	22,819	-	296,328
Public safety	-	-	604	-	-	-	12,555
Education	-	-	-	-	-	713,788	713,788
Capital outlay	-	-	-	-	-	-	124,085
TOTAL EXPENDITURES	48,256	-	604	-	22,819	713,788	1,146,756
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(48,256)	-	(604)	-	15,297	41,254	(27,158)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	40,000	1,148	-	-	-	85,588	817,171
Operating transfers (out)	-	-	(348)	(4,000)	(3,474)	(139)	(296,096)
TOTAL OTHER FINANCING SOURCES (USES)	40,000	1,148	(348)	(4,000)	(3,474)	85,449	521,075
NET CHANGE IN FUND BALANCES	(8,256)	1,148	(952)	(4,000)	11,823	126,703	493,917
FUND BALANCES, JULY 1	80,000	(1,148)	1,642	4,000	6,849	352,583	748,321
FUND BALANCES, JUNE 30	\$ 71,744	\$ -	\$ 690	\$ -	\$ 18,672	\$ 479,286	\$ 1,242,238

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

Capital Projects Funds

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Capital Improvement	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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	9,897	627,309	31,321	-	-	7,534	19,154
TOTAL ASSETS	<u>\$ 9,897</u>	<u>\$ 627,309</u>	<u>\$ 31,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,534</u>	<u>\$ 19,154</u>
LIABILITIES							
Accounts payable	\$ -	\$ 14,186	\$ 807	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>14,186</u>	<u>807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	613,123	-	-	-	-	-
Committed	9,897	-	30,514	-	-	7,534	19,154
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>9,897</u>	<u>613,123</u>	<u>30,514</u>	<u>-</u>	<u>-</u>	<u>7,534</u>	<u>19,154</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,897</u>	<u>\$ 627,309</u>	<u>\$ 31,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,534</u>	<u>\$ 19,154</u>

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	7,649	83,983	-	-	149,981	38,645
TOTAL ASSETS	<u>\$ 7,649</u>	<u>\$ 83,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,981</u>	<u>\$ 38,645</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	3,000	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	7,649	83,983	-	-	149,981	38,645
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(3,000)	-	-
TOTAL FUND BALANCES	<u>7,649</u>	<u>83,983</u>	<u>-</u>	<u>(3,000)</u>	<u>149,981</u>	<u>38,645</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,649</u>	<u>\$ 83,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,981</u>	<u>\$ 38,645</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Parks Dept Vehicle	Kittery Community Center	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	55,840	-	-	24,032	16,685	-	-
TOTAL ASSETS	<u>\$ 55,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,032</u>	<u>\$ 16,685</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 2,497	\$ -	\$ -	\$ -
Due to other funds	-	180	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>180</u>	<u>-</u>	<u>2,497</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	55,840	-	-	21,535	16,685	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	(180)	-	-	-	-	-
TOTAL FUND BALANCES	<u>55,840</u>	<u>(180)</u>	<u>-</u>	<u>21,535</u>	<u>16,685</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 55,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,032</u>	<u>\$ 16,685</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Public Safety	FF Protective Clothing	Office Restrooms
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	37,821	19,465	15,123	51,475	38,615	851	-
TOTAL ASSETS	<u>\$ 37,821</u>	<u>\$ 19,465</u>	<u>\$ 15,123</u>	<u>\$ 51,475</u>	<u>\$ 38,615</u>	<u>\$ 851</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ 676	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	18,789	-	-	-	-	-
Committed	37,821	-	15,123	51,475	38,615	851	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>37,821</u>	<u>18,789</u>	<u>15,123</u>	<u>51,475</u>	<u>38,615</u>	<u>851</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,821</u>	<u>\$ 19,465</u>	<u>\$ 15,123</u>	<u>\$ 51,475</u>	<u>\$ 38,615</u>	<u>\$ 851</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-	-	25,195
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,195</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	105,364	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,364</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	25,195
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(105,364)	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,364)</u>	<u>-</u>	<u>25,195</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,195</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Fort Foster Restrooms	Boating Infrastructure	Haley Field Project	Buildings and Grounds	Computer Repair Replacement	Municipal Facility Maint. Resrv.	Pepperrell Cove Utilities
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	71,089	-	5,785	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 71,089</u>	<u>\$ -</u>	<u>\$ 5,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES							
Accounts payable	\$ -	\$ 3,500	\$ -	\$ 609	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	3,867
TOTAL LIABILITIES	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>609</u>	<u>-</u>	<u>-</u>	<u>3,867</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	67,589	-	5,176	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(3,867)
TOTAL FUND BALANCES	<u>-</u>	<u>67,589</u>	<u>-</u>	<u>5,176</u>	<u>-</u>	<u>-</u>	<u>(3,867)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 71,089</u>	<u>\$ -</u>	<u>\$ 5,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	12,636	56,938	712,172	-	2,347	15,658
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 12,636</u>	<u>\$ 56,938</u>	<u>\$ 712,172</u>	<u>\$ -</u>	<u>\$ 2,347</u>	<u>\$ 15,658</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 2,285	\$ -	\$ -	\$ 450
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,285</u>	<u>-</u>	<u>-</u>	<u>450</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	12,636	56,938	709,887	-	2,347	15,208
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>12,636</u>	<u>56,938</u>	<u>709,887</u>	<u>-</u>	<u>2,347</u>	<u>15,208</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 12,636</u>	<u>\$ 56,938</u>	<u>\$ 712,172</u>	<u>\$ -</u>	<u>\$ 2,347</u>	<u>\$ 15,658</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013

	Architectural Barrier	Treatment Plant Upgrade	School Maintenance Reserve	Capital Improvement Fund	Mitchell/ Shapleigh Building Fund	Shapleigh Track Replacement	Fire Dept SCBA's	Totals
ASSETS								
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	304,203	53,724	23,923	-	-	2,519,050
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,203</u>	<u>\$ 53,724</u>	<u>\$ 23,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,519,050</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,010
Due to other funds	-	-	-	-	-	-	118,007	230,418
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,007</u>	<u>255,428</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	631,912
Committed	-	-	304,203	53,724	23,923	-	-	1,862,128
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(118,007)	(230,418)
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>304,203</u>	<u>53,724</u>	<u>23,923</u>	<u>-</u>	<u>(118,007)</u>	<u>2,263,622</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,203</u>	<u>\$ 53,724</u>	<u>\$ 23,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,519,050</u>

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2013

	Capital Improvement	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
REVENUES							
Intergovernmental revenue	\$ -	\$ 168,336	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	187,319	-	-	-	-	-
TOTAL REVENUES	-	355,655	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	684,461	34,780	-	-	-	20,097
Education	-	-	-	-	-	-	-
Capital outlay	83,603	-	-	-	-	-	-
TOTAL EXPENDITURES	83,603	684,461	34,780	-	-	-	20,097
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(83,603)	(328,806)	(34,780)	-	-	-	(20,097)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	93,500	164,124	70,000	-	-	-	10,000
Operating transfers (out)	-	-	(5,433)	(783)	(1,778)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	93,500	164,124	64,567	(783)	(1,778)	-	10,000
NET CHANGE IN FUND BALANCES	9,897	(164,682)	29,787	(783)	(1,778)	-	(10,097)
FUND BALANCES, JULY 1	-	777,805	727	783	1,778	7,534	29,251
FUND BALANCES, JUNE 30	\$ 9,897	\$ 613,123	\$ 30,514	\$ -	\$ -	\$ 7,534	\$ 19,154

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2013

	Asphalt Surface Maintenance	Solid Waste Vehicle Fund	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	5,000	-	9,912	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	91,053	-	-
TOTAL EXPENDITURES	-	-	5,000	91,053	9,912	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(5,000)	(91,053)	(9,912)	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	7,500	49,377	2,681	20,000	109,991	79,000
Operating transfers (out)	-	-	-	-	-	(45,594)
TOTAL OTHER FINANCING SOURCES (USES)	7,500	49,377	2,681	20,000	109,991	33,406
NET CHANGE IN FUND BALANCES	7,500	49,377	(2,319)	(71,053)	100,079	33,406
FUND BALANCES, JULY 1	149	34,606	2,319	68,053	49,902	5,239
FUND BALANCES, JUNE 30	<u>\$ 7,649</u>	<u>\$ 83,983</u>	<u>\$ -</u>	<u>\$ (3,000)</u>	<u>\$ 149,981</u>	<u>\$ 38,645</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, 2013

	Parks Dept Vehicle	Kittery Community Center	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	16,710	-	-	-	-	-
TOTAL REVENUES	-	16,710	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	13,868	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	40,900	-	-	3,200	-	-
TOTAL EXPENDITURES	-	40,900	-	13,868	3,200	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(24,190)	-	(13,868)	(3,200)	-	-
OTHER FINANCING SOURCES (USES)							
Operating transfers in	15,450	3,474	-	30,000	11,000	-	-
Operating transfers (out)	-	-	(253)	-	-	(43,488)	(176)
TOTAL OTHER FINANCING SOURCES (USES)	15,450	3,474	(253)	30,000	11,000	(43,488)	(176)
NET CHANGE IN FUND BALANCES	15,450	(20,716)	(253)	16,132	7,800	(43,488)	(176)
FUND BALANCES, JULY 1	40,390	20,536	253	5,403	8,885	43,488	176
FUND BALANCES, JUNE 30	\$ 55,840	\$ (180)	\$ -	\$ 21,535	\$ 16,685	\$ -	\$ -

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, 2013

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Public Safety	FF Protective Clothing	Office Restrooms
REVENUES							
Intergovernmental revenue	\$ -	\$ 856	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	6,830	-	11,020	-	-
TOTAL REVENUES	-	856	6,830	-	11,020	-	-
EXPENDITURES							
Administration	17,272	-	-	-	-	-	-
Public safety	-	9,060	30,814	-	33,721	49,149	-
Public works	-	-	-	36,622	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	17,272	9,060	30,814	36,622	33,721	49,149	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,272)	(8,204)	(23,984)	(36,622)	(22,701)	(49,149)	-
OTHER FINANCING SOURCES (USES)							
Operating transfers in	17,546	-	29,000	37,173	3,103	80,000	1
Operating transfers (out)	-	-	-	-	-	(30,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	17,546	-	29,000	37,173	3,103	50,000	1
NET CHANGE IN FUND BALANCES	274	(8,204)	5,016	551	(19,598)	851	1
FUND BALANCES, JULY 1	37,547	26,993	10,107	50,924	58,213	-	(1)
FUND BALANCES, JUNE 30	\$ 37,821	\$ 18,789	\$ 15,123	\$ 51,475	\$ 38,615	\$ 851	\$ -

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, 2013

	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	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	108,253	-	209,575
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	108,253	-	209,575
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	(108,253)	-	(209,575)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	69,552	11,713	887	1,054	-	20,336	125,000
Operating transfers (out)	(160,235)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(90,683)	11,713	887	1,054	-	20,336	125,000
NET CHANGE IN FUND BALANCES	(90,683)	11,713	887	1,054	(108,253)	20,336	(84,575)
FUND BALANCES, JULY 1	90,683	(11,713)	(887)	(1,054)	2,889	(20,336)	109,770
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ (105,364)	\$ -	\$ 25,195

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, 2013

	Fort Foster Restrooms	Boating Infrastructure	Haley Field Project	Buildings and Grounds	Computer Repair Replacement	Municipal Facility Maint. Resrv.	Pepperrell Cove Utilities
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	26,937	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	22,411	-	-	-	-	3,867
TOTAL EXPENDITURES	-	22,411	-	26,937	-	-	3,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(22,411)	-	(26,937)	-	-	(3,867)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	13,850	15,000	-	3,727	-
Operating transfers (out)	(3,174)	-	-	-	(17,546)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,174)	-	13,850	15,000	(17,546)	3,727	-
NET CHANGE IN FUND BALANCES	(3,174)	(22,411)	13,850	(11,937)	(17,546)	3,727	(3,867)
FUND BALANCES, JULY 1	3,174	90,000	(13,850)	17,113	17,546	(3,727)	-
FUND BALANCES, JUNE 30	\$ -	\$ 67,589	\$ -	\$ 5,176	\$ -	\$ -	\$ (3,867)

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, 2013

	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	-	900	27,500	-	-	-	-
TOTAL REVENUES	-	900	27,500	-	-	-	-
EXPENDITURES							
Administration	-	105	-	-	-	-	69,182
Public safety	-	-	-	-	-	57,440	-
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	34,998	-	-	-
TOTAL EXPENDITURES	-	105	-	34,998	-	57,440	69,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	795	27,500	(34,998)	-	(57,440)	(69,182)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	-	-	10,000	-
Operating transfers (out)	(1,000)	-	-	(9,280)	(3,305)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	-	-	(9,280)	(3,305)	10,000	-
NET CHANGE IN FUND BALANCES	(1,000)	795	27,500	(44,278)	(3,305)	(47,440)	(69,182)
FUND BALANCES, JULY 1	1,000	11,841	29,438	754,165	3,305	49,787	84,390
FUND BALANCES, JUNE 30	\$ -	\$ 12,636	\$ 56,938	\$ 709,887	\$ -	\$ 2,347	\$ 15,208

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, 2013

	Architectural Barrier	Treatment Plant Upgrade	School Maintenance Reserve	Capital Improvement Fund	Mitchell/ Shapleigh Building Fund	Shapleigh Track Replacement	Fire Dept SCBA's	Totals
REVENUES								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,192
Other income	-	-	-	-	-	-	-	250,279
TOTAL REVENUES	-	-	-	-	-	-	-	419,471
EXPENDITURES								
Administration	-	-	-	-	-	-	-	86,559
Public safety	-	-	-	-	-	-	148,007	328,191
Public works	-	-	-	-	-	-	-	1,149,505
Education	-	-	-	40,101	-	-	-	40,101
Capital outlay	-	-	-	237,840	-	-	-	517,872
TOTAL EXPENDITURES	-	-	-	277,941	-	-	148,007	2,122,228
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(277,941)	-	-	(148,007)	(1,702,757)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	329,459	-	-	30,000	1,463,498
Operating transfers (out)	(53,236)	(40)	(100,118)	-	-	(230)	-	(475,669)
TOTAL OTHER FINANCING SOURCES (USES)	(53,236)	(40)	(100,118)	329,459	-	(230)	30,000	987,829
NET CHANGE IN FUND BALANCES	(53,236)	(40)	(100,118)	51,518	-	(230)	(118,007)	(714,928)
FUND BALANCES, JULY 1	53,236	40	404,321	2,206	23,923	230	-	\$ 2,978,550
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ 304,203	\$ 53,724	\$ 23,923	\$ -	\$ (118,007)	\$ 2,263,622

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

Permanent Funds

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2013

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 16,989	\$ -
Investments	-	-	702,650	-
Due from other funds	84,042	27,275	-	9,009
TOTAL ASSETS	<u>\$ 84,042</u>	<u>\$ 27,275</u>	<u>\$ 719,639</u>	<u>\$ 9,009</u>
LIABILITIES				
Accounts payable	\$ 2,590	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>2,590</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	81,452	27,275	719,639	9,009
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>81,452</u>	<u>27,275</u>	<u>719,639</u>	<u>9,009</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 84,042</u>	<u>\$ 27,275</u>	<u>\$ 719,639</u>	<u>\$ 9,009</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2013

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 100,100	\$ -	\$ -	\$ 117,089
Investments	-	-	-	702,650
Due from other funds	-	14,101	57,556	191,983
TOTAL ASSETS	<u>\$ 100,100</u>	<u>\$ 14,101</u>	<u>\$ 57,556</u>	<u>\$ 1,011,722</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,590
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,590</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	100,100	14,101	57,556	1,009,132
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>100,100</u>	<u>14,101</u>	<u>57,556</u>	<u>1,009,132</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 100,100</u>	<u>\$ 14,101</u>	<u>\$ 57,556</u>	<u>\$ 1,011,722</u>

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

TOWN OF KITTERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust
REVENUES				
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ 40,174	\$ -
Interest income	-	-	-	-
Other income	500	-	31,015	-
TOTAL REVENUES	<u>500</u>	<u>-</u>	<u>71,189</u>	<u>-</u>
EXPENDITURES				
Education	-	-	-	-
Town wide	17,180	-	71,862	-
TOTAL EXPENDITURES	<u>17,180</u>	<u>-</u>	<u>71,862</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(16,680)</u>	<u>-</u>	<u>(673)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(16,680)	-	(673)	-
FUND BALANCES, JULY 1	<u>98,132</u>	<u>27,275</u>	<u>720,312</u>	<u>9,009</u>
FUND BALANCES, JUNE 30	<u>\$ 81,452</u>	<u>\$ 27,275</u>	<u>\$ 719,639</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, 2013

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
REVENUES				
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ -	\$ 40,174
Interest income	52	-	-	52
Other income	220	17,948	-	49,683
TOTAL REVENUES	<u>272</u>	<u>17,948</u>	<u>-</u>	<u>89,909</u>
EXPENDITURES				
Education	2,096	-	-	2,096
Town wide	-	21,000	-	110,042
TOTAL EXPENDITURES	<u>2,096</u>	<u>21,000</u>	<u>-</u>	<u>112,138</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,824)</u>	<u>(3,052)</u>	<u>-</u>	<u>(22,229)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,824)	(3,052)	-	(22,229)
FUND BALANCES, JULY 1	<u>101,924</u>	<u>17,153</u>	<u>57,556</u>	<u>1,031,361</u>
FUND BALANCES, JUNE 30	<u>\$ 100,100</u>	<u>\$ 14,101</u>	<u>\$ 57,556</u>	<u>\$ 1,009,132</u>

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

General Capital Assets

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

TOWN OF KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2013

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Totals
Police	\$ -	\$ 84,458	\$ 1,035,284	\$ -	\$ 1,119,742
General government	-	2,689,485	219,387	-	2,908,872
Fire	353,200	3,499,737	2,399,538	-	6,252,475
Highway	8,694,110	3,764,608	3,059,249	10,499,944	26,017,911
Recycling	33,347	98,226	29,288	449,875	610,736
Recreation	5,340,800	646,151	206,642	-	6,193,593
Library	-	8,711	-	-	8,711
Town-wide	1,973,300	3,264,714	136,305	15,000	5,389,319
School Department	96,258	25,502,919	520,995	-	26,120,172
Sewer Department	4,024,122	14,906,132	629,394	25,768	19,585,416
School Lunch Program	-	-	98,255	-	98,255
Total General Capital Assets	20,515,137	54,465,141	8,334,337	10,990,587	94,305,202
Less: Accumulated Depreciation	-	(26,069,431)	(5,647,369)	(7,485,636)	(39,202,436)
Net General Capital Assets	<u>\$ 20,515,137</u>	<u>\$ 28,395,710</u>	<u>\$ 2,686,968</u>	<u>\$ 3,504,951</u>	<u>\$ 55,102,766</u>

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

TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2013

	General Capital Assets 7/1/12	Additions	Deletions	General Capital Assets 6/30/13
Police	\$ 1,066,818	\$ 52,924	\$ -	\$ 1,119,742
General government	2,908,872	-	-	2,908,872
Fire	6,051,252	201,223	-	6,252,475
Highway	25,041,470	976,441	-	26,017,911
Recycling	569,790	40,946	-	610,736
Recreation	5,578,213	615,380	-	6,193,593
Library	8,711	-	-	8,711
Town-wide	5,293,262	96,057	-	5,389,319
School Department	25,882,332	237,840	-	26,120,172
Sewer Department	19,547,371	38,045	-	19,585,416
School Lunch Program	98,255	-	-	98,255
Total General Capital Assets	92,031,346	2,258,856	-	94,305,202
Less: Accumulated Depreciation	<u>(36,917,641)</u>	<u>(2,284,795)</u>	-	<u>(39,202,436)</u>
Net General Capital Assets	<u>\$ 55,128,705</u>	<u>\$ (25,939)</u>	<u>\$ -</u>	<u>\$ 55,102,766</u>

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

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

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	\$ 7,394
School Breakfast Program	10.555	013-06A-7127-05	39,157
School Lunch Program	10.555	013-06A-7128-95	153,981
Total Department of Agriculture			<u>200,532</u>
U.S. Department of Education Passed through State of Maine-Department of Education and Cultural Services:			
Title IA - Disadvantaged	84.010	013-05A-3107-13	151,083
Title IA - CIPS	85.010	013-05A-3106-13	13,262
Local Entitlement	84.027	013-05A-3046-12	269,691
Local Entitlement - Part B Section 619	84.173	013-05A-6241-23	6,291
Title IIA-Teaching Quality	84.367	013-05A-3042-11	53,826
Education Jobs Fund	84.410	013-05A-3099-10	4,211
Total Department of Education			<u>498,364</u>
U.S. Department of Commerce Passed through State of Maine-Department of Education:			
NTIA/MARTI	11.557	020-05A-3112-64	750
Total Department of Commerce			<u>750</u>
U.S. Department of Transportation Passed through State of Maine-Bureau of Highway Safety:			
2012 High Visibility Impaired Driving	20.601	013-16A-410S-012	1,383
2013 CIOT Seat Belt Campaign	20.602	013-16A-304D-012	1,710
2013 "Drive Sober, Maine!" Impaired Driving	20.610	013-16A-410S-012	2,835
Total Department of Transportation			<u>5,928</u>
Department of Homeland Security Federal Emergency Management Agency			
Public Assistance Grants	97.036	N/A	40,622
Total Department of Homeland Security			<u>40,622</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 746,196</u>

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2013

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) 84.010 – Title IA Disadvantaged



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

Town Council
Town of Kittery
Kittery, Maine

We have audited, in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Kittery's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
October 15, 2013



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

Town Council
Town of Kittery
Kittery, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Kittery, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Kittery's major federal programs for the year ended June 30, 2013. The Town of Kittery's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kittery's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kittery's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

In our opinion, the Town of Kittery, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Kittery, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kittery's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kittery's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kittery's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
October 15, 2013

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported

In accordance with 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
84.010	Title IA - Disadvantaged

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



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INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of Town of Kittery for the year ended June 30, 2013 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 Unit for accuracy. In addition we have reviewed the Unit'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

Buxton, Maine
October 15, 2013

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KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Fund (3000)	Totals
June 30, 2013 balance per MEDMS financial system	\$ 592,867	\$ (10,924)	\$ -	\$ 581,943
Revenue Adjustments:				
Reverse out posting of use of fund balance	(202,921)	-	-	(202,921)
Expenditure Adjustments:				
Audit adjustments	(1,553)	-	-	(1,553)
Other adjustments:				
Beginning balances not reported on MEDMS	970,273	338,691	430,450	1,739,414
Adult Education (Fund 1500)	-	(3,288)	-	(3,288)
Adult Education Enrichment (Fund 6150)	-	24,892	-	24,892
Mitchell Fund (Fund 9010)	-	4,183	-	4,183
Gate Receipts (Fund 6010)	-	5,316	-	5,316
Traip Fund (Fund 9030)	-	9,001	-	9,001
Shapleigh Fund (Fund 9020)	-	11,297	-	11,297
School Maintenance Reserve (Fund 2920)	-	100,118	(100,118)	-
Capital Improvement (Fund 4000)	-	-	51,518	51,518
Posted Directly into Fund Balance	(83,750)	-	-	(83,750)
Audited GAAP Basis Fund balance June 30, 2012	<u>\$ 1,274,916</u>	<u>\$ 479,286</u>	<u>\$ 381,850</u>	<u>\$ 2,136,052</u>