

Federal Compliance Audit

Town of Kittery, Maine

June 30, 2009



Proven Expertise and Integrity

TOWN OF KITTERY, MAINE

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JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

October 21, 2009

Town Council
Town of Kittery
Kittery, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kittery, Maine, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Kittery, Maine as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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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 nonmajor 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 the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of Kittery. The combining and individual nonmajor fund financial statements and the schedule of expenditure of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RHR Smith & Co.

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

(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, 2009. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government - Wide Financial Statements

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

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

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

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

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, education, health and sanitation, recreation and other unclassified.
- *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 general fund and sewer capital reserve. 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 for. 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 schedule of Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental funds is \$31.9 million compared to \$34.1 million in the prior year, a decrease of 6.55%. For the business-type activities total net assets is \$11.50 million as compared to \$10.31 million in the prior year, an increase of 11.54%.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$7.7 million at the end of this year for governmental activities and \$1,983,850 for the business-type activities.

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

	2009		2008	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Assets:				
Current and other assets	\$ 12,494,988	\$ 2,563,348	\$ 14,599,192	\$ 4,261,539
Capital Assets	31,673,309	14,651,537	33,500,216	13,353,036
Other Assets	-	18,650	-	23,046
Total Assets	<u>\$ 44,168,297</u>	<u>\$ 17,233,535</u>	<u>\$ 48,099,408</u>	<u>\$ 17,637,621</u>
Liabilities:				
Current Liabilities	\$ 2,883,517	\$ 4,097,517	\$ 3,268,000	\$ 5,409,911
Long-term Debt Outstanding	9,431,035	1,638,855	10,746,910	1,916,173
Total Liabilities	<u>\$ 12,314,552</u>	<u>\$ 5,736,372</u>	<u>\$ 14,014,910</u>	<u>\$ 7,326,084</u>
Net Assets:				
Invested in Capital Assets, Net of related Debt	\$ 22,230,158	\$ 9,488,313	\$ 22,577,455	\$ 7,951,135
Restricted for: Special revenues	166,496	-	110,399	-
Permanent funds	1,019,064	-	1,091,593	-
Education	756,313	-	532,280	-
Special entrance fee	-	25,000	-	-
Unrestricted Net Assets	<u>7,681,714</u>	<u>1,983,850</u>	<u>9,772,771</u>	<u>2,360,402</u>
Total Net Assets	<u>\$ 31,853,745</u>	<u>\$ 11,497,163</u>	<u>\$ 34,084,498</u>	<u>\$ 10,311,537</u>

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

	2009		2008	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Revenues				
Taxes:				
Property	\$ 18,288,145	\$ -	\$ 18,147,823	\$ -
Excise	1,414,123	-	1,448,530	-
Intergovernmental	2,433,015	135,722	2,815,742	122,246
State of Maine on behalf payments	1,207,086	-	1,236,367	-
Charges for services	649,652	2,020,228	1,101,383	1,867,037
Miscellaneous	1,950,613	217,251	1,840,060	153,394
Total Revenue	<u>25,942,634</u>	<u>2,373,201</u>	<u>26,589,905</u>	<u>2,142,677</u>
Expenses				
Current:				
General government	1,742,915	-	1,804,569	-
Public safety	3,366,506	-	3,382,421	-
Public works	2,185,324	-	1,483,057	-
Health and welfare	618,990	-	657,070	-
Social Services	67,810	-	46,548	-
Recreation and culture	1,032,097	-	1,246,494	-
Education	14,067,239	-	14,608,893	-
County tax	763,467	-	728,991	-
Designated accounts	888,357	-	782,348	-
Capital outlay	666,898	-	105,957	-
Overlay	-	-	-	-
Unallocated depreciation expense	35,853	-	14,900	-
Interest expense	107,881	-	153,761	-
State of Maine on behalf payments	1,207,086	-	1,236,367	-
Enterprise fund	-	2,610,539	-	2,339,036
Total Expenses	<u>26,750,423</u>	<u>2,610,539</u>	<u>26,251,376</u>	<u>2,339,036</u>
Total transfers	(1,422,964)	1,422,964	(88,322)	88,322
Change in Net Assets	(2,230,753)	1,185,626	250,207	(108,037)
Net Assets - July 1	<u>34,084,498</u>	<u>10,311,537</u>	<u>33,834,291</u>	<u>10,419,574</u>
Net Assets - June 30	<u>\$ 31,853,745</u>	<u>\$ 11,497,163</u>	<u>\$ 34,084,498</u>	<u>\$ 10,311,537</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 2.43%, while total expenses increased by 1.90%. Most of the Town's expenses were consistent with the previous year with minor increases or decreases. The biggest increase in expenses was in public works and capital outlay.

The intergovernmental revenue for the governmental funds was decreased this year due to education subsidy and other intergovernmental education grants. The charges for services were decreased in the current year due to a decrease in the recreation and code enforcement fees.

The increase in expenses for the proprietary fund was both in food and payroll expenses. Although the revenue also went up, it was not enough of an increase to keep the proprietary fund from having a operating loss for the current year.

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, unreserved 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>2009</u>	<u>2008</u>
Major Funds:		
General Fund:		
Designated	\$ 1,686,369	\$ 1,230,128
Undesignated	4,286,501	5,495,269
Capital Projects Fund:		
Sewer capital reserve	-	1,154,000
School construction	-	396,100
Non-Major Funds:		
Speical revenue funds	1,292,660	916,502
Capital projects fund	2,246,059	2,159,579
Permanent funds	1,019,064	1,091,593
Total Governmental Funds	<u>\$ 10,530,653</u>	<u>\$ 12,443,171</u>

The general fund total fund balance decreased by \$752,527 over the prior fiscal year. The other major fund balances decreased by \$1,550,100, while non-major fund balances increased by \$390,119 over the prior fiscal year. Most of the decrease in the general fund came as a result of decreased revenue collections. The decrease in the other major fund balances came as a result of reclassification of a major fund or the transfer to the sewer fund.

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 deficit for the current year of \$50,042, while the sewer fund had a current year excess of \$1,235,668. The Town is reviewing the school lunch program for future periods. The current year deficit in school lunch was a result mostly of increased expenses in food and payroll items.

Budgetary Highlights

There was significant difference 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 to departments.

The general fund budget exceeded actual revenues by \$84,954. This was a result of tax revenue, charges for service and interest income. The code enforcement fees did not meet budgeted revenues by \$179,952.

The general fund actual expenditures were under the budget by \$2,779,403. The following expenditures were under budget which accounts for most of the balance:

Designated	\$1,434,520
Overlay	203,969
Education	756,313

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2009 the gross book value of capital assets recorded by the Town increased by \$1,732,945. Most of the increase was construction in progress in the sewer fund.

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

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 12,658,444	\$ 12,731,746
Buildings and improvements	24,946,178	26,603,211
Machinery and equipment	1,287,608	1,733,148
Vehicles	1,401,361	1,636,079
Construction in progress	3,072,764	996,534
Infrastructure	<u>2,958,491</u>	<u>3,152,534</u>
Total	<u>\$ 46,324,846</u>	<u>\$ 46,853,252</u>

Debt

At June 30, 2009, the Town had \$10.76 million in bonds outstanding versus \$12.50 million last year, a decrease of 13.91%, as shown in Note 5 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

Contacting the Town's Financial Management

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

STATEMENT A

TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 6,340,367	\$ 40,963	\$ 6,381,330
Investments	4,765,958	2,010,756	6,776,714
Accounts receivable (net allowance for uncollectibles):			
Taxes	883,542	-	883,542
Due from other governments	141,988	-	141,988
Other	29,611	310,929	340,540
Prepaid expenses	65,506	-	65,506
Inventory	-	200,700	200,700
Due from other funds	268,016	-	268,016
Total current assets	<u>12,494,988</u>	<u>2,563,348</u>	<u>15,058,336</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	10,950,906	3,342,270	14,293,176
Buildings and vehicles net of accumulated depreciation	20,722,403	11,309,267	32,031,670
Total noncurrent assets	<u>31,673,309</u>	<u>14,651,537</u>	<u>46,324,846</u>
Other assets:			
Bond issuance costs (net of amortization)	-	18,650	18,650
TOTAL ASSETS	<u>\$ 44,168,297</u>	<u>\$ 17,233,535</u>	<u>\$ 61,401,832</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 304,907	\$ 133,047	\$ 437,954
Accrued expenses	877,810	29,849	907,659
Due to other funds	-	268,016	268,016
Deferred revenue	3,003	4,105	7,108
Other liabilities	160,993	3,400,000	3,560,993
Current portion of long-term obligations	1,536,804	262,500	1,799,304
Total current liabilities	<u>2,883,517</u>	<u>4,097,517</u>	<u>6,981,034</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	7,600,000	1,500,724	9,100,724
Capital lease payable	306,347	-	306,347
Accrued compensated absences	1,524,688	138,131	1,662,819
Total noncurrent liabilities	<u>9,431,035</u>	<u>1,638,855</u>	<u>11,069,890</u>
TOTAL LIABILITIES	<u>12,314,552</u>	<u>5,736,372</u>	<u>18,050,924</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,230,158	9,488,313	31,718,471
Restricted for: Special Revenues	166,496	-	166,496
Permanent Funds	1,019,064	-	1,019,064
Education	756,313	-	756,313
Special entrance fees	-	25,000	25,000
Unrestricted	7,681,714	1,983,850	9,665,564
TOTAL NET ASSETS	<u>31,853,745</u>	<u>11,497,163</u>	<u>43,350,908</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,168,297</u>	<u>\$ 17,233,535</u>	<u>\$ 61,401,832</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT B

TOWN OF KITTEERY, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
Current:							
General government	\$ 1,742,915	\$ 242,109	\$ 24,266	\$ -	\$ (1,476,540)	\$ -	\$ (1,476,540)
Public safety	3,366,506	95,432	-	-	(3,271,074)	-	(3,271,074)
Public works	2,185,324	-	-	-	(2,185,324)	-	(2,185,324)
Recreation and culture	1,032,097	174,496	-	-	(857,601)	-	(857,601)
Health and sanitation	618,990	137,615	-	-	(481,375)	-	(481,375)
Social services	67,810	-	-	-	(67,810)	-	(67,810)
Education	14,067,239	38,367	1,214,288	-	(12,814,584)	-	(12,814,584)
County tax	763,467	-	-	-	(763,467)	-	(763,467)
State of Maine on behalf payments	1,207,086	-	1,207,086	-	-	-	-
Capital outlay	666,898	-	-	-	(666,898)	-	(666,898)
Unallocated depreciation expense	35,853	-	-	-	(35,853)	-	(35,853)
Designated accounts	888,357	-	-	-	(888,357)	-	(888,357)
Overlay	-	-	-	-	-	-	-
Interest expense	107,881	-	-	-	(107,881)	-	(107,881)
Total governmental activities	26,750,423	688,019	2,445,640	-	(23,616,764)	-	(23,616,764)
-							
Business-type activities:							
Sewer department	2,122,093	1,745,233	-	-	-	(376,860)	(376,860)
School lunch program	488,446	274,995	135,722	-	-	(77,729)	(77,729)
Total business-type activities	2,610,539	2,020,228	135,722	-	-	(454,589)	(454,589)
Total government and business	29,360,962	2,708,247	2,581,362	-	(23,616,764)	(454,589)	(24,071,353)

STATEMENT B (CONTINUED)

TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>(23,616,764)</u>	<u>(454,589)</u>	<u>(24,071,353)</u>
General revenue:			
Taxes			
Property taxes, levied for general purposes	18,288,145	-	18,288,145
Excise taxes, levied for general purposes	1,414,123	-	1,414,123
Grants and contributions not restricted to specific programs	1,194,461	-	1,194,461
Investment income	103,197	81,705	184,902
Miscellaneous	1,809,049	135,546	1,944,595
Total revenue and transfers	<u>22,808,975</u>	<u>217,251</u>	<u>23,026,226</u>
Transfers	(1,422,964)	1,422,964	-
Change in net assets	(2,230,753)	1,185,626	(1,045,127)
NET ASSETS - JULY 1, 2008	<u>34,084,498</u>	<u>10,311,537</u>	<u>44,396,035</u>
NET ASSETS - JUNE 30, 2009	<u>\$ 31,853,745</u>	<u>\$ 11,497,163</u>	<u>\$ 43,350,908</u>

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

STATEMENT C

TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Sewer Capital Reserve	Nonmajor Funds	Totals Governmental Funds
ASSETS				
Cash	\$ 6,046,423	\$ -	\$ 293,944	\$ 6,340,367
Investments	1,171,644	-	3,594,314	4,765,958
Receivables (net of allowance for uncollectibles)				
Taxes/liens	883,542	-	-	883,542
Due from other governments	54,853	-	87,135	141,988
Other	29,611	-	-	29,611
Prepaid expenses	65,506	-	-	65,506
Due from other funds	447,446	-	778,063	1,225,509
TOTAL ASSETS	\$ 8,699,025	\$ -	\$ 4,753,456	\$ 13,452,481
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 288,664	\$ -	\$ 16,243	\$ 304,907
Accrued payroll	873,997	-	-	873,997
Payroll related liabilities	3,813	-	-	3,813
Due to other funds	778,063	-	179,430	957,493
Prepaid taxes	3,003	-	-	3,003
Deferred tax revenues	617,622	-	-	617,622
Other liabilities	160,993	-	-	160,993
TOTAL LIABILITIES	2,726,155	-	195,673	2,921,828
Fund Equity				
Unreserved, reported in:				
General Fund:				
Designated	1,686,369	-	-	1,686,369
Undesignated	4,286,501	-	-	4,286,501
Special Revenue Funds	-	-	1,292,660	1,292,660
Capital Projects Funds	-	-	2,246,059	2,246,059
Permanent Funds	-	-	1,019,064	1,019,064
TOTAL FUND EQUITY	5,972,870	-	4,557,783	10,530,653
TOTAL LIABILITIES AND FUND EQUITY	\$ 8,699,025	\$ -	\$ 4,753,456	\$ 13,452,481

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

TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

	Total Governmental Funds
Total Fund Equity	\$ 10,530,653
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	31,673,309
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	617,622
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(8,997,110)
Capital lease payable	(446,041)
Accrued compensated absences	<u>(1,524,688)</u>
Net assets of governmental activities	<u><u>\$ 31,853,745</u></u>

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

TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Sewer Capital Reserve	Nonmajor Funds	Totals Governmental Funds
REVENUES				
General tax revenue	\$ 19,692,100	\$ -	\$ -	\$ 19,692,100
Intergovernmental revenue	2,433,015	-	-	2,433,015
Charges for services	649,652	-	-	649,652
Investment income	103,197	-	-	103,197
State of Maine on-behalf payments	1,207,086	-	-	1,207,086
Other revenue	472,725	-	1,374,691	1,847,416
TOTAL REVENUES	<u>24,557,775</u>	<u>-</u>	<u>1,374,691</u>	<u>25,932,466</u>
EXPENDITURES				
Current:				
General government	1,509,728	-	177,099	1,686,827
Public safety	3,073,732	-	17,899	3,091,631
Public works	1,042,622	-	692,602	1,735,224
Recreation and culture	1,032,097	-	-	1,032,097
Health and sanitation	618,990	-	-	618,990
Social services	67,810	-	-	67,810
Education	13,758,211	-	641,089	14,399,300
County tax	763,467	-	-	763,467
State of Maine on behalf payments	1,207,086	-	-	1,207,086
Debt service	262,881	-	-	262,881
Capital outlay	-	-	666,898	666,898
Overlay	-	-	-	-
Designated	888,357	-	-	888,357
TOTAL EXPENDITURES	<u>24,224,981</u>	<u>-</u>	<u>2,195,587</u>	<u>26,420,568</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>332,794</u>	<u>-</u>	<u>(820,896)</u>	<u>(488,102)</u>
OTHER FINANCING SOURCES				
Proceeds from debt	-	-	-	-
Operating transfers in	43,000	-	841,369	884,369
Operating transfers (out)	(1,128,321)	(1,154,000)	(25,012)	(2,307,333)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,085,321)</u>	<u>(1,154,000)</u>	<u>816,357</u>	<u>(1,422,964)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(752,527)</u>	<u>(1,154,000)</u>	<u>(4,539)</u>	<u>(1,911,066)</u>
FUND BALANCES - JULY 1	<u>6,725,397</u>	<u>1,154,000</u>	<u>4,562,322</u>	<u>12,441,719</u>
FUND BALANCES - JUNE 30	<u>\$ 5,972,870</u>	<u>\$ -</u>	<u>\$ 4,557,783</u>	<u>\$ 10,530,653</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, 2009

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (1,911,066)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	103,118
Depreciation expense	<u>(1,930,025)</u>
	<u>(1,826,907)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>97,413</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>(126,109)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>1,600,067</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(64,151)</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ (2,230,753)</u></u>

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

TOWN OF KITTERY, MAINE

BALANCE SHEET – PROPRIETARY FUNDS

JUNE 30, 2009

	Sewer Department	School Lunch Program	Totals
ASSETS			
Current assets:			
Cash	\$ 8,252	\$ 32,711	\$ 40,963
Investments	2,010,756	-	2,010,756
Accounts receivable	298,720	12,209	310,929
Inventory	180,527	20,173	200,700
Total current assets	<u>2,498,255</u>	<u>65,093</u>	<u>2,563,348</u>
Noncurrent assets:			
Land and buildings	275,200	-	275,200
Construction in progress	3,067,070	-	3,067,070
Vehicles and equipment	272,572	98,255	370,827
Plant / infrastructure	14,884,282	-	14,884,282
Total capital assets	<u>18,499,124</u>	<u>98,255</u>	<u>18,597,379</u>
Less: accumulated depreciation	<u>(3,855,251)</u>	<u>(90,591)</u>	<u>(3,945,842)</u>
Net capital assets	<u>14,643,873</u>	<u>7,664</u>	<u>14,651,537</u>
Other assets:			
Bond issuance costs(net of amortization)	18,650	-	18,650
TOTAL ASSETS	<u>\$ 17,160,778</u>	<u>\$ 72,757</u>	<u>\$ 17,233,535</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 100,249	\$ 32,798	\$ 133,047
Accrued payroll	8,982	20,867	29,849
Deferred revenue	-	4,105	4,105
Due to other funds	149,368	118,648	268,016
Bond anticipation note	3,400,000	-	3,400,000
Current portion of long-term debt	262,500	-	262,500
Total current liabilities	<u>3,921,099</u>	<u>176,418</u>	<u>4,097,517</u>
Noncurrent liabilities			
Bonds payable	1,500,724	-	1,500,724
Accrued compensated absences	138,131	-	138,131
Total noncurrent liabilities	<u>1,638,855</u>	<u>-</u>	<u>1,638,855</u>
TOTAL LIABILITIES	<u>5,559,954</u>	<u>176,418</u>	<u>5,736,372</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,480,649	7,664	9,488,313
Restricted	25,000	-	25,000
Unrestricted	2,095,175	(111,325)	1,983,850
TOTAL NET ASSETS	<u>11,600,824</u>	<u>(103,661)</u>	<u>11,497,163</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,160,778</u>	<u>\$ 72,757</u>	<u>\$ 17,233,535</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Sewer Department	School Lunch Program	Totals
OPERATING REVENUES			
Intergovernmental revenue	\$ -	\$ 135,722	\$ 135,722
Charges for services	1,745,233	274,995	2,020,228
Other	128,676	6,870	135,546
TOTAL OPERATING REVENUES	<u>1,873,909</u>	<u>417,587</u>	<u>2,291,496</u>
OPERATING EXPENSES			
Payroll and taxes	234,496	171,333	405,829
Benefits	98,343	32,085	130,428
Treatment plant	809,239	-	809,239
Pump stations	228,115	-	228,115
Food expense	-	198,546	198,546
Supplies	-	14,558	14,558
Line expense	35,810	-	35,810
Depreciation	430,193	4,251	434,444
Other	55,722	67,673	123,395
TOTAL OPERATING EXPENSES	<u>1,891,918</u>	<u>488,446</u>	<u>2,380,364</u>
OPERATING INCOME (LOSS)	<u>(18,009)</u>	<u>(70,859)</u>	<u>(88,868)</u>
NON-OPERATING INCOME (EXPENSE)			
Transfers in	1,420,147	20,817	1,440,964
Transfers out	(18,000)	-	(18,000)
Investment income	81,705	-	81,705
Interest expense	(230,175)	-	(230,175)
TOTAL NON-OPERATING INCOME (EXPENSE)	<u>1,253,677</u>	<u>20,817</u>	<u>1,274,494</u>
EXCESS OF OPERATING INCOME (LOSS) OVER NON-OPERATING INCOME (EXPENSE)	1,235,668	(50,042)	1,185,626
NET ASSETS - JULY 1	<u>10,365,156</u>	<u>(53,619)</u>	<u>10,311,537</u>
NET ASSETS - JUNE 30	<u>\$ 11,600,824</u>	<u>\$ (103,661)</u>	<u>\$ 11,497,163</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, 2009

	Sewer Department	School Lunch Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,561,747	\$ 274,132	\$ 1,835,879
Intergovernmental receipts	-	135,722	135,722
Other receipts	128,676	-	128,676
Internal activity - receipts (payments) from/to other funds	(1,137,587)	-	(1,137,587)
Payments to employees	(211,172)	(203,418)	(414,590)
Payments to suppliers	(1,216,651)	(196,239)	(1,412,890)
Net cash provide (used) by operating activities	(874,987)	10,197	(864,790)
CASH FLOWS FROM INVESTING ACTIVITIES			
Invested cash	1,063,149	-	1,063,149
Interest income	# 81,705	-	81,705
Payments for purchases of fixed assets	(1,732,393)	(552)	(1,732,945)
Net cash provided (used) by investing activities	(587,539)	(552)	(588,091)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest payments on bond payable	(43,175)	-	(43,175)
Interest payments on ban	(187,000)	-	(187,000)
Principal payments on bond payable	(261,723)	-	(261,723)
Transfers	1,402,147	20,817	1,422,964
Net cash provided (used) by financing activities	910,249	20,817	931,066
NET INCREASE (DECREASE) IN CASH	(552,277)	30,462	(521,815)
CASH - JULY 1	560,529	2,249	562,778
CASH - JUNE 30	\$ 8,252	\$ 32,711	\$ 40,963
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss) and other financing	\$ (18,009)	\$ (70,859)	\$ (88,868)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	430,193	4,251	434,444
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(178,030)	(4,530)	(182,560)
(Increase) decrease in due from other governments	(5,456)	-	(5,456)
(Increase) decrease in inventory	-	(3,203)	(3,203)
(Decrease) increase in deferred revenue	-	91	91
(Decrease) increase in accounts payable	70,811	32,398	103,209
(Decrease) increase in accrued payroll	(36,909)	(633)	(37,542)
(Decrease) increase in due to other funds	(1,137,587)	52,682	(1,084,905)
NET CASH PROVIDED (USED) BY ACTIVITIES	\$ (874,987)	\$ 10,197	\$ (864,790)

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Agency Funds
ASSETS	
Current assets:	
Cash	\$ 53,974
TOTAL ASSETS	<u>\$ 53,974</u>
LIABILITIES	
Deposits held for others	\$ 53,974
TOTAL LIABILITIES	<u>53,974</u>
NET ASSETS	
Held in trust for special purposes	-
TOTAL NET ASSETS	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,974</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 welfare, education, and recreation.

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 school lunch funds are categorized as a business-type activity. All other activities of the Town are categorized as governmental.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, 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, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds

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

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

3. Fiduciary Funds:

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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	\$23,393,689
Add: On-behalf payments	<u>1,207,086</u>
Total GAAP basis	<u>\$24,600,775</u>
Expenditures per budgetary basis	\$24,146,216
Add: On-behalf basis	<u>1,207,086</u>
Total GAAP basis	<u>\$25,353,302</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 inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

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

The Town of Kittery has no formal investment policy but instead follows the State of Maine Statutes. They are in the process of adopting a more detailed investment policy.

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of school lunch supplies and food on hand at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$40,000 as of June 30, 2009.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

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

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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2009 the Town's liability for compensated absences is \$1,662,819.

Reserves

The Town records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use, which is indicated by the title of each reserves listed in the balance sheet and statement of net assets. It is the Town's policy to first use restricted assets for restricted programs and only unrestricted assets after the restricted assets have been exhausted.

Net Assets

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied September 26, 2008 on the assessed value listed as of April 1, 2008, for all real and personal property located in the Town. Taxes were due in two installments on September 1, 2008 and February 1, 2009. Interest on unpaid taxes commenced on October 1, 2008 and March 3, 2009, at 11% per annum.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$230,000 for the year ended June 30, 2009.

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, 2009

NOTE 2 - CASH AND INVESTMENTS

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

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

At June 30, 2009, the Town's cash balance of \$6,435,304 was comprised of deposits amounting to \$6,919,569. This amount was comprised of \$762,527 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$6,157,042 that was in excess of federal depository insurance, but collateralized with securities held by the financial institutions in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 951,180
Savings	127,959
Money market	134,568
Sweep account	5,705,862
	<u>\$ 6,919,569</u>

At June 30, 2009, the Town's investments were comprised of investment management funds, equities, fixed income and cash equivalents. The investment accounts amounting to \$6,776,714 were collateralized with securities held by the financial institutions in the Town's name and are therefore not susceptible to custodial credit risk.

<u>Investment Type</u>	<u>Current</u>	<u>1 Year</u>	<u>2 - 5 Years</u>
Investment Management	\$ 4,928,056	\$ -	\$ -
Equities	1,764,575	41,415	42,668
	<u>\$ 6,692,631</u>	<u>\$ 41,415</u>	<u>\$ 42,668</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2009 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General fund	\$ 447,446	\$ 778,063
Special revenue fund	449,419	13,465
Capital project fund	328,644	162,095
Permanent fund	-	3,870
Enterprise fund	-	268,016
	<u>\$ 1,225,509</u>	<u>\$ 1,225,509</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2009:

	Balance, 7/1/08	Additions	Disposals	Balance, 6/30/09
Governmental activities				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Art works & historical treasures	-	-	-	-
	<u>10,950,906</u>	<u>-</u>	<u>-</u>	<u>10,950,906</u>
Depreciated assets:				
Land Improvements	1,727,459	-	-	1,727,459
Buildings	27,734,834	-	-	27,734,834
Building improvements	1,528,174	-	-	1,528,174
Machinery & equipment	3,074,907	103,118	-	3,178,025
Vehicles	3,057,131	-	-	3,057,131
Infrastructure	9,661,465	-	-	9,661,465
	<u>46,783,970</u>	<u>103,118</u>	<u>-</u>	<u>46,887,088</u>
Less: accumulated depreciation	(24,234,660)	(1,930,025)	-	(26,164,685)
	<u>22,549,310</u>	<u>(1,826,907)</u>	<u>-</u>	<u>20,722,403</u>
Net capital assets	<u>\$ 33,500,216</u>	<u>\$ (1,826,907)</u>	<u>\$ -</u>	<u>\$ 31,673,309</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Admin	\$ 120,239
Public Works	450,100
Public Safety	324,256
Education	999,577
Unallocated	35,853
Total depreciation expense	<u>\$ 1,930,025</u>

	Balance, 7/1/08	Additions	Disposals	Balance, 6/30/09
Business-type activities				
Non-depreciated assets:				
Land / construction in progress	<u>\$ 1,609,877</u>	<u>\$ 1,732,393</u>	<u>\$ -</u>	<u>\$ 3,342,270</u>
	<u>1,609,877</u>	<u>1,732,393</u>	<u>-</u>	<u>3,342,270</u>
Depreciated assets:				
Buildings	14,884,282	-	-	14,884,282
Vehicles	82,397	-	-	82,397
Machinery & equipment	<u>287,878</u>	<u>552</u>	<u>-</u>	<u>288,430</u>
	15,254,557	552	-	15,255,109
Less: accumulated depreciation	<u>(3,511,398)</u>	<u>(434,444)</u>	<u>-</u>	<u>(3,945,842)</u>
	<u>11,743,159</u>	<u>(433,892)</u>	<u>-</u>	<u>11,309,267</u>
Net capital assets	<u>\$ 13,353,036</u>	<u>\$ 1,298,501</u>	<u>\$ -</u>	<u>\$ 14,651,537</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 –LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2009:

	Balance, 7/1/08	Additions	Deletions	Balance, 6/30/09	Due Within One Year
Governmental Activities					
Bonds payable	\$ 10,474,220	\$ -	\$ (1,477,110)	\$ 8,997,110	\$ 1,397,110
Capital leases payable	442,889	126,109	(122,957)	446,041	139,694
Accrued compensated absences	1,460,537	64,151	-	1,524,688	-
Total Governmental Activities	<u>\$ 12,377,646</u>	<u>\$ 190,260</u>	<u>\$ (1,600,067)</u>	<u>\$ 10,967,839</u>	<u>\$ 1,536,804</u>
Business-type Activities					
Bonds payable	\$ 2,024,947	\$ -	\$ (261,723)	\$ 1,763,224	\$ 262,500
Accrued compensated absences	152,949	-	(14,818)	138,131	-
Total Business-type Activities	<u>\$ 2,177,896</u>	<u>\$ -</u>	<u>\$ (276,541)</u>	<u>\$ 1,901,355</u>	<u>\$ 262,500</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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>
\$6,950,000, 1990 General Obligation Bond due in annual installments and semiannual interest installments through November 2010. Interest is charged at a rate from 7.00% to 7.74% per annum.	\$ 690,000	\$ -
\$3,105,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through November 2015. Interest is charged at a rate from 5.25% to 5.75% per annum.	2,415,000	-
\$2,000,000, 1997 General Obligation Bond due in annual installments and semiannual interest installments through January 2012. Interest is charged at a rate from 4.8% to 6.5% per annum.	390,000	-
\$2,660,000, 2006 General Obligation Bond due in annual installments and semiannual interest installments through November 2026. Interest is charged at a rate from 4.25% to 4.5% per annum. Annual Installments are \$110,000 to 155,000.	2,350,000	-
\$3,300,000, 1989 General Obligation Bond due in annual installments and semiannual interest installments through October 2009. Interest is charged at a rate from 7.25% to 7.3% per annum. Annual Installments are \$165,000.	165,000	-
\$4,000,000, 1992 General Obligation Bond due in annual installments and semiannual interest installments through October 2012. Interest is charged at a rate of 4.10% per annum. Annual Installments are \$200,000.	-	800,000
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual installments and semiannual interest installments through October 2022. Interest is charged at 1.94% per annum. Annual Installments vary.	-	963,224
\$4,220,000, 2002 General Obligation Bond due in annual installments and semiannual interest installments through December 2018. Interest is charged at a rate from 3.25% to 4.75% per annum.	2,940,000	-
\$336,500, 2005 Revolving Renovation due in annual installments through November 2009 with principal forgiveness of \$100,950. No interest is charged.	47,110	-
	<u>\$ 8,997,110</u>	<u>\$ 1,763,224</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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	Interest	Total Debt Service
2010	\$ 1,397,110	\$ 857,036	\$ 2,254,146
2011	1,185,000	347,112	1,532,112
2012	840,000	293,933	1,133,933
2013	710,000	250,478	960,478
2014	710,000	215,569	925,569
2015-2019	2,415,000	617,956	3,032,956
2020-2024	1,410,000	221,663	1,631,663
2025-2030	330,000	22,275	352,275
	<u>\$ 8,997,110</u>	<u>\$ 2,826,022</u>	<u>\$ 11,823,132</u>

Business Type Activities

	Principal	Interest	Total Debt Service
2010	\$ 262,500	\$ 43,721	\$ 306,221
2011	263,310	35,810	299,120
2012	264,156	27,863	292,019
2013	265,038	19,879	284,917
2014	65,959	12,396	78,355
2015-2019	345,064	46,374	391,438
2020-2024	297,197	15,485	312,682
	<u>\$ 1,763,224</u>	<u>\$ 201,528</u>	<u>\$ 1,964,752</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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>
The Town Leases copiers under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2012. Yearly payments are \$10,798. Interest is charged at a rate of 3.53% per annum	\$ 39,637	\$ -
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.	49,500	-
\$58,645, 2003 Capital Lease payable to Old National Bank for equipment due in annual installments through July 2014. Interest is charged at a rate of 5% per annum.	117,516	-
\$129,988, 2007 Capital Lease payable to AFS Education Finance. for computer equipment due in annual installments through June 2009. Interest is charged at a rate of 6.77% per annum.	43,329	-
\$76,609, 2008 Capital Lease payable to AFS for equipment due in annual installments of \$27,201 through July 2010. Interest is charged at a rate of 3.55% per annum.	51,073	-
\$177,719, 2008 Capital Lease payable to M.S.T. Government Leasing, LLC for photocopy equipment due in annual installments of \$40,055 through August 2012. Interest is charged at a rate of 4.12% per annum.	144,986	-
	<u>\$ 446,041</u>	<u>\$ -</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 –LONG TERM DEBT (CONTINUED)

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

2010	\$ 154,660
2011	112,048
2012	84,540
2013	84,233
2014	33,072
2015-2019	<u>22,865</u>
Total minimum lease payments	491,418
Less: Amount representing interest	<u>(45,377)</u>
Present value of future minimum lease payments	<u>\$ 446,041</u>

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

NOTE 6 – RESTRICTED NET ASSETS

The following net assets have been reserved at June 30, 2009 for the following purposes:

Restricted for education	\$ 756,313
Restricted for special revenue funds:	
GMH police/fire/rescue	4,321
State stabilization	102,589
ARRA Mainecare	8,325
Adult education family literacy	125
Title IA	6,323
Erate	15,242
Local entitlement	13,081
Local entitlement pre school	911
Title II teacher quality	15,579
Restricted for permanent funds	<u>1,019,064</u>
Total	<u>\$ 1,941,873</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7– GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2009, the general fund designated fund balance was made up of the following account balances carried forward into the subsequent year's budget:

Education	\$ 756,313
Legal services	5,500
Computer maintenance	6,000
CBE retainer	4,800
Book binding project	2,000
Sub host program	826
GIS work program	22,499
Municipal facility maintenance reserve	207,215
Volunteer recognition	328
Shellfish conservation commission	43
Conservation commission	3,178
Wood island	542
Tree planting grant	3,198
Outfall pipe testing	2,807
Seapoint road causeway upgrade	35,000
Haley field project	160,336
Traffic light - Mackenzie lane	100,000
Traffic light - Stevens/Martin/236	10,000
Town pier repairs	5,472
Ballot counting machines	13,000
Alternative energy & efficiency fund	56,126
GIS web account	1,920
Fort Foster restrooms	130,306
Traip academy roof	91,730
Pier condition report	1,098
Open space reserve	50,000
Harbor planning grant	6,132
Irving town maintenance	10,000
Total	<u>\$ 1,686,369</u>

NOTE 8 – RISK MANAGEMENT – PARTICIPATION IN A PUBLIC ENTITY RISK POOL

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 – OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2009 the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 12,900,000	5.24%	<u>\$ 675,960</u>
			<u>\$ 675,960</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Town participates in the ICMA Retirement System, a cost sharing multi-employer defined benefit pension plan which covers employees who work at least 40 hours per week. The system requires that both employees and the Town contribute, and provides retirement, disability and death benefits.

Funding Policy

Employees are eligible for normal retirement upon reaching the age of sixty and early retirement after completing twenty-five or more years of credited service. The Town's contributions to the plan including employee contributions for 2009, 2008, and 2007 were \$61,749, \$86,557 and \$80,145, respectively.

Education Employees Retirement

All school teachers, plus other qualified educators and town employees, participate in the Maine State Retirement System's teacher group or PLD. The system is an agent multiple-employer public retirement system. Employees are eligible for normal retirement upon attaining the age of 60, provided they have 25 years of credible service. Employees are penalized 2.5% for each year of early retirement.

Employees are required to contribute 7.65% of their compensation to the retirement system. The Town is not required to make any contributions to this plan with the exception of federally funded teachers. The contribution of these federally funded teachers is the actuarial determined rate which was 18.76% for the current fiscal year.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The school department's payroll for employees covered by this group was approximately \$6,434,358 for the year ended June 30, 2009. The State of Maine is required to contribute the employer contribution which amounts to 18.76% of compensation. Contributions paid by the State were approximately \$1,207,086 for the year ended June 30, 2009. There is no contribution required by the Department, except for federally funded teachers. For the year ended June 30, 2009, the Department contributed approximately \$32,227 for these federally funded employees. The funding status and progress for the System may be obtained by contacting the Maine State Retirement System.

NOTE 11 – DEFERRED COMPENSATION PLAN

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

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

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

NOTE 12 – EXPENDITURES OVER APPROPRIATIONS

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13 – DEFICIT FUND BALANCE

At June 30, 2009 the Town had the following deficit fund balances / net assets:

Non-major funds:	
Land fire station/recreation field	\$ 696
Asphalt surface maintenance	580
Records preservation	7,504
Mercury uw facility	3,206
Total	<u>\$ 11,986</u>

NOTE 14 – CONTINGENCIES

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

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

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS

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

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following is the current census of Town benefit participants as of June 30, 2009:

Active members	\$ 70
Retirees and spouses	14
Total	<u>\$ 84</u>

Annual OPEB Cost and Net OPEB Obligations

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

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)	\$ 448,446
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>448,446</u>
Contributions made	<u>(60,828)</u>
Increase in net OPEB obligation	387,618
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 387,618</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, 2009 is presented below. Data is only presented for the fiscal year ended June 30, 2009, due to this being the year of implementation.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 448,446	\$ 60,828	13.6%	\$ 387,618

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, 2009 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include an 4% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual healthcare cost blended trend rate of 7.5% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.0% for 2029 and later. The remaining amortization period at June 30, 2009 was 20 years. As of June 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$4,557,201, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$4,557,201.

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, 2009 due to this being the first certified valuation.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Funding Progress

Group	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
Union	6/30/2009	\$ -	\$ 3,632,619	0.0%	N/A	N/A
Non-union	6/30/2009	\$ -	\$ 924,582	0.0%	N/A	N/A

These numbers are based on information that was presented on January 1, 2009 for June 30, 2009. The amortization method that was used to calculate the numbers is presented below.

	Union	Non-union
Discount rate	4.00%	4.00%
Payroll growth assumption	N/A	N/A
Accrued liability	\$ 3,632,619	\$ 924,582
Value of assets	-	-
Unfunded liability	\$ 3,632,619	\$ 924,582
Normal cost	\$ 146,405	\$ 39,841
Amortization of unfunded	201,995	51,412
Interest	6,968	1,825
Annual required contribution	\$ 355,368	\$ 93,078

Required Supplementary Information

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

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

TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 6,725,397	\$ 6,725,397	\$ 6,725,397	\$ -
Resources (Inflows):				
General tax revenue	20,080,601	20,080,601	19,692,100	(388,501)
Intergovernmental revenue	2,150,735	2,211,357	2,433,015	221,658
Charges for services	848,685	848,685	649,652	(199,033)
Investment income	180,000	180,000	103,197	(76,803)
Other revenue	115,000	115,000	472,725	357,725
Transfers from other funds	43,000	43,000	43,000	-
Amounts Available for Appropriation	30,143,418	30,204,040	30,119,086	(84,954)
Charges to Appropriation (Outflows):				
Current:				
General government	1,603,897	1,607,803	1,509,728	98,075
Public safety	3,145,631	3,152,601	3,073,732	78,869
Public works	1,057,953	1,116,826	1,042,622	74,204
Recreation and culture	1,072,270	1,086,570	1,032,097	54,473
Health and sanitation	694,456	698,156	618,990	79,166
Social services	56,859	67,823	67,810	13
Education	14,238,363	14,514,524	13,758,211	756,313
County tax	763,468	763,468	763,467	1
Debt service	262,881	262,881	262,881	-
Overlay	230,000	203,969	-	203,969
Designated	85,340	2,322,877	888,357	1,434,520
Transfers to other funds	928,303	1,128,121	1,128,321	(200)
Total Charges to Appropriations	24,139,421	26,925,619	24,146,216	2,779,403
Budgetary Fund Balance, June 30	\$ 6,003,997	\$ 3,278,421	\$ 5,972,870	\$ 2,694,449
Utilization of undesignated fund balance	\$ 721,400	\$ 2,216,848	\$ -	\$ (2,216,848)
Utilization of designated fund balance	-	1,230,128	-	(1,230,128)
	\$ 721,400	\$ 3,446,976	\$ -	\$ (3,446,976)

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF REVENUES BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Adjusted Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues				
Property taxes	\$ 18,634,601	\$ 18,634,601	\$ 18,277,977	\$ (356,624)
Vehicle excise taxes	1,425,000	1,425,000	1,382,664	(42,336)
Boat excise taxes	21,000	21,000	31,459	10,459
Intergovernmental revenues				
Education subsidy	1,215,887	1,215,887	1,096,505	(119,382)
State revenue sharing	685,000	745,622	749,341	3,719
Homestead exemption	-	-	120,131	120,131
Other education revenue	-	-	117,783	117,783
GMH Housing	232,848	232,848	232,650	(198)
FEMA	-	-	92,339	92,339
General assistance	17,000	17,000	24,266	7,266
Charges for services				
Recreation fees	9,000	9,000	9,000	-
Code enforcement fees	350,000	350,000	170,048	(179,952)
Registration fees	28,000	28,000	27,066	(934)
Town clerk fees	10,000	10,000	18,674	8,674
Planning fees	5,000	5,000	5,860	860
Sign / ordinances	6,450	6,450	14,355	7,905
Solid waste / recycling	95,000	95,000	66,980	(28,020)
Solid waste / permits	95,000	95,000	70,635	(24,365)
Fort Foster fees	125,000	125,000	121,497	(3,503)
Eliot dispatching services	60,000	60,000	60,000	-
Police department	10,300	10,300	25,815	15,515
Animal control	2,500	2,500	9,617	7,117
Mooring/launch fees	41,010	41,010	43,999	2,989
Other	11,425	11,425	6,106	(5,319)
Investment income:				
Investment income	180,000	180,000	103,197	(76,803)
Other income:				
Interest / fees on taxes	60,000	60,000	281,189	221,189
Other income	25,000	25,000	118,299	93,299
Other education	30,000	30,000	73,237	43,237
Transfers from other funds				
Enterprise fund	18,000	18,000	18,000	-
Permanent funds	25,000	25,000	25,000	-
Total revenues	<u>\$ 23,418,021</u>	<u>\$ 23,478,643</u>	<u>\$ 23,393,689</u>	<u>\$ (84,954)</u>

See accompanying independent auditors' report.

Other Supplementary Information

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

- Schedule of Departmental Operations – General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund 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 Revenue, Expenditures and Changes in Fund Balance – Nonmajor Capital Project Funds
- Combining Balance Sheet – Nonmajor Permanent Funds
- Combining Schedule of Revenue, Expenditures and Changes in Fund 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, 2009

	Budget	Applied Revenues/ Other	Total Available	Actual	Balances	
					Lapsed	Carried
General government						
Administration	\$ 860,654	\$ (3,926)	\$ 856,728	\$ 797,031	\$ 41,397	\$ 18,300
Assessing	186,301	-	186,301	172,437	13,864	-
Code enforcement	126,671	-	126,671	125,499	1,172	-
Town planner	211,815	-	211,815	207,688	4,127	-
Insurance	175,474	7,832	183,306	174,427	8,879	-
Planning board	17,529	-	17,529	13,186	4,343	-
Elections	13,703	340	14,043	14,042	1	-
Council	11,570	(340)	11,230	5,346	5,884	-
Bank fees	180	-	180	72	108	-
	<u>1,603,897</u>	<u>3,906</u>	<u>1,607,803</u>	<u>1,509,728</u>	<u>79,775</u>	<u>18,300</u>
Public safety						
Police department	2,583,420	(5,932)	2,577,488	2,515,643	61,845	-
Fire department	255,444	18,866	274,310	268,652	5,658	-
Street lights	109,500	(5,964)	103,536	95,216	8,320	-
Hydrants	194,717	-	194,717	194,100	617	-
Civil emergency preparedness	2,550	-	2,550	121	2,429	-
	<u>3,145,631</u>	<u>6,970</u>	<u>3,152,601</u>	<u>3,073,732</u>	<u>78,869</u>	<u>-</u>
Public works:						
Highways	1,057,953	58,873	1,116,826	1,042,622	74,204	-
	<u>1,057,953</u>	<u>58,873</u>	<u>1,116,826</u>	<u>1,042,622</u>	<u>74,204</u>	<u>-</u>
Health and sanitation:						
Solid waste	694,456	3,700	698,156	618,990	79,166	-
	<u>694,456</u>	<u>3,700</u>	<u>698,156</u>	<u>618,990</u>	<u>79,166</u>	<u>-</u>

SCHEDULE A (CONTINUED)

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Balances Carried
Social services						
General assistance	40,000	10,964	50,964	50,963	1	-
Community agencies	16,274	-	16,274	16,274	-	-
Public health services	585	-	585	573	12	-
	<u>56,859</u>	<u>10,964</u>	<u>67,823</u>	<u>67,810</u>	<u>13</u>	<u>-</u>
Recreation and culture:						
Parks	294,560	9,000	303,560	261,536	42,024	-
Recreation	255,156	5,300	260,456	253,233	7,223	-
Library	450,389	-	450,389	445,885	4,504	-
Port Authority	72,165	-	72,165	71,443	722	-
	<u>1,072,270</u>	<u>14,300</u>	<u>1,086,570</u>	<u>1,032,097</u>	<u>54,473</u>	<u>-</u>
Education	<u>14,238,363</u>	<u>276,161</u>	<u>14,514,524</u>	<u>13,758,211</u>	<u>-</u>	<u>756,313</u>
County tax	<u>763,468</u>	<u>-</u>	<u>763,468</u>	<u>763,467</u>	<u>1</u>	<u>-</u>
Debt service						
Principal	155,000	-	155,000	155,000	-	-
Interest	107,881	-	107,881	107,881	-	-
	<u>262,881</u>	<u>-</u>	<u>262,881</u>	<u>262,881</u>	<u>-</u>	<u>-</u>
Overlay	<u>230,000</u>	<u>(26,031)</u>	<u>203,969</u>	<u>-</u>	<u>203,969</u>	<u>-</u>

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Applied Revenues/ Other	Total Available	Actual	Balances	
					Lapsed	Carried
Designated						
Town maintenance / Irving	-	10,000	10,000	-	-	10,000
Municipal facility	-	269,072	269,072	61,856	1	207,215
General assistance software	-	34,900	34,900	13,681	(1,280)	22,499
Economic development plan grant	-	-	-	1,114	(1,114)	-
Harbor economic plan grant	-	6,132	6,132	-	-	6,132
Sub host program	-	2,197	2,197	1,370	1	826
Volunteer recognition	-	456	456	128	-	328
Wood Island/state grant	-	5,950	5,950	5,408	-	542
Memorial day activities	650	-	650	650	-	-
Emergency ambulance service	75,840	-	75,840	75,840	-	-
Compensated absences	-	135,035	135,035	135,034	1	-
Seacoast shipyard association	1,500	-	1,500	1,500	-	-
Shellfish conservation commission	2,500	619	3,119	3,076	-	43
Conservation commission	-	4,431	4,431	1,253	-	3,178
HVAC upgrade article 8	-	19,572	19,572	-	19,572	-
Self insurance claims	-	25,000	25,000	2,000	23,000	-
Grant matching funds	-	80,118	80,118	13,020	67,098	-
Tree planting grant	-	3,000	3,000	1,802	(2,000)	3,198
Emergency facility repair fund	-	50,844	50,844	45,993	4,851	-
Outfall pipe h2o testing grant	-	7,500	7,500	6,916	(2,223)	2,807
Computerized website mapping	-	1,200	1,200	-	1,200	-
Traffic signals	-	-	-	890	(890)	-
Seapoint road causeway	-	99,012	99,012	39,732	24,280	35,000
Haley field project	-	162,542	162,542	2,205	1	160,336
Mosquito / tick control	-	60,700	60,700	60,700	-	-
Picott / Wilson culvert project	-	25,000	25,000	20,429	4,571	-
Traffic light Route 236	-	100,000	100,000	-	-	100,000
Traffic light Route 236	-	10,000	10,000	-	-	10,000

TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Applied Revenues/ Other	Total Available	Actual	Lapsed	Carried
Town pier repair	-	41,706	41,706	36,233	1	5,472
Ballot counting machine	-	13,000	13,000	-	-	13,000
Alternative energy	-	250,000	250,000	193,874	-	56,126
Pier condition report	-	1,098	1,098	-	-	1,098
GIS web account	3,600	-	3,600	1,680	-	1,920
Fort Foster restrooms	-	150,000	150,000	19,693	1	130,306
Traip Academy roof	-	94,610	94,610	2,880	-	91,730
Jaws of life	-	38,843	38,843	37,669	1,174	-
Fire department floors	-	55,000	55,000	54,778	222	-
Frisbee study phase 2	-	50,000	50,000	45,738	4,262	-
Offset tax rate	-	300,000	300,000	-	300,000	-
Emergency fuel account	-	40,000	40,000	-	40,000	-
Open space reserve	-	50,000	50,000	-	-	50,000
GA program	-	40,000	40,000	-	40,000	-
Maine service center coalition	1,250	-	1,250	1,215	35	-
	<u>85,340</u>	<u>2,237,537</u>	<u>2,322,877</u>	<u>888,357</u>	<u>522,764</u>	<u>911,756</u>
Transfers						
Operating and capital transfers	1,128,121	-	1,128,121	1,128,321	(200)	-
	<u>1,128,121</u>	<u>-</u>	<u>1,128,121</u>	<u>1,128,321</u>	<u>(200)</u>	<u>-</u>
Total Expenditures	<u>\$ 24,339,239</u>	<u>\$ 2,586,380</u>	<u>\$ 26,925,619</u>	<u>\$ 24,146,216</u>	<u>\$ 1,093,034</u>	<u>\$ 1,686,369</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 50,597	\$ 64,036	\$ 179,311	\$ 293,944
Investments	734,637	2,016,054	843,623	3,594,314
Accounts receivable	87,135	-	-	87,135
Due from other funds	449,419	328,644	-	778,063
Total assets	<u>\$ 1,321,788</u>	<u>\$ 2,408,734</u>	<u>\$ 1,022,934</u>	<u>\$ 4,753,456</u>
LIABILITIES				
Accounts Payable	\$ 15,663	\$ 580	\$ -	\$ 16,243
Due to other funds	13,465	162,095	3,870	179,430
Total liabilities	<u>29,128</u>	<u>162,675</u>	<u>3,870</u>	<u>195,673</u>
FUND EQUITY				
Fund balance:				
Unreserved:				
Designated for subsequent years'				
expenditures	<u>1,292,660</u>	<u>2,246,059</u>	<u>1,019,064</u>	<u>4,557,783</u>
Total fund equity	<u>1,292,660</u>	<u>2,246,059</u>	<u>1,019,064</u>	<u>4,557,783</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,321,788</u>	<u>\$ 2,408,734</u>	<u>\$ 1,022,934</u>	<u>\$ 4,753,456</u>

See accompanying independent auditors' report.

SCHEDULE C

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 564,103	\$ 260,454	\$ -	\$ 824,557
Other income	277,443	-	98,835	376,278
Investment income	21,053	118,395	34,408	173,856
TOTAL REVENUES	<u>862,599</u>	<u>378,849</u>	<u>133,243</u>	<u>1,374,691</u>
EXPENDITURES				
Administration	-	648	176,451	177,099
Public safety	-	17,899	-	17,899
Public works	-	692,602	-	692,602
Education	638,037	-	3,052	641,089
Capital outlay	105,868	559,761	1,269	666,898
TOTAL EXPENDITURES	<u>743,905</u>	<u>1,270,910</u>	<u>180,772</u>	<u>2,195,587</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>118,694</u>	<u>(892,061)</u>	<u>(47,529)</u>	<u>(820,896)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	258,916	582,453	-	841,369
Operating Transfers Out	-	(12)	(25,000)	(25,012)
TOTAL OTHER FINANCING SOURCES (USES)	<u>258,916</u>	<u>582,441</u>	<u>(25,000)</u>	<u>816,357</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	377,610	(309,620)	(72,529)	(4,539)
FUND BALANCE, JULY 1	<u>915,050</u>	<u>2,555,679</u>	<u>1,091,593</u>	<u>4,562,322</u>
FUND BALANCE, JUNE 30	<u>\$ 1,292,660</u>	<u>\$ 2,246,059</u>	<u>\$ 1,019,064</u>	<u>\$ 4,557,783</u>

See accompanying independent auditors' report.

Special Revenue Funds

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

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2009

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Vehicle Exhaust Grant
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	711,540	23,097	-	-	-
Accounts receivable (net of allowance)	-	61,539	-	-	-
Due from other funds	19,945	-	4,321	-	2,688
TOTAL ASSETS	<u>\$ 731,485</u>	<u>\$ 84,636</u>	<u>\$ 4,321</u>	<u>\$ -</u>	<u>\$ 2,688</u>
LIABILITIES AND FUNDEQUITY					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	4,439	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY					
Fund balance:					
Unreserved:					
Designated for subsequent years' expenditures	731,485	80,197	4,321	-	2,688
TOTAL FUND EQUITY	<u>731,485</u>	<u>80,197</u>	<u>4,321</u>	<u>-</u>	<u>2,688</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 731,485</u>	<u>\$ 84,636</u>	<u>\$ 4,321</u>	<u>\$ -</u>	<u>\$ 2,688</u>

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2009

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
ASSETS					
Cash	\$ -	\$ 95	\$ 47,082	\$ 3,420	\$ 50,597
Investments	-	-	-	-	734,637
Accounts receivable (net of allowance)	-	50	-	25,546	87,135
Due from other funds	139,080	48,903	-	234,482	449,419
TOTAL ASSETS	<u>\$ 139,080</u>	<u>\$ 49,048</u>	<u>\$ 47,082</u>	<u>\$ 263,448</u>	<u>\$ 1,321,788</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	\$ -	\$ 1,667	\$ -	\$ 13,996	\$ 15,663
Due to other funds	-	-	-	9,026	13,465
TOTAL LIABILITIES	<u>-</u>	<u>1,667</u>	<u>-</u>	<u>23,022</u>	<u>29,128</u>
FUND EQUITY					
Fund balance:					
Unreserved:					
Designated for subsequent years' expenditures	139,080	47,381	47,082	240,426	1,292,660
TOTAL FUND EQUITY	<u>139,080</u>	<u>47,381</u>	<u>47,082</u>	<u>240,426</u>	<u>1,292,660</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 139,080</u>	<u>\$ 49,048</u>	<u>\$ 47,082</u>	<u>\$ 263,448</u>	<u>\$ 1,321,788</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Sewer Impact Fees	Sewer Betterment Fees	GMH Police / Fire Rescue	Storm Damage / FEMA	Vehicle Exhaust Grant
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	11,600	11,425	-	27,806	-
Investment income	20,389	476	-	-	-
Total revenue	<u>31,989</u>	<u>11,901</u>	<u>-</u>	<u>27,806</u>	<u>-</u>
EXPENDITURES					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	12,655	-	66,593	26,620	-
Total expenditures	<u>12,655</u>	<u>-</u>	<u>66,593</u>	<u>26,620</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>19,334</u>	<u>11,901</u>	<u>(66,593)</u>	<u>1,186</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	135,200	10,445	-	-	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>135,200</u>	<u>10,445</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>154,534</u>	<u>22,346</u>	<u>(66,593)</u>	<u>1,186</u>	<u>-</u>
FUND BALANCE, JULY 1	<u>576,951</u>	<u>57,851</u>	<u>70,914</u>	<u>(1,186)</u>	<u>2,688</u>
FUND BALANCE, JUNE 30	<u>\$ 731,485</u>	<u>\$ 80,197</u>	<u>\$ 4,321</u>	<u>\$ -</u>	<u>\$ 2,688</u>

SCHEDULE E (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Education Reserve	Adult Education	Unemployment Fund	Other School Grants	Totals
REVENUES					
Intergovernmental revenue	\$ -	\$ 32,425	\$ -	\$ 531,678	\$ 564,103
Other income	34,130	106,411	-	86,071	277,443
Investment income	-	-	188	-	21,053
Total revenue	<u>34,130</u>	<u>138,836</u>	<u>188</u>	<u>617,749</u>	<u>862,599</u>
EXPENDITURES					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Education	-	147,689	17,269	473,079	638,037
Capital outlay	-	-	-	-	105,868
Total expenditures	<u>-</u>	<u>147,689</u>	<u>17,269</u>	<u>473,079</u>	<u>743,905</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>34,130</u>	<u>(8,853)</u>	<u>(17,081)</u>	<u>144,670</u>	<u>118,694</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	99,909	13,162	-	200	258,916
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>99,909</u>	<u>13,162</u>	<u>-</u>	<u>200</u>	<u>258,916</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	134,039	4,309	(17,081)	144,870	377,610
FUND BALANCE, JULY 1	<u>5,041</u>	<u>43,072</u>	<u>64,163</u>	<u>95,556</u>	<u>915,050</u>
FUND BALANCE, JUNE 30	<u>\$ 139,080</u>	<u>\$ 47,381</u>	<u>\$ 47,082</u>	<u>\$ 240,426</u>	<u>\$ 1,292,660</u>

See accompanying independent auditors' report.

Capital Projects Funds

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

SCHEDULE F

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2009

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	852,998	13,632	2,459	5,986	120,187	3,316
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 852,998</u>	<u>\$ 13,632</u>	<u>\$ 2,459</u>	<u>\$ 5,986</u>	<u>\$ 120,187</u>	<u>\$ 3,316</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	6,682	17,262	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,682</u>	<u>17,262</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years'						
expenditures	852,998	13,632	2,459	(696)	102,925	3,316
Total fund equity	<u>852,998</u>	<u>13,632</u>	<u>2,459</u>	<u>(696)</u>	<u>102,925</u>	<u>3,316</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 852,998</u>	<u>\$ 13,632</u>	<u>\$ 2,459</u>	<u>\$ 5,986</u>	<u>\$ 120,187</u>	<u>\$ 3,316</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2009

	Asphalt Surface Maintenance	Solid Waste Vehicle / Equipment	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	119,294	3,645	14,796	125,950	91,053
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 119,294</u>	<u>\$ 3,645</u>	<u>\$ 14,796</u>	<u>\$ 125,950</u>	<u>\$ 91,053</u>
LIABILITIES						
Accounts payable	\$ 580	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	15,350	3,500	5,846	-	-
Total liabilities	<u>580</u>	<u>15,350</u>	<u>3,500</u>	<u>5,846</u>	<u>-</u>	<u>-</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years'	(580)	103,944	145	8,950	125,950	91,053
expenditures						
Total fund equity	<u>(580)</u>	<u>103,944</u>	<u>145</u>	<u>8,950</u>	<u>125,950</u>	<u>91,053</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ -</u>	<u>\$ 119,294</u>	<u>\$ 3,645</u>	<u>\$ 14,796</u>	<u>\$ 125,950</u>	<u>\$ 91,053</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2009

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	35,622	40,165	2,269	23,958	5,752	43,070	2,280
Due from other funds	1,990	-	-	-	-	-	-
Total assets	<u>\$ 37,612</u>	<u>\$ 40,165</u>	<u>\$ 2,269</u>	<u>\$ 23,958</u>	<u>\$ 5,752</u>	<u>\$ 43,070</u>	<u>\$ 2,280</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,554	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY							
Fund balance:							
Designated for subsequent years' expenditures	37,612	38,611	2,269	23,958	5,752	43,070	2,280
Total fund equity	<u>37,612</u>	<u>38,611</u>	<u>2,269</u>	<u>23,958</u>	<u>5,752</u>	<u>43,070</u>	<u>2,280</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 37,612</u>	<u>\$ 40,165</u>	<u>\$ 2,269</u>	<u>\$ 23,958</u>	<u>\$ 5,752</u>	<u>\$ 43,070</u>	<u>\$ 2,280</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS

JUNE 30, 2009

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Public Safety	Office Restrooms
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	48,059	50,995	36,346	166,631	3,206	4,449	48
Due from other funds	-	-	-	-	-	200	-
Total assets	<u>\$ 48,059</u>	<u>\$ 50,995</u>	<u>\$ 36,346</u>	<u>\$ 166,631</u>	<u>\$ 3,206</u>	<u>\$ 4,449</u>	<u>\$ 48</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,732	-	-	-	-	-
Total liabilities	<u>-</u>	<u>2,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY							
Fund balance:							
Designated for subsequent years' expenditures	48,059	48,263	36,346	166,631	3,206	4,449	48
Total fund equity	<u>48,059</u>	<u>48,263</u>	<u>36,346</u>	<u>166,631</u>	<u>3,206</u>	<u>4,449</u>	<u>48</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 48,059</u>	<u>\$ 50,995</u>	<u>\$ 36,346</u>	<u>\$ 166,631</u>	<u>\$ 3,206</u>	<u>\$ 4,449</u>	<u>\$ 48</u>

TOWN OF KITTERY, MAINE

SCHEDULE F (CONTINUED)

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS

JUNE 30, 2009

	Records Preservation	Architectural Barrier	Treatment Plant Upgrade	School Capital	Irving Oil Road	Mercury UW Facility	Totals
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ 64,036	\$ -	\$ -	\$ 64,036
Investments	496	137,361	62,231	-	-	-	2,016,054
Due from other funds	-	-	-	286,281	40,173	-	328,644
Total assets	<u>\$ 496</u>	<u>\$ 137,361</u>	<u>\$ 62,231</u>	<u>\$ 350,317</u>	<u>\$ 40,173</u>	<u>\$ -</u>	<u>\$ 2,408,734</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 580
Due to other funds	8,000	12,357	22,838	62,768	-	3,206	162,095
Total liabilities	<u>8,000</u>	<u>12,357</u>	<u>22,838</u>	<u>62,768</u>	<u>-</u>	<u>3,206</u>	<u>162,675</u>
FUND EQUITY							
Fund balance:							
Designated for subsequent years'							
expenditures	(7,504)	125,004	39,393	287,549	40,173	(3,206)	2,246,059
Total fund equity	<u>(7,504)</u>	<u>125,004</u>	<u>39,393</u>	<u>287,549</u>	<u>40,173</u>	<u>(3,206)</u>	<u>2,246,059</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 496</u>	<u>\$ 137,361</u>	<u>\$ 62,231</u>	<u>\$ 350,317</u>	<u>\$ 40,173</u>	<u>\$ -</u>	<u>\$ 2,408,734</u>

See accompanying independent auditors' report.

SCHEDULE G

TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2009

	State Aid to Roads	Drainage Projects	Emery Field	Land / Fire Station / Rec Field	Road Construction	Sidewalk Program
REVENUES						
Intergovernmental revenue	\$ 260,454	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-
Investment income	22,963	452	76	185	3,597	104
Total revenue	<u>283,417</u>	<u>452</u>	<u>76</u>	<u>185</u>	<u>3,597</u>	<u>104</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	556,725	2,315	-	-	133,562	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,296
Total expenditures	<u>556,725</u>	<u>2,315</u>	<u>-</u>	<u>-</u>	<u>133,562</u>	<u>1,296</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(273,308)	(1,863)	76	185	(129,965)	(1,192)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	172,472	-	-	-	64,900	10,000
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>172,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,900</u>	<u>10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(100,836)	(1,863)	76	185	(65,065)	8,808
FUND BALANCE, JULY 1	953,834	15,495	2,383	(881)	167,990	(5,492)
FUND BALANCE, JUNE 30	<u>\$ 852,998</u>	<u>\$ 13,632</u>	<u>\$ 2,459</u>	<u>\$ (696)</u>	<u>\$ 102,925</u>	<u>\$ 3,316</u>

SCHEDULE G (CONTINUED)

TOWN OF KITTEERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR

CAPITAL PROJECTS

FOR THE YEAR ENDED JUNE 30, 2009

	Asphalt Surface Maintenance	Solid Waste Vehicle / Equipment	Fort Foster Management	Recreation Vehicle	Highway Vehicle	Fire Dept Vehicle
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	396	23,000
Investment income	865	3,650	112	99	5,023	3,414
Total revenue	<u>865</u>	<u>3,650</u>	<u>112</u>	<u>99</u>	<u>5,419</u>	<u>26,414</u>
EXPENDITURES						
Administration	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	-	-	153,265	97,831
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,265</u>	<u>97,831</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	865	3,650	112	99	(147,846)	(71,417)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	7,500	16,267	-	5,846	77,226	74,000
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,500</u>	<u>16,267</u>	<u>-</u>	<u>5,846</u>	<u>77,226</u>	<u>74,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,365	19,917	112	5,945	(70,620)	2,583
FUND BALANCE, JULY 1	(8,945)	84,027	33	3,005	196,570	88,470
FUND BALANCE, JUNE 30	<u>\$ (580)</u>	<u>\$ 103,944</u>	<u>\$ 145</u>	<u>\$ 8,950</u>	<u>\$ 125,950</u>	<u>\$ 91,053</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, 2009

	Parks Dept Vehicle	Building Swimming Pool	Thermal Imager	Storm Drain Mapping	Port Authority Boat	Badgers Island Cemetery	Fire Station
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	-	-	-	-	-	-
Investment income	1,069	1,765	81	742	162	1,333	54
Total revenue	<u>1,069</u>	<u>1,765</u>	<u>81</u>	<u>742</u>	<u>162</u>	<u>1,333</u>	<u>54</u>
EXPENDITURES							
Administration	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	12,849
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	350	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,849</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,069</u>	<u>1,765</u>	<u>(269)</u>	<u>742</u>	<u>162</u>	<u>1,333</u>	<u>(12,795)</u>
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	12,983	-	-	-	1,500	-	-
Operating Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>14,052</u>	<u>1,765</u>	<u>(269)</u>	<u>742</u>	<u>1,662</u>	<u>1,333</u>	<u>(12,795)</u>
FUND BALANCE, JULY 1	<u>23,560</u>	<u>36,846</u>	<u>2,538</u>	<u>23,216</u>	<u>4,090</u>	<u>41,737</u>	<u>15,075</u>
FUND BALANCE, JUNE 30	<u>\$ 37,612</u>	<u>\$ 38,611</u>	<u>\$ 2,269</u>	<u>\$ 23,958</u>	<u>\$ 5,752</u>	<u>\$ 43,070</u>	<u>\$ 2,280</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, 2009

	Computer	Police Drug Forfeiture	Police Vehicle Equipment	Solid Waste Equipment	Computer Mapping	Public Safety	Office Restrooms
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	-	24,871	3,972	-	-	4,445	-
Investment income	1,469	1,419	1,066	5,114	99	4	2
Total revenue	1,469	26,290	5,038	5,114	99	4,449	2
EXPENDITURES							
Administration	648	-	-	-	-	-	-
Public safety	-	5,050	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	-	15,350	-	-	-
Total expenditures	648	5,050	-	15,350	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	821	21,240	5,038	(10,236)	99	4,449	2
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	15,000	-	-	16,850	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	-	-	16,850	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	15,821	21,240	5,038	6,614	99	4,449	2
FUND BALANCE, JULY 1	32,238	27,023	31,308	160,017	3,107	-	46
FUND BALANCE, JUNE 30	\$ 48,059	\$ 48,263	\$ 36,346	\$ 166,631	\$ 3,206	\$ 4,449	\$ 48

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, 2009

	Records Preservation	Architectural Barrier	Treatment Plant Upgrade	School Capital	Irving Oil Road	Mercury UW Facility	Totals
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,454
Other income	-	-	-	-	-	-	56,684
Investment income	133	4,254	1,521	884	-	-	61,711
Total revenue	133	4,254	1,521	884	-	-	378,849
EXPENDITURES							
Administration	-	-	-	-	-	-	648
Public safety	-	-	-	-	-	-	17,899
Public works	-	-	-	-	-	-	692,602
Education	-	-	-	-	-	-	-
Capital outlay	16,000	374	65,963	209,332	-	-	559,761
Total expenditures	16,000	374	65,963	209,332	-	-	1,270,910
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,867)	3,880	(64,442)	(208,448)	-	-	(892,061)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	8,000	-	-	99,909	-	-	582,453
Operating Transfers Out	-	-	-	(12)	-	-	(12)
TOTAL OTHER FINANCING SOURCES (USES)	8,000	-	-	99,897	-	-	582,441
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,867)	3,880	(64,442)	(108,551)	-	-	(309,620)
FUND BALANCE, JULY 1	363	121,124	103,835	396,100	40,173	(3,206)	\$ 2,555,679
FUND BALANCE, JUNE 30	\$ (7,504)	\$ 125,004	\$ 39,393	\$ 287,549	\$ 40,173	\$ (3,206)	\$ 2,246,059

See accompanying independent auditors' report.

Permanent Funds

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

TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2009

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Rayes Trust
ASSETS				
Cash	\$ -	\$ -	\$ 75,915	\$ -
Investments	131,026	27,010	587,159	9,126
Accounts receivable (net of allowance)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 131,026</u>	<u>\$ 27,010</u>	<u>\$ 663,074</u>	<u>\$ 9,126</u>
LIABILITIES				
Due to other funds	\$ 3,870	\$ -	\$ -	\$ -
Total liabilities	<u>3,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY				
Fund balance:				
Unreserved:				
Designated for subsequent years'	127,156	27,010	663,074	9,126
Total fund equity	<u>127,156</u>	<u>27,010</u>	<u>663,074</u>	<u>9,126</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 131,026</u>	<u>\$ 27,010</u>	<u>\$ 663,074</u>	<u>\$ 9,126</u>

TOWN OF KITTEERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2009

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
ASSETS				
Cash	\$ 103,396	\$ -	\$ -	\$ 179,311
Investments	-	31,515	57,787	843,623
Accounts receivable (net of allowance)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 103,396</u>	<u>\$ 31,515</u>	<u>\$ 57,787</u>	<u>\$ 1,022,934</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ 3,870
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,870</u>
FUND EQUITY				
Fund balance:				
Unreserved:				
Designated for subsequent years'	103,396	31,515	57,787	1,019,064
Total fund equity	<u>103,396</u>	<u>31,515</u>	<u>57,787</u>	<u>1,019,064</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 103,396</u>	<u>\$ 31,515</u>	<u>\$ 57,787</u>	<u>\$ 1,022,934</u>

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES - NONMAJOR
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Rayes Trust
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	750	-	95,656	-
Investment income	2,957	573	26,678	205
Total revenue	<u>3,707</u>	<u>573</u>	<u>122,334</u>	<u>205</u>
EXPENDITURES				
Administration	7,731	-	168,720	-
Public safety	-	-	-	-
Education	-	-	-	-
Capital outlay	-	-	-	269
Total expenditures	<u>7,731</u>	<u>-</u>	<u>168,720</u>	<u>269</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,024)	573	(46,386)	(64)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	(25,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,024)	573	(71,386)	(64)
FUND BALANCE, JULY 1	131,180	26,437	734,460	9,190
FUND BALANCE, JUNE 30	<u>\$ 127,156</u>	<u>\$ 27,010</u>	<u>\$ 663,074</u>	<u>\$ 9,126</u>

SCHEDULE I (CONTINUED)

TOWN OF KITTERY, MAINE

COMBINING SCHEDULES OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES - NONMAJOR
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	School Trust Funds	Recycling Scholarship Fund	Samuels Beautification Funds	Totals
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	2,051	378	-	98,835
Investment income	917	1,260	1,818	34,408
Total revenue	<u>2,968</u>	<u>1,638</u>	<u>1,818</u>	<u>133,243</u>
EXPENDITURES				
Administration	-	-	-	176,451
Public safety	-	-	-	-
Education	3,052	-	-	3,052
Capital outlay	-	-	1,000	1,269
Total expenditures	<u>3,052</u>	<u>-</u>	<u>1,000</u>	<u>180,772</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(84)	1,638	818	(47,529)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(84)	1,638	818	(72,529)
FUND BALANCE, JULY 1	103,480	29,877	56,969	1,091,593
FUND BALANCE, JUNE 30	<u>\$ 103,396</u>	<u>\$ 31,515</u>	<u>\$ 57,787</u>	<u>\$ 1,019,064</u>

See accompanying independent auditors' report.

General Capital Assets

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

TOWN OF KITTELY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2009

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Police	\$ -	\$ 84,458	\$ 1,001,284	\$ -	\$ 1,085,742
General government	-	2,689,485	200,716	-	2,890,201
Fire	358,894	3,478,843	1,499,071	-	5,336,808
Highway	8,579,000	2,611,172	2,933,796	9,661,465	23,785,433
Recycling	-	98,226	22,588	-	120,814
Recreation	-	151,254	86,159	-	237,413
Library	-	8,711	-	-	8,711
Town-wide	1,973,300	284,210	61,058	-	2,318,568
School Department	45,406	21,531,845	477,053	-	22,054,304
Sewer Department	3,342,270	14,884,282	272,572	-	18,499,124
School Lunch Program	-	-	98,255	-	98,255
Total General Capital Assets	14,298,870	45,822,486	6,652,552	9,661,465	76,435,373
Less: Accumulated Depreciation	-	(19,443,969)	(3,963,584)	(6,702,974)	(30,110,527)
Net General Capital Assets	\$ 14,298,870	\$ 26,378,517	\$ 2,688,968	\$ 2,958,491	\$ 46,324,846

See accompanying independent auditors' report.

TOWN OF KITTEERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2009

	General Capital Assets 7/1/08	Additions	Deletions	General Capital Assets 6/30/09
Police	\$ 1,085,742	\$ -	-	\$ 1,085,742
General government	2,890,201	-	-	2,890,201
Fire	5,336,808	-	-	5,336,808
Highway	23,785,433	-	-	23,785,433
Recycling	120,814	-	-	120,814
Recreation	237,413	-	-	237,413
Library	8,711	-	-	8,711
Town-wide	2,318,568	-	-	2,318,568
School Department	21,951,186	103,118	-	22,054,304
Sewer Department	16,766,731	1,732,393	-	18,499,124
School Lunch Program	97,703	552	-	98,255
Total General Capital Assets	74,599,310	1,836,063	-	76,435,373
Less: Accumulated Depreciation	(27,746,058)	(2,364,469)	-	(30,110,527)
Net General Capital Assets	\$ 46,853,252	\$ (528,406)	-	\$ 46,324,846

See accompanying independent auditors' report.

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through State of Maine -			
Department of Education and Cultural Services			
Food distribution	10.550	N/A	\$ 118,073
School lunch program	10.555	013-05A-7128-05	21,510
School Breakfast Program	10.553	013-06A-7127-05	106,573
Total Department of Agriculture			<u>246,156</u>
U.S. Department of Education			
Passed Through State of Maine -			
Department of Education and Cultural Services			
Title IA - Educationally Deprived	84.010	013-05A-6334-13	139,074
Handicapped Programs - Local Entitlement	84.027	013-05A-6317-12	228,579
School health	93.938	013-05A-6312-15	-
Local Entitlement Part B - Section 619	84.173	013-05A-6241-23	3,005
Title V - Innovative Education	84.298	013-05A-1072-66	711
Title IID Grant	84.318	013-05A-1006-07	766
Title IIA Teaching Quality Grant	84.367	013-05A-1138-11	19,565
Total Department of Education			<u>391,700</u>
U.S. Department of Mental Health, Mental Retardation, and Substance Abuse Services			
Passed Through State of Maine -			
Department of Mental Health, Mental Retardation, and Substance Abuse Services			
Drug Free Schools Act	84.186	013-075-6346-57	3,675
Total Department of Mental Health, Mental Retardation, and Substance Abuse Services			<u>3,675</u>
Department of Housing and Urban Development			
Passed Through State of Maine -			
Department of Economic and Community Development			
Community Development Block Grant	14.228	G205127	-
Total Department of Housing and Urban Development			<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 641,531</u></u>

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF FEDERAL AWARDS
JUNE 30, 2009

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Town of Kittery, Maine. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are 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. Major Programs - Federal

The following programs were considered major programs as defined by OMB Circular A-133 and also Type B programs as defined by Circular A-133.

Program	CFDA #
Title IA – Educationally Deprived	84.010
Handicapped Programs – Local Entitlement	84.027



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

October 21, 2009

Town Council
Town of Kittery, Maine
Kittery, Maine

We have audited the basic financial statements of Town of Kittery, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 21, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by Town of Kittery's, internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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

Compliance and Other Matters

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

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

RHR Smith & Co.

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 21, 2009

Town Council
Town Kittery, Maine
Kittery, Maine

Compliance

We have audited the compliance of Town of Kittery's, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Kittery's management. Our responsibility is to express an opinion on Town of Kittery's compliance based on our audit.

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

In our opinion, Town of Kittery complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

RHR Smith & Co.

Certified Public Accountants

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Summary of Auditors' Results:

- 1) We have issued an unqualified report dated October 21, 2009 on the financial statements of the Town which can be found on pages 1 - 2.
- 2) Our statement of significant deficiencies and material weaknesses can be found on pages 82 - 83 as they pertain to our audit of the financial statements for the Town. Our audit disclosed no significant deficiencies or material weaknesses in regards to the federal programs tested for June 30, 2009.
- 3) Our statement of non-compliance can be found on pages 82 - 83 as they pertain to our audit of the financial statements for the Town. Our audit disclosed no instances of non-compliance in regards to the federal programs tested for June 30, 2009.
- 4) Our statement of significant deficiencies and material weakness over major programs can be found on pages 84 - 85 as they pertain to our audit of the financial statements of the Town. Our audit disclosed no significant deficiencies or material weaknesses in regard to the major federal programs tested for June 30, 2009.
- 5) We have issued an unqualified report dated October 21, 2009 on compliance for major programs of the Town on pages 84 - 85.
- 6) Our statements disclosed no audit findings.
- 7) The following major programs were audited at June 30, 2009.
 - 1) Title IA - Basic Compensatory Ed. CFDA # 84.010
 - 2) Title VI – Local Entitlement CFDA # 84.027
- 8) The dollar threshold used to determine Type A programs and Type B programs as defined by OMB Circular A-133 is \$300,000.
- 9) The auditee did qualify as low risk as defined by OMB Circular A-133.
- 10) There were no findings related to the financial statements of the Town in accordance with GAGAS.
- 11) There were no findings or questioned costs for Federal Awards of the Town for the year ended June 30, 2009.



INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

October 21, 2009

Town Council
Town of Kittery
Kittery, Maine

We have audited the financial statements of Town of Kittery for the year ended June 30, 2009 and have issued our report thereon dated October 21, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America and applicable state and federal laws relating to financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we reviewed the budgetary controls that are in place, and have reviewed the annual financial report that was submitted to the Department for accuracy. In addition we have reviewed quarterly EF-U-415 reports for the year ended June 30, 2009 and the Town's compliance with applicable provisions of the Maine Finance Act as noted under MRSA Title 20A, section 6051 as we considered necessary in obtaining our understanding.

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

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

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

RHR Smith & Co.

Certified Public Accountants

TOWN OF KITTERY, MAINE

RECONCILIATION OF MEDMS ANNUAL REPORT TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund (100)	Special Revenue Funds (200)	Capital Projects Fund (300)	Totals
June 30 balance per MEDMS financial system	\$ 49,876	\$ 1,477,483	\$ 497,233	\$ 2,024,592
Revenue Adjustments:				
Net Income(loss)	128,198	265,937	(108,551)	285,584
Expenditure Adjustments:				
Posted activity in Fund Balance SR Transfer	99,909	-	-	99,909
Posted activity in Fund Balance SR Transfer	99,909	-	-	99,909
Posted activity in Fund Balance Use of FB	197,462	-	-	197,462
Posted activity in Fund Balance	2,964	-	-	2,964
Other adjustments:				
Remove medicaid fund balance from medms	-	-	-	-
Beginning balance variance in capital reserve (292)	-	(1,216,946)	-	(1,216,946)
Beginning balance variance in Special Revenue Fund	-	-	(101,133)	(101,133)
Beginning balance variance in General Fund	177,995	(52,705)	-	(52,705)
		-	-	177,995
Audited GAAP Basis Fund balance June 30	<u>\$ 756,313</u>	<u>\$ 473,769</u>	<u>\$ 287,549</u>	<u>\$ 1,517,631</u>