

Federal Compliance Audit

## **Town of Kittery, Maine**

June 30, 2019



*Proven Expertise & Integrity*

TOWN OF KITTERY, MAINE

CONTENTS

JUNE 30, 2019

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 13
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	14
STATEMENT B - STATEMENT OF ACTIVITIES	15 - 16
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	17
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	19
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT G - STATEMENT OF NET POSITION - PROPRIETARY FUNDS	21
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	22
STATEMENT I - STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	23
STATEMENT J - STATEMENT OF NET POSITION - FIDUCIARY FUNDS	24
STATEMENT K - STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS	25
NOTES TO FINANCIAL STATEMENTS	26 - 85

## REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	86
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	87
SCHEDULE 1A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - EDUCATION FUND	88
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	89
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS - PENSIONS	90
SCHEDULE 4 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	91
SCHEDULE 5 - SCHEDULE OF CONTRIBUTIONS - OPEB	92
SCHEDULE 6 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY MMEHT PLAN	93
SCHEDULE 7 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - MMEHT PLAN	94
SCHEDULE 8 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT PLAN	95
SCHEDULE 9 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - MEABT PLAN	96
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	97

## OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	98
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	99
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	100 - 101
SCHEDULE C - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	102

SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	103
SPECIAL REVENUE FUNDS DESCRIPTION	104
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	105 - 113
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	114 - 122
CAPITAL PROJECTS FUNDS DESCRIPTION	123
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	124 - 126
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	127 - 129
PERMANENT FUNDS DESCRIPTION	130
SCHEDULE I - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS	131
SCHEDULE J - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	132
FIDUCIARY FUNDS DESCRIPTION	133
SCHEDULE K - COMBINING SCHEDULE OF NET POSITION - FIDUCIARY FUNDS PRIVATE-PURPOSE TRUST FUNDS	134 - 135
SCHEDULE L - COMBINING SCHEDULE OF CHANGES IN NET POSITION FIDUCIARY FUNDS - PRIVATE-PURPOSE TRUST FUNDS	136 - 137
SCHEDULE M - COMBINING SCHEDULE OF CHANGES IN FIDUCIARY FUNDS - AGENCY FUNDS	138
GENERAL CAPITAL ASSETS DESCRIPTION	139
SCHEDULE N - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	140

SCHEDULE O - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	141
---	-----

FEDERAL COMPLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	142 - 143
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	144
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	145 - 146
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	147 - 149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	150

OTHER REPORTS

INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS	151
RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM	152



*Proven Expertise & Integrity*

## INDEPENDENT AUDITORS' REPORT

Town Council  
Town of Kittery  
Kittery, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Kittery, Maine as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Kittery, Maine as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 4 through 13 and 87 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kittery, Maine's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the Town of Kittery, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kittery, Maine's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
December 5, 2019



**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**(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, 2019. 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, pension and OPEB schedules 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 regard to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

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

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

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

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation and culture, health and sanitation, social services, education, program expenses and grant funds/miscellaneous accounts.
- *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 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 Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 funds financial statement.

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

The general fund and education fund are the only funds for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund and the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund provide comparisons of the original and final budget and the actual expenditures for the current year.

*Proprietary Funds:* The Town of Kittery maintains one proprietary fund, the Sewer Department Fund. This fund is 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 Statement of Changes in Net Position - Fiduciary Funds.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions - Pensions, a Schedule

of Proportionate Share of the Net OPEB Liability, a Schedule of Contributions - OPEB, a Schedule of Changes in Net OPEB Liability - MMEHT Plan, a Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT Plan, a Schedule of Changes in Net OPEB Liability - MEABT Plan, a Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT Plan and Notes to Required Supplementary Information.

### **Other Supplementary Information**

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

### **Government-Wide Financial Analysis**

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities is \$26,679,126 compared to \$26,135,840 in the prior year, an increase of \$543,286. For the business-type activities, total net position is \$9,015,753 compared to \$9,550,964 in the prior year, a decrease of \$535,211.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - is \$2,911,540 at the end of this year for governmental activities and a deficit balance of \$1,298,183 for the business-type activities.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2019</b>	<b>2018 (Restated)</b>	<b>2019</b>	<b>2018 (Restated)</b>
<b>Assets:</b>				
Current Assets	\$ 17,629,078	\$ 16,861,138	\$ 939,377	\$ 1,250,974
Noncurrent Assets	34,419,110	35,805,400	21,730,589	22,811,566
Total Assets	52,048,188	52,666,538	22,669,966	24,062,540
<b>Deferred Outflows of Resources:</b>				
Deferred Outflows Related to Pensions	1,395,657	2,593,198	96,268	211,868
Deferred Outflows Related to OPEB	2,978,587	3,357,298	-	-
Total Deferred Outflows of Resources	4,374,244	5,950,496	96,268	211,868
<b>Liabilities:</b>				
Current Liabilities	4,668,941	4,237,138	714,519	724,328
Noncurrent Liabilities	24,286,631	26,529,513	11,197,299	11,893,184
Total Liabilities	28,955,572	30,766,651	11,911,818	12,617,512
<b>Deferred Inflows of Resources:</b>				
Deferred Revenue	-	-	1,771,001	1,943,875
Prepaid Taxes	871	13,397	-	-
Deferred Inflows Related to Pensions	708,375	1,701,146	67,662	162,057
Deferred Inflows Related to OPEB	78,488	-	-	-
Total Deferred Inflows of Resources	787,734	1,714,543	1,838,663	2,105,932
<b>Net Position:</b>				
Net Investment in Capital Assets	21,804,219	21,866,122	10,313,936	10,733,009
Restricted	1,963,367	2,609,395	-	-
Unrestricted (Deficit)	2,911,540	1,660,323	(1,298,183)	(1,182,045)
Total Net Position	<u>\$ 26,679,126</u>	<u>\$ 26,135,840</u>	<u>\$ 9,015,753</u>	<u>\$ 9,550,964</u>

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 2,681,171	\$ 3,040,171	\$ 2,550,063	\$ 2,055,889
Operating grants and contributions	2,749,943	3,149,559	-	-
<i>General Revenues:</i>				
Taxes	26,482,819	25,690,551	-	-
Grants and contributions not restricted to specific programs	3,482,767	3,757,734	-	-
Investment income	167,937	68,145	17,757	20,636
Miscellaneous	694,822	676,950	-	35,023
Total Revenues	<u>36,259,459</u>	<u>36,383,110</u>	<u>2,567,820</u>	<u>2,111,548</u>
<b>Expenses</b>				
General government	3,986,981	3,226,537	-	-
Public safety	3,281,449	4,031,439	-	-
Public works	1,823,057	2,980,362	-	-
Recreation and culture	2,158,046	2,449,790	-	-
Health and sanitation	516,996	568,828	-	-
Social services	57,926	59,433	-	-
Education	18,341,659	18,525,970	-	-
County tax	863,018	930,931	-	-
Program expenses	65,258	252,335	-	-
State of Maine on-behalf payments	1,573,152	1,744,056	-	-
Capital outlay	2,643,732	2,700,384	-	-
Grant funds/misc. accounts	136,122	143,141	-	-
Overlay	56,519	-	-	-
Unallocated depreciation (Note 4)*	44,827	100,640	-	-
Interest on long-term debt	367,431	186,525	-	-
Sewer department	-	-	2,903,031	2,775,459
Total Expenses	<u>35,916,173</u>	<u>37,900,371</u>	<u>2,903,031</u>	<u>2,775,459</u>
Transfers	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Change in Net Position	543,286	(1,517,261)	(535,211)	(663,911)
Net Position - July 1, Restated	<u>26,135,840</u>	<u>27,653,101</u>	<u>9,550,964</u>	<u>10,214,875</u>
Net Position - June 30	<u>\$ 26,679,126</u>	<u>\$ 26,135,840</u>	<u>\$ 9,015,753</u>	<u>\$ 9,550,964</u>

## **Revenues and Expenses**

Revenues for the Town's governmental activities decreased by 0.34%, while total expenses decreased by 5.24%. The decrease in revenues was primarily due to charges for services, operating grants and contributions and grants and contributions not restricted to specific programs. The decrease in expenses was primarily due to decreases in all categories with the exception of general government, overlay and interest on long-term debt.

Revenues increased by 21.61% in the Town's business type activities, while the total expenses increased by 4.60%.

## **Financial Analysis of the Town's Fund Statements**

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

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

	<u>2019</u>	<u>2018 (Restated)</u>
Major Funds:		
General Fund:		
Nonspendable	\$ 180,108	\$ 359,036
Unassigned	6,313,900	5,988,495
Education Fund:		
Nonspendable	299,485	34,274
Assigned	20,454	511,000
Unassigned	(6,890)	206,195
Total Major Funds	<u>\$ 6,807,057</u>	<u>\$ 7,099,000</u>
Nonmajor Funds:		
Special Revenue Funds:		
Nonspendable	\$ 10,906	\$ 3,191
Restricted	133,499	156,706
Committed	4,463,252	3,905,865
Assigned	353,075	155,301
Unassigned	(136,871)	(222,905)
Capital Projects Funds:		
Restricted	1,069,865	940,720
Committed	661,134	941,937
Unassigned	(127,038)	-
Permanent Funds:		
Nonspendable	60,000	60,000
Restricted	700,003	709,477
Unassigned	(772)	(16,100)
Total Nonmajor Funds	<u>\$ 7,187,053</u>	<u>\$ 6,634,192</u>

The general fund total fund balance increased by \$146,477 from the prior fiscal year, due to positive budget to actual variances of \$532,459 in revenues and \$176,268 in expenditures less a budgeted use of fund balance of \$562,250. The education fund total fund balance decreased by \$438,420 due to expenditures and transfers out that exceeded revenues and transfers from other funds. The nonmajor funds total fund balance increased by \$552,861 from the prior fiscal year primarily due to transfers from other funds.

*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 sewer department fund had a reduction in net position of \$535,211 from the prior year due primarily to depreciation expense.



## **Budgetary Highlights**

The significant differences between the original and final budget for the general fund was the use of assigned and unassigned fund balances.

The general fund actual revenues exceeded the budget by \$532,459. This was a result of all revenue categories being receipted in excess of budgeted amounts with the exception of transfers from other funds.

The general fund actual expenditures were under budget by \$176,268. All expenditure categories were within or under budget with the exception of public works, grant funds/misc. accounts and transfers to other funds.

There was no difference between the original and final budget for the education fund.

The education fund actual revenues exceeded the budget by \$500,108. This was a result of all revenue categories being receipted within or in excess of budgeted amounts.

The education fund actual expenditures exceeded budget by \$464,405. All expenditure categories were within or under budget with the exception of special education, transportation and buses, operations and maintenance, debt service - interest and transfers to other funds.

## **Capital Asset and Debt Administration**

### **Capital Assets**

As of June 30, 2019, the net book value of capital assets recorded by the Town decreased by \$2,467,267. This decrease is a result of capital additions of \$429,051 less current year depreciation expense of \$2,896,318. Refer to Note 4 of Notes to Financial Statements for additional information.

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

	<u>2019</u>	<u>2018 (Restated)</u>
Land	\$ 11,236,886	\$ 11,236,886
Construction in progress	5,313	5,313
Land improvements	953,626	1,049,817
Buildings and improvements	26,884,860	28,132,618
Machinery, equipment and vehicles	3,626,946	4,108,208
Infrastructure	<u>13,442,068</u>	<u>14,084,124</u>
Total	<u>\$ 56,149,699</u>	<u>\$ 58,616,966</u>

#### **Debt**

At June 30, 2019, the Town had \$24,031,544 in bonds and notes from direct borrowings payable versus \$25,972,027 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information.

#### **Economic Factors and Next Year's Budgets and Rates**

The Town has steadily maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately seven months, while also maintaining significant reserve accounts for future capital and program needs. The FY 20 school department budget could be severely impacted by the reduction of funding from the State.

#### **Contacting the Town's Financial Management**

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

## STATEMENT A

## TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 12,822,968	\$ 2,555	\$ 12,825,523
Investments	2,576,699	-	2,576,699
Accounts receivable (net of allowance for uncollectibles):			
Taxes	761,750	-	761,750
Other	668,030	1,167,252	1,835,282
Due from other governments	78,702	-	78,702
Prepaid items	454,352	-	454,352
Inventory	36,147	-	36,147
Internal balances	230,430	(230,430)	-
Total current assets	17,629,078	939,377	18,568,455
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	10,956,219	285,980	11,242,199
Buildings and vehicles net of accumulated depreciation	23,462,891	21,444,609	44,907,500
Total noncurrent assets	34,419,110	21,730,589	56,149,699
<b>TOTAL ASSETS</b>	<b>52,048,188</b>	<b>22,669,966</b>	<b>74,718,154</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,395,657	96,268	1,491,925
Deferred outflows related to OPEB	2,978,587	-	2,978,587
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,374,244</b>	<b>96,268</b>	<b>4,470,512</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 56,422,432</b>	<b>\$ 22,766,234</b>	<b>\$ 79,188,666</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 785,699	\$ 63,793	\$ 849,492
Accrued payroll	1,742,816	-	1,742,816
Accrued expenses	267,870	-	267,870
Due to other governments	26,843	-	26,843
Escrows	234,552	-	234,552
Current portion of long-term obligations	1,611,161	650,726	2,261,887
Total current liabilities	4,668,941	714,519	5,383,460
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	11,224,857	10,793,176	22,018,033
Notes from direct borrowings payable	65,124	737	65,861
Accrued compensated absences	667,920	65,299	733,219
Net pension liability	2,739,104	338,087	3,077,191
Net OPEB liability	9,589,626	-	9,589,626
Total noncurrent liabilities	24,286,631	11,197,299	35,483,930
<b>TOTAL LIABILITIES</b>	<b>28,955,572</b>	<b>11,911,818</b>	<b>40,867,390</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	1,771,001	1,771,001
Prepaid taxes	871	-	871
Deferred inflows related to pensions	708,375	67,662	776,037
Deferred inflows related to OPEB	78,488	-	78,488
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>787,734</b>	<b>1,838,663</b>	<b>2,626,397</b>
<b>NET POSITION</b>			
Net investment in capital assets	21,804,219	10,313,936	32,118,155
Restricted	1,963,367	-	1,963,367
Unrestricted (deficit)	2,911,540	(1,298,183)	1,613,357
<b>TOTAL NET POSITION</b>	<b>26,679,126</b>	<b>9,015,753</b>	<b>35,694,879</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 56,422,432</b>	<b>\$ 22,766,234</b>	<b>\$ 79,188,666</b>

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

## STATEMENT B

## TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
<u>Governmental activities:</u>							
General government	\$ 3,986,981	\$ 385,832	\$ 34,348	\$ -	\$ (3,566,801)	\$ -	\$ (3,566,801)
Public safety	3,281,449	194,177	-	-	(3,087,272)	-	(3,087,272)
Public works	1,823,057	530	-	-	(1,822,527)	-	(1,822,527)
Recreation and culture	2,158,046	1,475,960	-	-	(682,086)	-	(682,086)
Health and sanitation	516,996	157,602	-	-	(359,394)	-	(359,394)
Social services	57,926	-	-	-	(57,926)	-	(57,926)
Education	18,341,659	467,070	1,142,443	-	(16,732,146)	-	(16,732,146)
County tax	863,018	-	-	-	(863,018)	-	(863,018)
Program expenses	65,258	-	-	-	(65,258)	-	(65,258)
State of Maine on-behalf payments	1,573,152	-	1,573,152	-	-	-	-
Capital outlay	2,643,732	-	-	-	(2,643,732)	-	(2,643,732)
Grant funds/misc. accounts	136,122	-	-	-	(136,122)	-	(136,122)
Overlay	56,519	-	-	-	(56,519)	-	(56,519)
Unallocated depreciation (Note 4)*	44,827	-	-	-	(44,827)	-	(44,827)
Interest on long-term debt	367,431	-	-	-	(367,431)	-	(367,431)
Total governmental activities	<u>35,916,173</u>	<u>2,681,171</u>	<u>2,749,943</u>	<u>-</u>	<u>(30,485,059)</u>	<u>-</u>	<u>(30,485,059)</u>
<u>Business-type activities:</u>							
Sewer department	<u>2,903,031</u>	<u>2,550,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(352,968)</u>	<u>(352,968)</u>
Total business-type activities	<u>2,903,031</u>	<u>2,550,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(352,968)</u>	<u>(352,968)</u>
Total government	<u>\$ 38,819,204</u>	<u>\$ 5,231,234</u>	<u>\$ 2,749,943</u>	<u>\$ -</u>	<u>(30,485,059)</u>	<u>(352,968)</u>	<u>(30,838,027)</u>

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

STATEMENT B (CONTINUED)

TOWN OF KITTERY, MAINE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	<u>(30,485,059)</u>	<u>(352,968)</u>	<u>(30,838,027)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	24,446,447	-	24,446,447
Excise taxes	2,036,372	-	2,036,372
Grants and contributions not restricted to specific programs	3,482,767	-	3,482,767
Investment income, net of unrealized gains/(losses)	167,937	17,757	185,694
Miscellaneous	694,822	-	694,822
Transfers	200,000	(200,000)	-
Total general revenues and transfers	<u>31,028,345</u>	<u>(182,243)</u>	<u>30,846,102</u>
Change in net position	543,286	(535,211)	8,075
NET POSITION - JULY 1, RESTATED	<u>26,135,840</u>	<u>9,550,964</u>	<u>35,686,804</u>
NET POSITION - JUNE 30	<u><u>\$ 26,679,126</u></u>	<u><u>\$ 9,015,753</u></u>	<u><u>\$ 35,694,879</u></u>

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

## STATEMENT C

## TOWN OF KITTERY, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Education Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,794,928	\$ 200	\$ 27,840	\$ 12,822,968
Investments	1,935,330	-	641,369	2,576,699
Accounts receivables (net of allowance for uncollectibles):				
Taxes/liens	761,750	-	-	761,750
Other	22,387	7,496	638,147	668,030
Due from other governments	-	78,702	-	78,702
Prepaid items	154,867	299,485	-	454,352
Inventory	25,241	-	10,906	36,147
Due from other funds	1,721,039	3,273,217	6,449,126	11,443,382
<b>TOTAL ASSETS</b>	<b>\$ 17,415,542</b>	<b>\$ 3,659,100</b>	<b>\$ 7,767,388</b>	<b>\$ 28,842,030</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 228,150	\$ 354,538	\$ 203,011	\$ 785,699
Accrued payroll	108,395	1,634,421	-	1,742,816
Accrued expenses	24,063	243,792	15	267,870
Due to other governments	26,843	-	-	26,843
Escrows	234,552	-	-	234,552
Due to other funds	9,722,343	1,113,300	377,309	11,212,952
<b>TOTAL LIABILITIES</b>	<b>10,344,346</b>	<b>3,346,051</b>	<b>580,335</b>	<b>14,270,732</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	871	-	-	871
Deferred tax revenues	576,317	-	-	576,317
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>577,188</b>	<b>-</b>	<b>-</b>	<b>577,188</b>
<b>FUND BALANCES</b>				
Nonspendable	180,108	299,485	70,906	550,499
Restricted	-	-	1,903,367	1,903,367
Committed	-	-	5,124,386	5,124,386
Assigned	-	20,454	353,075	373,529
Unassigned	6,313,900	(6,890)	(264,681)	6,042,329
<b>TOTAL FUND BALANCES</b>	<b>6,494,008</b>	<b>313,049</b>	<b>7,187,053</b>	<b>13,994,110</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 17,415,542</b>	<b>\$ 3,659,100</b>	<b>\$ 7,767,388</b>	<b>\$ 28,842,030</b>

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

## TOWN OF KITTERY, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

	Total Governmental Funds
Total Fund Balances	\$ 13,994,110
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	34,419,110
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	576,317
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	1,395,657
Deferred outflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	2,978,587
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(12,512,741)
Notes from direct borrowings payable	(102,150)
Accrued compensated absences	(954,171)
Net pension liability	(2,739,104)
Net OPEB liability	(9,589,626)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(708,375)
Deferred inflows of resources related to OPEB are not financial resources and therefore are not reported in the funds	(78,488)
Net position of governmental activities	<u>\$ 26,679,126</u>

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

## STATEMENT E

## TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Education Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General tax revenue	\$ 11,286,150	\$ 15,139,752	\$ -	\$ 26,425,902
Intergovernmental revenue	1,047,753	1,877,265	1,734,540	4,659,558
Charges for services	2,214,101	33,254	433,816	2,681,171
Investment income, net of unrealized gains/(losses)	140,768	-	27,169	167,937
State of Maine on-behalf payments	-	909,113	-	909,113
Other revenue	125,106	18,179	551,537	694,822
<b>TOTAL REVENUES</b>	<b>14,813,878</b>	<b>17,977,563</b>	<b>2,747,062</b>	<b>35,538,503</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,847,079	-	354,832	4,201,911
Public safety	2,942,847	-	41,342	2,984,189
Public works	1,069,346	-	-	1,069,346
Recreation and culture	1,893,115	-	102,959	1,996,074
Health and sanitation	501,337	-	11,650	512,987
Social services	57,926	-	-	57,926
Education	-	16,413,642	1,495,067	17,908,709
County tax	863,018	-	-	863,018
State of Maine on-behalf payments	-	909,113	-	909,113
Overlay	56,519	-	-	56,519
Grant funds/misc. accounts	136,122	-	-	136,122
Program expenses	-	-	65,258	65,258
Debt service:				
Principal	656,199	620,000	-	1,276,199
Interest	184,612	182,819	-	367,431
Capital outlay	-	-	3,072,783	3,072,783
<b>TOTAL EXPENDITURES</b>	<b>12,208,120</b>	<b>18,125,574</b>	<b>5,143,891</b>	<b>35,477,585</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,605,758</b>	<b>(148,011)</b>	<b>(2,396,829)</b>	<b>60,918</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	258,978	186,765	3,485,474	3,931,217
Transfers (out)	(2,718,259)	(477,174)	(535,784)	(3,731,217)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,459,281)</b>	<b>(290,409)</b>	<b>2,949,690</b>	<b>200,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>146,477</b>	<b>(438,420)</b>	<b>552,861</b>	<b>260,918</b>
<b>FUND BALANCES - JULY 1, RESTATED</b>	<b>6,347,531</b>	<b>751,469</b>	<b>6,634,192</b>	<b>13,733,192</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 6,494,008</b>	<b>\$ 313,049</b>	<b>\$ 7,187,053</b>	<b>\$ 13,994,110</b>

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, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 260,918</u>
--	-------------------

Amounts reported for governmental activities in the Statement of Activities  
(Statement B) are different because:

Governmental funds report capital outlays as expenditures while governmental  
activities report depreciation expense allocated to those expenditures over the life  
of the assets:

Capital asset acquisitions	429,051
Depreciation expense	(1,815,341)
	<u>(1,386,290)</u>

Deferred outflows of resources are a consumption of net position by the government  
that are applicable to a future reporting period and therefore are not reported in the  
funds:

Pensions	(1,197,541)
OPEB	(378,711)
	<u>(1,576,252)</u>

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported:

Taxes and liens receivable	<u>56,917</u>
----------------------------	---------------

Repayment of long-term debt principal is an expenditure in the governmental funds,  
but the repayment reduces long-term obligations in the Statement of Net Position

	<u>1,324,387</u>
--	------------------

Deferred inflows of resources are an acquisition of net position by the government  
that are applicable to a future reporting period and therefore are not reported in the  
funds:

Pensions	992,771
OPEB	(78,488)
	<u>914,283</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	191,938
Net pension liability	1,231,035
Net OPEB liability	(473,650)
	<u>949,323</u>

Change in net position of governmental activities (Statement B)	<u>\$ 543,286</u>
---	-------------------

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

## TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,555
Accounts receivable (net of allowance for uncollectibles)	<u>1,167,252</u>
Total current assets	<u>1,169,807</u>
Noncurrent assets:	
Capital assets:	
Land	285,980
Buildings and improvements	19,416,324
Machinery, equipment and vehicles	526,657
Infrastructure	<u>11,691,686</u>
Total capital assets	31,920,647
Less: accumulated depreciation	<u>(10,190,058)</u>
Total noncurrent assets	<u>21,730,589</u>
<b>TOTAL ASSETS</b>	<u>22,900,396</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>96,268</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>96,268</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 22,996,664</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 63,793
Due to other funds	230,430
Current portion of long-term obligations	<u>650,726</u>
Total current liabilities	<u>944,949</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	10,793,176
Notes from direct borrowings payable	737
Accrued compensated absences	65,299
Net pension liability	<u>338,087</u>
Total noncurrent liabilities	<u>11,197,299</u>
<b>TOTAL LIABILITIES</b>	<u>12,142,248</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue	1,771,001
Deferred inflows related to pensions	<u>67,662</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,838,663</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,313,936
Unrestricted (deficit)	<u>(1,298,183)</u>
<b>TOTAL NET POSITION</b>	<u>9,015,753</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 22,996,664</u>

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

## TOWN OF KITTERY, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Sewer</u> <u>Department</u>
OPERATING REVENUES	
Charges for services	\$ 2,550,063
TOTAL OPERATING REVENUES	<u>2,550,063</u>
OPERATING EXPENSES	
Salaries and wages	521,357
Benefits	294,520
Increase (decrease) in expenses related to net pension liability, deferred outflows and inflows of resources related to pensions	(10,354)
Contracted services	199,595
Rent	22,900
Utilities	189,615
Fuel / motor	50,186
Repairs, maintenance and equipment	122,421
Supplies and office	36,299
Chemicals	116,857
Sludge management	141,220
Depreciation	1,080,977
Other	1,517
TOTAL OPERATING EXPENSES	<u>2,767,110</u>
OPERATING INCOME (LOSS)	<u>(217,047)</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers (out)	(200,000)
Interest income	17,757
Interest expense	(135,921)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(318,164)</u>
CHANGE IN NET POSITION	(535,211)
NET POSITION - JULY 1, RESTATED	<u>9,550,964</u>
NET POSITION - JUNE 30	<u><u>\$ 9,015,753</u></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, 2019

	Enterprise Fund Sewer Department
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,535,207
Internal activity - receipts (payments) from/to other funds	153,580
Payments to employees	(875,285)
Payments to suppliers	(879,241)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>934,261</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>17,757</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>17,757</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers	<u>(200,000)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(200,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments on bond payable	(135,921)
Principal payments on bond payable	(615,359)
Principal payments on notes from direct borrowings payable	<u>(737)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(752,017)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1
CASH AND CASH EQUIVALENTS - JULY 1	<u>2,554</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u><u>\$ 2,555</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (217,047)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	1,080,977
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	158,018
(Increase) decrease in deferred outflows related to pensions	115,600
(Decrease) increase in accounts payable	9,403
(Decrease) increase in accrued expenses	(8,034)
(Decrease) increase in due to other funds	153,580
(Decrease) increase in accrued compensated absences	(59,408)
(Decrease) increase in deferred revenues	(172,874)
(Decrease) increase in net pension liability	(31,559)
(Decrease) increase in deferred inflows related to pensions	(94,395)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 934,261</u></u>

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

## TOWN OF KITTERY, MAINE

STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2019

	<u>Agency Funds</u> <u>Student</u> <u>Activities</u>	<u>Private-</u> <u>Purpose</u> <u>Trust Funds</u>
ASSETS		
Cash and cash equivalents	<u>\$      76,331</u>	<u>\$      17,460</u>
TOTAL ASSETS	<u><u>\$      76,331</u></u>	<u><u>\$      17,460</u></u>
LIABILITIES		
Accounts payable	\$          -	\$          -
Deposits held for others	<u>      76,331</u>	<u>              -</u>
TOTAL LIABILITIES	<u><u>\$      76,331</u></u>	<u>              -</u>
NET POSITION		
Restricted - held in trust		<u><u>\$      17,460</u></u>

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

## TOWN OF KITTERY, MAINE

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Private- Purpose Trust Funds
ADDITIONS	
Interest	\$ 10
Contributions	273
TOTAL ADDITIONS	<u>283</u>
DEDUCTIONS	
Scholarships	<u>1,000</u>
TOTAL DEDUCTIONS	<u>1,000</u>
CHANGE IN NET POSITION	(717)
NET POSITION - JULY 1	<u>18,177</u>
NET POSITION - JUNE 30	<u><u>\$ 17,460</u></u>

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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, public safety, public works, recreation and culture, health and sanitation, social services, education, program expenses and grant funds/miscellaneous accounts.

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 Statements No. 39 and No. 61.

**Implementation of New Accounting Standards**

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination,

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined the impact of this Statement is not material to the financial statements.

**Government-Wide and Fund Financial Statements**

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

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

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



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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

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

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

**Measurement Focus - Basic Financial Statements and 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Education Fund is used to account for all financial resources of the Kittery School Department.

Nonmajor Funds

- 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 Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town that are legally restricted pursuant to Title 30-A, §5653 of the Maine State Statutes, as amended and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

2. Proprietary Funds:

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Fiduciary Funds:

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

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and private-purpose trust). 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.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**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 education fund.

Revenues per budgetary basis	\$ 17,255,215
Add: On-behalf payments	909,113
Total GAAP basis	<u>\$ 18,164,328</u>
Expenditures per budgetary basis	\$ 17,693,635
Add: On-behalf payments	909,113
Total GAAP basis	<u>\$ 18,602,748</u>

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

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Town Council was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Town Council.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be a cash equivalent. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

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

**Receivables**

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$1,913,984 for the year ended June 30, 2019. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2019.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Inventories**

Inventories consist of expendable supplies held for consumption and are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method). The general fund inventory consists of diesel fuel and gasoline. The school lunch fund inventory consists of school lunch supplies and food on hand at the end of the year.

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

**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.

**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.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 obligations depend 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 obligations to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term obligations consist primarily of bonds payable, notes from direct borrowings payable, accrued compensated absences, net pension liability and net OPEB liability.

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 funds is the same in the fund statements as it is in the government-wide statements.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Participating Local District (PLD) Consolidated Plan and State Employee and Teacher (SET) Plan and additions to/deductions from the PLD Consolidated and SET Plans' fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated and SET Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**OPEB**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT) and Maine Education Association Benefits Trust (MEABT), which determined the School's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT and MEABT to complete the actuarial report. Additions to/deductions from the MMEHT and MEABT OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by MMEHT and MEABT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

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

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town or the Town Council in accordance with its charter. The inhabitants of the Town, through Town meetings, are the highest level of decision-making authority of the Town in that they must approve certain annual budgets (School), bonding and appropriation of unassigned fund balance. The Town Council must approve other annual budgets (capital and Town operating) and spending. Commitments may be modified or rescinded in the same manner they were established.

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

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

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

The Town has a fund balance policy that guides the Town to maintain an unassigned fund balance equal to at least 8.34% but preferable at 12% of the Town's general fund budget, i.e. an amount equal to 2.5 months of operating expenses from the then current operating budget, whichever is higher.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of this item, deferred outflows related to pensions and deferred outflows related to OPEB. These items are reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred tax revenues, which arises only under a modified accrual basis of accounting qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred revenue also qualify for reporting in this category. These items are reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions and OPEB qualify for reporting in this category as well. These items are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Revenue Recognition - Property Taxes - Modified Accrual Basis**

The Town's property tax for the current year was levied September 10, 2018 on the assessed value listed as of April 1, 2018, for all real and personal property located in the Town. Taxes were due on October 31, 2018, February 15, 2019 and May 31, 2019. Interest on unpaid taxes commenced on November 1, 2018, February 16, 2019 and June 1, 2019, at 7% per annum.

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

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 \$113,564 for the year ended June 30, 2019.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Encumbrance Accounting**

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

**Use of Estimates**

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2019, the Town's cash balance of \$12,919,314 was comprised of bank deposits amounting to \$13,393,435. Of these bank deposits, \$729,014 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$131,214 was covered by the Securities Investor Protection Corporation (SIPC). The remaining bank deposits of \$12,533,207 were collateralized with securities held by the financial institution in the Town's name or an irrevocable stand-by letter of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 2,210,027
Savings accounts	13,394
Money market accounts	3,090,715
Sweep accounts	7,948,085
Cash and cash equivalents	131,214
	<u>\$ 13,393,435</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments. However, in accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers.

Of the Town's investments of \$2,576,699, all were covered by the Securities Investor Protection Corporation (SIPC) and consequently were not exposed to custodial credit risk.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Debt securities:				
U.S. Agency securities	\$ 1,935,330	\$ 1,935,330	\$ -	\$ -
Equity securities:				
Common stock - domestic	281,647	281,647	-	-
Mutual funds:				
Equity - domestic	263,233	263,233	-	-
Equity - foreign	96,489	96,489	-	-
	<u>\$ 2,576,699</u>	<u>\$ 2,576,699</u>	<u>\$ -</u>	<u>\$ -</u>

**Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2019:

	June 30, 2019 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Agency Securities	\$ 1,935,330	\$ -	\$ 1,935,330	\$ -
Total debt securities	<u>1,935,330</u>	<u>-</u>	<u>1,935,330</u>	<u>-</u>
Equity securities:				
Common stock - domestic	281,647	281,647	-	-
Mutual funds - domestic and foreign	359,722	359,722	-	-
Total equity securities	<u>641,369</u>	<u>641,369</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>2,576,699</u>	<u>\$ 641,369</u>	<u>\$ 1,935,330</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	131,214			
Total cash equivalents measured at the NAV	<u>131,214</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 2,707,913</u>			

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level II of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2019 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk - Statutes for the State of Maine authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in repurchase agreements, savings accounts and various insured certificates of deposit. Certain long-term trust funds are invested through a financial institution with trust powers in a mix of securities that comply with state and federal regulations to provide long-term growth and income. As of June 30, 2019, the Town's investments in U.S. agency securities were not rated.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 1,721,039	\$ 9,722,343
Education fund	3,273,217	1,113,300
Nonmajor special revenue funds	4,596,975	369,809
Nonmajor capital projects funds	1,752,079	-
Nonmajor permanent funds	100,072	7,500
Proprietary funds	-	230,430
	<u>\$ 11,443,382</u>	<u>\$ 11,443,382</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18 (Restated)	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 10,950,906	\$ -	\$ -	\$ 10,950,906
Construction in progress	5,313	-	-	5,313
	<u>10,956,219</u>	<u>-</u>	<u>-</u>	<u>10,956,219</u>
Depreciated assets:				
Land improvements	2,203,634	-	-	2,203,634
Buildings and improvements	43,018,329	106,883	-	43,125,212
Machinery, equipment and vehicles	8,487,205	204,360	-	8,691,565
Infrastructure	11,992,744	117,808	-	12,110,552
	65,701,912	429,051	-	66,130,963
Less: accumulated depreciation	<u>(40,852,731)</u>	<u>(1,815,341)</u>	<u>-</u>	<u>(42,668,072)</u>
	24,849,181	(1,386,290)	-	23,462,891
Net capital assets	<u>\$ 35,805,400</u>	<u>\$ (1,386,290)</u>	<u>\$ -</u>	<u>\$ 34,419,110</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Land	\$ 285,980	\$ -	\$ -	\$ 285,980
	<u>285,980</u>	<u>-</u>	<u>-</u>	<u>285,980</u>
Depreciated assets:				
Buildings and improvements	19,416,324	-	-	19,416,324
Machinery, equipment and vehicles	526,657	-	-	526,657
Infrastructure	11,691,686	-	-	11,691,686
	31,634,667	-	-	31,634,667
Less: accumulated depreciation	<u>(9,109,081)</u>	<u>(1,080,977)</u>	<u>-</u>	<u>(10,190,058)</u>
	22,525,586	(1,080,977)	-	21,444,609
Net capital assets	<u>\$ 22,811,566</u>	<u>\$ (1,080,977)</u>	<u>\$ -</u>	<u>\$ 21,730,589</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation expense:

General government	\$ 120,612
Police	109,199
Fire	188,061
Public works	753,711
Recreation and culture	161,972
Health and sanitation	4,009
School department	432,950
Town-wide	44,827
Subtotal governmental	<u>1,815,341</u>
Sewer department	
Subtotal business-type	<u>1,080,977</u>
Total depreciation expense	<u><u>\$ 2,896,318</u></u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18 (Restated)	Additions	Deletions	Balance, 6/30/19	Due Within One Year
<u>Governmental activities:</u>					
Bonds payable	\$ 13,800,403	\$ -	\$ (1,287,662)	\$ 12,512,741	\$ 1,287,884
Notes from direct borrowings payable	138,875	-	(36,725)	102,150	37,026
Total governmental activities	<u>\$ 13,939,278</u>	<u>\$ -</u>	<u>\$ (1,324,387)</u>	<u>\$ 12,614,891</u>	<u>\$ 1,324,910</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 12,030,538	\$ -	\$ (615,359)	\$ 11,415,179	\$ 622,003
Notes from direct borrowings payable	2,211	-	(737)	1,474	737
Total business-type activities	<u>\$ 12,032,749</u>	<u>\$ -</u>	<u>\$ (616,096)</u>	<u>\$ 11,416,653</u>	<u>\$ 622,740</u>



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds and notes from direct borrowings payable:

	<u>Governmental</u>	<u>Business-type</u>
<u>Bonds:</u>		
\$1,323,000, 2003A Waste Water State Revolving Loan due in annual principal installments and semiannual interest installments through October of 2022. Interest is charged at fixed rate of 1.94% per annum. Annual principal installments vary.	\$ -	\$ 284,981
\$675,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a fixed rate ranging from 2.00% to 4.00% per annum. Annual principal installments are \$30,000 to \$35,000.	430,000	-
\$6,525,000, 2010 General Obligation Bond due in annual principal and interest installments through September of 2031. Interest is charged at a fixed rate ranging from 2.00% to 4.00% per annum. Annual principal installments are \$325,000 to \$330,000.	4,250,000	-
\$3,268,766, 2010 General Obligation Bond due in annual principal installments and semiannual interest installments through April of 2030. Interest is charged at a fixed rate of 1.00% per annum. Annual principal installments vary from \$148,142 to \$179,346.	-	1,877,990
\$5,500,000, 2012 General Obligation Bond due in annual principal installments and semiannual interest installments through January of 2032. Interest is charged at a fixed rate ranging from 2.00% to 3.15% per annum. Annual principal installments are \$275,000.	3,575,000	
\$2,100,000, 2013 General Obligation Bond due in annual principal installments and semiannual interest installments through December of 2022. Interest is charged at a fixed rate ranging from 1.50% to 2.00% per annum. Annual principal installments are \$210,000.	840,000	
\$150,000, 2014 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2034. Interest is charged at a fixed rate of 2.00% per annum. Annual principal installments vary from \$6,043 to \$10,111.	125,556	-
\$958,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a fixed rate of 2.00% per annum. Annual principal installments vary from \$95,000 to \$103,000.	665,000	-
\$1,300,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a fixed rate of 2.00% per annum. Annual principal installments are \$130,000.	910,000	-

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-type</u>
\$821,000, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2025. Interest is charged at a fixed rate of 2.00% per annum. Annual principal installments vary from \$80,000 to \$86,000.	565,000	-
\$11,990,025, 2015 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a fixed rate of 1.00% per annum. Annual principal installments vary from \$377,865 to \$742,381.	-	9,252,208
\$275,000, 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November of 2036. Interest is charged at a fixed rate ranging from 0.91% to 3.50% per annum. Annual principal installments vary from \$11,352 to \$17,779.	252,185	-
\$1,140,000 2016 General Obligation Bond due in annual principal installments and semiannual interest installments through November 2026. Interest is charged at a fixed rate ranging from 2% to 2.25% per annum. Annual Installments vary from \$147,100 to 111,238.	900,000	-
Total bonds payable	<u>\$ 12,512,741</u>	<u>\$ 11,415,179</u>
<u>Notes from direct borrowings payable:</u>		
\$131,156, 2016 Capital Lease payable to Norway Savings Bank for photocopiers due in annual installments of \$28,669 through August 2021. Interest is charged at a fixed rate of 3.04% per annum.	\$ 80,928	\$ -
\$56,202, 2015 Capital Lease payable to Norway Savings Bank for photocopiers, due in annual installments of \$12,234 through August of 2020. Interest is charged at a fixed rate of 2.89% per annum.	21,222	1,474
Total notes from direct borrowings payable	<u>\$ 102,150</u>	<u>\$ 1,474</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

	<u>Governmental Activities</u>		Notes from Direct Borrowings	
	Payable		Payable	
	Principal	Interest	Principal	Interest
2020	\$ 1,287,884	\$ 354,817	\$ 37,026	\$ 2,756
2021	1,283,148	327,845	38,905	1,637
2022	1,283,455	300,206	26,219	461
2023	1,283,802	282,825	-	-
2024	1,069,188	237,263	-	-
2025-2029	4,228,236	806,030	-	-
2030-2034	2,015,370	224,009	-	-
2035-2039	61,658	5,564	-	-
	<u>\$ 12,512,741</u>	<u>\$ 2,538,559</u>	<u>\$ 102,150</u>	<u>\$ 4,854</u>

	<u>Business-type Activities</u>		Notes from Direct Borrowings	
	Payable		Payable	
	Principal	Interest	Principal	Interest
2020	\$ 622,003	\$ 144,341	\$ 737	\$ 44
2021	626,620	137,934	737	22
2022	631,183	134,003	-	-
2023	636,981	199,637	-	-
2024	572,019	119,650	-	-
2025-2029	3,796,621	429,768	-	-
2030-2034	3,255,552	322,033	-	-
2035-2039	1,274,200	124,764	-	-
	<u>\$ 11,415,179</u>	<u>\$ 1,612,130</u>	<u>\$ 1,474</u>	<u>\$ 66</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the business-type activities for the year ended June 30, 2019 was \$135,921.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended June 30, 2019:

	Balance, 7/1/18 (Restated)	Additions	Deletions	Balance, 6/30/19	Due Within One Year
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 1,146,109	\$ -	\$ (191,938)	\$ 954,171	\$ 286,251
Net pension liability	3,970,139	1,087,167	(2,318,202)	2,739,104	-
Net OPEB liability	9,115,976	889,242	(415,592)	9,589,626	-
	<u>\$ 14,232,224</u>	<u>\$ 1,976,409</u>	<u>\$ (2,925,732)</u>	<u>\$ 13,282,901</u>	<u>\$ 286,251</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 152,693	\$ -	\$ (59,408)	\$ 93,285	\$ 27,986
Net pension liability	369,646	146,861	(178,420)	338,087	-
	<u>\$ 522,339</u>	<u>\$ 146,861</u>	<u>\$ (237,828)</u>	<u>\$ 431,372</u>	<u>\$ 27,986</u>

Refer to Notes 7, 14, 16 and 18 for more detailed information regarding other long-term obligations.

NOTE 7 - ACCRUED 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 obligations 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, 2019, the Town's liability for compensated absences is \$1,047,456.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2019, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 154,867
Inventory	25,241
Education fund	299,485
Nonmajor special revenue funds (Schedule E)	10,906
Nonmajor permanent funds (Schedule I)	60,000
	<u>\$ 550,499</u>

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2019, the Town had the following restricted fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 133,499
Nonmajor capital projects funds (Schedule G)	1,069,865
Nonmajor permanent funds (Schedule I)	700,003
	<u>\$ 1,903,367</u>

NOTE 10 - COMMITTED FUND BALANCES

At June 30, 2019, the Town had the following committed fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 4,463,252
Nonmajor capital projects funds (Schedule G)	661,134
	<u>\$ 5,124,386</u>

NOTE 11 - ASSIGNED FUND BALANCES

At June 30, 2019, the Town had the following assigned fund balances:

Education fund	\$ 20,454
Nonmajor special revenue funds (Schedule E)	353,075
	<u>\$ 373,529</u>

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 12 - DEFICIT FUND BALANCES

At June 30, 2019, the Town had the following deficit fund balances:

Nonmajor funds:		
Oil and More Donations	\$	15
FEMA Maps Appeal		200
Spruce Creek PH5 Grant		6,051
Tax Acquired Properties		12,609
Police Grant Support Det.		9,383
Joint Land Use OEA PH1		85,577
Police New Officer		2,023
School Special Revenue Funds		21,013
Street Lights Project		96,830
Rice Building Rehab		30,208
Total	\$	<u><u>263,909</u></u>

NOTE 13 - OVERLAPPING DEBT

The Town is responsible for its proportionate share of County debt. As of June 30, 2019, the Town's share was as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 2,900,000	5.10%	<u><u>\$ 147,900</u></u>

NOTE 14 - DEFINED BENEFIT PENSION PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

**Plan Description**

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (800) 451-9800.

**Benefits Provided**

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions. As of June 30, 2018, there were 304 employers in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.4%.

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police and fire department employees are part of the PLDs special plan "1C" (effective July 1, 2007) and are required to contribute 8.0% of their annual salary, while all other employees are part of regular plan "AC" and are required to contribute 8.0% of their annual salary. The Town is required to contribute the actuarially determined rates of 16.3% for special plan "1C" members' covered payroll and 10.0% for regular plan "AC" members' covered payroll during the year. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2019 was \$514,920.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

**Plan Description**

All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**Benefits Provided**

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members. As of June 30, 2018, there were 236 employers, including the State of Maine, participating in the plan.



## TOWN OF KITTERY, MAINE

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

#### NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.40%.

#### **Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Department's teachers are required to contribute 7.65% of their compensation to the retirement system. The Department's payroll for teachers covered by this program was approximately \$8,204,989 for the year ended June 30, 2019. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 11.08% of the Department's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately \$909,113 for the year ended June 30, 2019. Title 5 of the Maine Revised Statutes Annotated also requires the Department to contribute at an actuarially determined normal cost rate of 3.97%, which totaled \$336,638 for 2019. In addition, the Department is required to contribute toward the UAL of the plan and pay a small percentage of payroll towards the administrative costs for federally funded teachers, which amounts to 11.68% of compensation and totaled \$32,124 the year ended June 30, 2019.

#### **Pension Liabilities**

##### *PLD Consolidated Plan*

At June 30, 2019, the Town reported a liability of \$2,771,205 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2018, the Town's proportion was 1.012581%, which was an increase of 0.0301940% from its proportion measured as of June 30, 2017.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

*SET Plan*

At June 30, 2019, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 305,986
State's proportionate share of the net pension liability associated with the Town	<u>8,627,532</u>
Total	<u>\$ 8,933,518</u>

The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State actuarially determined. At June 30, 2018, the Town's proportion was 0.022675%, which was an increase of 0.00082% from its proportion measured as of June 30, 2017.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2019, the Town recognized total pension revenue of \$1,026,265 for the PLD plan and total pension expense of \$641,949 and revenue of \$641,949 for support provided by the State of Maine for the SET plan. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	PLD Plan		SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,676	\$ 30,437	\$ 9,345	\$ -
Changes of assumptions	442,303	-	19,247	-
Net difference between projected and actual earnings on pension plan investments	-	669,136	-	39,778
Changes in proportion and differences between employer contributions and proportionate share of contributions	81,627	36,687	29,045	(1)
Contributions subsequent to the measurement date	<u>514,920</u>	<u>-</u>	<u>386,762</u>	<u>-</u>
Total	<u>\$ 1,047,526</u>	<u>\$ 736,260</u>	<u>\$ 444,399</u>	<u>\$ 39,777</u>

\$514,920 for the PLD plan and \$386,762 for the SET plan were reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan	SET Plan
Plan year ended June 30:		
2019	\$ 367,729	\$ 49,647
2020	56,771	7,217
2021	(455,210)	(28,318)
2022	(179,942)	(10,686)
2023	-	-
Thereafter	-	-

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Actuarial Methods and Assumptions**

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

*Asset Valuation Method*

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

*Amortization*

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses, and changes are amortized over ten-year periods beginning on the date as of which they occur.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

*Investment Rate of Return* - For the PLD and State Employee and Teacher Plans, 6.75% per annum for the year ended June 30, 2018, in 2017, the rate was 6.875% for both plans, compounded annually.

*Salary Increases, Merit and Inflation* - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year; state employees, 2.75% to 8.75% per year; teachers, 2.75% to 14.50% per year.

*Mortality Rates* - For active members and non-disabled retirees of the PLD Consolidated and State Employee and Teacher Plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

*Cost of Living Benefit Increases* - for PLD Consolidated 1.91% and Teacher Plans, 2.20% per annum for the year ended June 30, 2018. In 2017, the rate was 2.20% for the PLD Plan.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2018 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.75% for 2018 for each of the Plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for each of the Plans.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability	\$ 6,531,362	\$ 2,771,205	\$ (743,510)
<u>SET Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Town's proportionate share of the net pension liability	\$ 565,462	\$ 305,986	\$ 89,884

**Changes in Net Pension Liability**

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2018 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2018 with the following exceptions.

*Differences between Expected and Actual Experience*

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2018, this was three years for the SET Plan and PLD Consolidated Plan; prior to 2017, this was four years for the PLD Consolidated Plan.

*Differences between Expected and Actual Investment Earnings*

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the *Actuarial Methods and Assumptions* section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions*

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2018 Comprehensive Annual Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (207) 512-3100.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 15 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION RETIREMENT  
CORPORATION

A. Plan Description

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

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

B. Funding Policy

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

The Town's contributions to the plan for the year ended June 30, 2019 were \$22,646.

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

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 15 - DEFERRED COMPENSATION PLAN (CONTINUED)

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 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

**Plan Description**

The Town and Town retirees contribute to the Town's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Town and/or the Town retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Town concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

**Benefits Provided**

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**Employees Covered by Benefit Terms**

At January 1, 2018, the following employees were covered by the benefit terms:

Active members	73
Retirees and spouses	<u>23</u>
Total	<u><u>96</u></u>

**Contributions**

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

**Retiree Premium Amounts:**

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

	2017 - 2018			
	Pre 65		Post 65	
	Single	Two Person	Single	Two Person
Allegiant Care	\$ 9,276.00	\$ 20,040.00	\$ 3,716.76	\$ 7,433.52
MME Health Trust - POS A	\$ 13,959.84	\$ 31,314.12	\$ 6,088.32	\$ 12,176.40
MME Health Trust - POS C	\$ 12,284.76	\$ 27,556.44	\$ 6,088.32	\$ 12,176.40
MME Health Trust - PPO 500	\$ 10,475.16	\$ 23,497.20	\$ 6,088.32	\$ 12,176.40

	2018 - 2019			
	Single	Two Person	Single	Two Person
Allegiant Care	\$ 9,456.00	\$ 20,436.00	\$ 3,716.76	\$ 7,433.52
MME Health Trust - POS A	Unknown	Unknown	Unknown	Unknown
MME Health Trust - POS C	Unknown	Unknown	Unknown	Unknown
MME Health Trust - PPO 500	Unknown	Unknown	Unknown	Unknown

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the Town reported a liability of \$7,383,225 for its total OPEB liability for this Plan. The total OPEB liability was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date. The Town's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$337,267. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MMEHT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,883,811	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 2,883,811</u>	<u>\$ -</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MMEHT
Plan year ended June 30:	
2019	\$ 473,487
2020	473,487
2021	473,487
2022	473,487
2023	473,487
Thereafter	516,376

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**Discount Rate**

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of January 1, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.58% per annum for December 31, 2018 was based upon a measurement date of December 31, 2017. The sensitivity of net OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	2.58%	3.58%	4.58%
Total OPEB liability	\$ -	\$ 7,383,225	\$ -
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ -</u>	<u>\$ 7,383,225</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

**Healthcare Trend**

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ -	\$ 7,383,225	\$ -
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ -</u>	<u>\$ 7,383,225</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

**Actuarial Methods and Assumptions**

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2017, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2017. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

*Amortization*

The total OPEB liability of this Plan is amortized on an open 30-year period. The amortization method is a level dollar amortization method.

*Assumptions*

The actuarial assumptions used in the January 1, 2018 actuarial valuation was based on economic, demographic and claim and expense assumptions that resulted from actuarial studies conducted for the period of December 31, 2017 and December 31, 2018.

Significant actuarial assumptions employed by the actuary for economic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount Rate - 3.58% per annum.

Trend Assumptions:

Pre-Medicare Medical - Initial trend of 8.20% applied in 2018 grading over 14 years to 4.00% per annum.

Pre-Medicare Drug - Initial trend of 9.60% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Medical - Initial trend of 4.93% applied in 2018 grading over 14 years to 4.00% per annum.

Medicare Drug - Initial trend of 9.60% applied in 2017 grading over 14 years to 4.00% per annum.

Administrative and claims expense - 3% per annum.

Medical and drug trends were blended to develop non-Medicare and Medicare trends based on experience weight as listed below.

FYE	Non-Medicare		Medicare		Non-Medicare	Medicare
	Medical	Drug	Medical	Drug	Blended	Blended
2018	8.20%	9.60%	4.93%	9.60%	8.46%	8.27%
2019	7.90%	9.20%	4.87%	9.20%	8.15%	8.00%
2020	7.60%	8.80%	4.80%	8.80%	7.83%	7.72%
2021	7.30%	8.40%	4.73%	8.40%	7.51%	7.44%
2022	7.00%	8.00%	4.67%	8.00%	7.20%	7.15%
2023	6.70%	7.60%	4.60%	7.60%	6.88%	6.85%
2024	6.40%	7.20%	4.53%	7.20%	6.56%	6.55%
2025	6.10%	6.80%	4.47%	6.80%	6.24%	6.24%
2026	5.80%	6.40%	4.40%	6.40%	5.92%	5.93%
2027	5.50%	6.00%	4.33%	6.00%	5.60%	5.61%
2028	5.20%	5.60%	4.27%	5.60%	5.28%	5.29%
2029	4.90%	5.20%	4.20%	5.20%	4.96%	4.97%
2030	4.60%	4.80%	4.13%	4.80%	4.64%	4.65%
2031	4.30%	4.40%	4.07%	4.40%	4.32%	4.33%
2032	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of January 1, 2018, they are as follows:

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Rates of Turnover - Termination rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016.

Years of Service	Revised
0	25.0%
1	20.0%
2	15.0%
3	12.0%
4	10.0%
5	9.0%
6	6.0%
7+	4.0%

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality - Based on 104% and 120% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC \_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120 and convergence to the ultimate rate in the year 2020. These rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2017.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected.

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Significant actuarial assumptions employed by the actuary for Claim and Expense Assumptions as of January 1, 2018 are as follows:

Monthly Per Capita Claims and Expense Cost - For all medical and prescription drug benefits for the year 2018 is expressed per adult covered beneficiary.

Claims reflect all medical and prescription plans offered based on completed incurred experience through June 30, 2017 and projected to 2018 and associate enrollment in the various programs options offered.

Annual administrative and claims adjudication expenses are assumed to be \$430 per period for the year 2018.

Claims below age 65 have been loaded 4.3% for medical and 2.8% for drugs for the cost of children enrolled as dependent of eligible retirees. This figure is based on the expected cost for children of the current retirees. This assumption implicitly assumes that future retirees will have the same child distribution as current retirees.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

No covered persons under 65 are assumed to be on Medicare and participants age 65 or older are assumed to be enrolled in Medicare.

Affordable Care Act (ACA) and Healthcare Marketplace - A 2.5% load has been built in to reflect the potential impact of changes from the ACA and its impact on the marketplace and program costs. Some key items are PCORI fees, the extra government subsidies for Medicare Part D that can be enrolled in through an Employer Group Waiver Program, minimum loss ratio requirements that impacted some fully insured programs, federal premium taxes, taxes and requirements on providers in the healthcare system, dynamics of the marketplace with Exchanges, Accountable Care Organizations, etc and the potential impact of the Excise Tax associated with high-costs employer sponsored health plans.

Medical Plan Election - employees will continue in their current medical plan for their entire career.

Second-to-Die Spousal Life Insurance - not explicitly valued and was estimated to impact roughly 0.2% of the Plan's total liability.

Dependent Children - no liability assumed for dependent children's benefits.

**Changes in Net OPEB Liability**

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

*Differences between Expected and Actual Experience*

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The difference between expected and actual experience as of January 1, 2018 was \$927.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 16 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

based primarily on those used by Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2016 which were based on the experience study covering the period from June 30, 2012 through June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for 2018. For the fiscal year ended June 30, 2019, there were no changes in assumptions with the exception of the claim costs and retiree contributions being updated to reflect current healthcare costs.

*Differences between Projected and Actual Earnings on OPEB Plan Investments*

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

**OPEB Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to this Plan can be found at the Town Office at 200 Rogers Road, Kittery, Maine 03904.

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE  
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

**Plan Description**

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (800) 451-9800.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 17 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE  
INSURANCE PLAN (CONTINUED)

**Benefits Provided**

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount, or \$2,500.

**Contributions**

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For Department's teachers, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. The State participates in the SET Plan as a non-employer contributing entity in that the State pays the actuarially determined premium contributions associated with retired teachers. The State's contribution to the Plan for the year ended June 30, 2019 were approximately \$22,885.

**OPEB Liabilities and OPEB Expense**

At June 30, 2019, the School reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School. The total portion of the net OPEB liability that was associated with the School were as follows:

School's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the School		<u>228,880</u>
Total	\$	<u><u>228,880</u></u>

For the year ended June 30, 2019, the District recognized net OPEB expense of \$22,090 and revenue of \$22,090 for support provided by the State of Maine.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN

MAINE EDUCATION ASSOCIATION BENEFITS TRUST

**Plan Description**

The State of Maine and School retirees contribute to the School's OPEB Plan with the Maine Education Association Benefits Trust (MEABT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the State, the School and/or the School retirees. MEABT is a fully funded, self-insured trust which provides benefits to education organizations and acts as the agent to the School concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MEABT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MEABT participants and are administered by a number of third-party administrators contracted by MEABT. No assets are accumulated in a trust that meets the criterion of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MEABT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting MEABT at (888) 622-4418.

**Benefits Provided**

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The employee must have participated in a plan for the 12 months prior to retirement and have 10 years (under age 50) or 5 years (age 50 or above) of continuous active service and enrollment in the health plan to be eligible for this Plan. The retiree who terminates coverage may elect to re-enroll in coverage if they participated in the health plan for 12 months prior to terminating coverage, as long as re-enrollment occurs within 5 years from coverage termination and as long as the retiree is not past age 62. The retiree must have maintained continuous health insurance coverage during the break in coverage with MEABT to be eligible for re-enrollment and is only eligible for re-enrollment once.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

**Employees Covered by Benefit Terms**

At June 30, 2019, the following employees were covered by the benefit terms:

Active members	158
Retirees and spouses	66
Total	<u>224</u>

**Cost Sharing Provisions/Contributions**

Retirees are eligible for a State subsidy of 45% of the blended single premium for the retiree. The blended premium is determined by blending rates for active members and retired members, as determined by State law. The retiree contributes the remaining 55% of blended single premium and spouse must contribute 100% of the blended premium amount coverage elected.

**Employee/Retiree Premium Amounts:**

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

	<u>Employee</u>	<u>Employee/ Spouse</u>	<u>Employee/ Child(ren)</u>	<u>Family</u>
<b><u>Pre-Medicare</u></b>				
Choice Plus	\$ 782.02	\$ 1,762.53	\$ 1,384.00	\$ 2,145.23
Standard \$200 Ded	\$ 844.48	\$ 1,903.52	\$ 1,494.71	\$ 2,316.85
Standard \$500 Ded	\$ 742.91	\$ 1,674.40	\$ 1,314.81	\$ 2,037.97
Standard \$1,000 Ded	\$ 708.51	\$ 1,596.85	\$ 1,253.91	\$ 1,943.58
<b><u>Medicare</u></b>				
Medicare-eligible retirees	\$ 449.52	\$ 943.57		

**Total OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the School reported a liability of \$2,206,401 for its total OPEB liability for this Plan. The total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date. The School's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2019, the School recognized OPEB expense of \$82,827. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MEABT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	78,488
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to the measurement date	94,776	-
Total	<u>\$ 94,776</u>	<u>\$ 78,488</u>

\$94,776 were reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	MEABT
Plan year ended June 30:	
2019	\$ (15,698)
2020	(15,698)
2021	(15,698)
2022	(15,698)
2023	(15,696)
Thereafter	-

**Discount Rate**

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of June 30, 2018. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index. The rate of 3.87% per annum for June 30, 2018 was based upon a measurement date of June 28, 2018. The sensitivity of total OPEB liability to changes in discount rate are as follows:

	1% Decrease	Discount Rate	1% Increase
	2.87%	3.87%	4.87%
Total OPEB liability	\$ 2,558,620	\$ 2,206,401	\$ 1,923,363
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,558,620</u>	<u>\$ 2,206,401</u>	<u>\$ 1,923,363</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

**Healthcare Trend**

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of total OPEB liability to changes in healthcare cost trend rates are as follows:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB liability	\$ 2,577,075	\$ 2,206,401	\$ 1,908,990
Plan fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 2,577,075</u>	<u>\$ 2,206,401</u>	<u>\$ 1,908,990</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%



TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

**Actuarial Methods and Assumptions**

The total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

*Assumptions*

Significant actuarial assumptions employed by the actuary for economic purposes are based on GASB 75 paragraph 36. Assumptions other than the discount rate are based on historical and future projections of long-term health care rates:

Discount Rate - 3.87% per annum.

Trend Assumptions:

Pre-Medicare - Initial trend of 5.55% applied in FYE 2018 grading over 15 years to 3.73% per annum.

Medicare - Initial trend of 3.72% applied in FYE 2018 grading over 15 years to 2.81% per annum.

Future plan changes - Assumes that the current Plan and cost-sharing structure remain in place for all future years.

Significant actuarial assumptions employed by the actuary for demographic purposes are the assumptions that were adopted by Maine Public Employees Retirement System State Employee and Teacher Retirement Program at June 30, 2018 and based on the experience study covering the period from June 30, 2012 through June 30, 2015. As of June 30, 2018, they are as follows:

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

Retirement Rates - Rates vary for plans based on age and service

Rates of Turnover - Rates vary for plans based on service

Disability Incidence - Rates vary for plans based on age

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims

Family Enrollment Composition - It is assumed that 80% is married with an eligible spouse.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method

Salaries - Were not available from the client and were assumed using the Teachers/Age Service Salary scatter from the State Retirement Agency. Based on the dates of hire assumed above and the participant's actual age, pay was assigned using the salary age service scatter.

Dates of Hire - Were not available from the client and were available from the State Retirement Agency. Dates of hire were assumed to be the midpoint of each service group. Those under 1 year of service, the date was assumed to be January 1, 2018 and all other groups were assumed to be hired on July 1 of each service midpoint.

Rate of Mortality:

Healthy Annuitants - Based on 99% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Employee Mortality Table for ages prior to the start of the Healthy Annuitant Mortality Table, both projected using the RPEC 2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

Healthy Employees - Based on 99% of the RP2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP2014 Total Dataset Healthy Annuitant Mortality Tables after the end of the Total Employee Mortality Table, both projected using the RPEC 2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Disabled Annuitants - Based on 108% and 105% of the RP2014 Total Dataset Disabled Annuitant Mortality Table, respectively for males and females, projected from the 2006 base rates using the RPEC 2015 model with an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

Retiree Continuation Percentage:

Retirees currently in the Group Companion Plan (Medicare participants) are assumed to remain in the Group Companion Plan.

Retirees who are currently age 64 or over age 65 and enrolled in a Pre-Medicare plan are assumed to never be eligible for Medicare and are assumed to remain enrolled in the Pre-Medicare plan.

Retirees who are currently under age 64 and enrolled in a Pre-Medicare plan are assumed to be eligible for Medicare and are assumed to remain in the Pre-Medicare plan until age 64 and enroll in the Group Companion plan at age 65.

Spouses who are currently in the Pre-Medicare plan will follow the same assumptions as the retired member; if the member is never eligible for Medicare the spouse is not either.

Significant actuarial assumptions employed by the actuary for claims and expense purposes are the based on the actual community rated premiums of the entire group. As of June 30, 2018, they are as follows:

Monthly Per Capital Claims and Expense Cost - Claims are based on community rated premiums through June 30, 2018 and projects through 2019 and associate enrollment in the various options offered. Annual administrative and claims adjudication expenses are assumed to be included in the annual premiums.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

Medical Plan Election - Employees are assumed to continue in their current medical plan for their entire career. 50% of retirees are assumed to switch from the Choice Plan to the Standard plan.

Medicare Eligibility - Assumed to be age 65, with the exception of retirees over age 65 who are not in the Group Companion Plan, all retirees under age 64 and current actives with a date of hire before 3/31/1986.

**Changes in Total OPEB Liability**

Changes in total OPEB liability are recognized in OPEB expense for the year ended June 30, 2019 with the following exceptions:

*Differences between Expected and Actual Experience*

The difference between expected and actual experience are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2019, there were no differences between expected and actual experience.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense over the average expected remaining service life of all active and inactive Plan members. As of July 1, 2017, this average was 8 years. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period was six years for year ending June 30, 2018. For the fiscal year ended June 30, 2019, there were no changes in assumptions.

*Differences between Projected and Actual Earnings on OPEB Plan Investments*

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) MEDICAL PLAN  
(CONTINUED)

**OPEB Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to this Plan can be found at the School Office at 200 Rogers Road, Kittery, Maine 03904.

NOTE 19 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2019, the Town had the following overspent appropriations:

Public works	\$ 8,018
Education	464,405
Grant funds/misc. accounts	312
Transfers to other funds	238,879
Total	<u>\$ 711,614</u>

NOTE 20 - 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 21 - RISK MANAGEMENT - PARTICIPATION IN A PUBLIC ENTITY RISK POOL

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

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2019. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

## TOWN OF KITTERY, MAINE

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

#### NOTE 22 - TAX INCREMENT FINANCING DISTRICTS

The Town has established several tax increment financing districts in accordance with Maine statutes to finance development programs located in the Town of Kittery, Maine. The expenditures from these development programs will be recovered in future years through an incremental tax levied upon the districts' so called "captured assessed value". A portion of the incremental tax revenues will be returned to the district to repay principal and interest on any indebtedness, to fund the expenditures of the development program and to finance future expansion.

##### Municipal Development District #1 (Mixed Use)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #1 is 79.94 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, construction of new Town square, sewer and water system improvements including installation of lines, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$3,156,500. The Town anticipates over the life of the district that new development, rehabilitation and redevelopment will result in approximately \$14,750,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$4,350,411. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately-owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 22 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

Municipal Development District #2 (Route 1 Shopping Corridor)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #2 is 146.77 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, construction of new Town square, sewer and water system improvements including installation of lines, upgrade of Pepperrell Cove piers, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$15,919,000. The Town anticipates over the life of the district that new development, rehabilitation and redevelopment will result in approximately \$30,500,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$9,065,215. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 22 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

Municipal Development District #3 (Business Park)

On February 8, 2011, the Kittery Town Council, as well as the Maine Department of Economic and Community Development, approved a Tax Increment Financing District to expand and diversify the Town's tax base and improve its economy through commercial development. The area of District #3 is 132.78 acres. The potential projects that will be implemented under this Development Program include: improvements to roads within and outside the District, trolley's trolley stops and related facilities and improvements, sewer and water system improvements including installation of lines, economic development planning and administrative expenses associated with the development effort. The original assessed value of the property is \$2,105,200. The Town anticipates over the life of the district that new development, rehabilitation and redevelopment will result in approximately \$29,500,000 in new taxable value. Tax increment revenues generated from this value over the life of the district will be approximately \$8,648,766. The Development Program provides for 100% of the increase in assessed value of the District to be captured and designated as captured assessed value. The tax increment revenues will be deposited by the Town into the Development Program Fund for a period of 30 years. The Development Program Fund is pledged to and charged with the payment of the project costs in the manner provided in 30-A M.R.S.A. §5801.

The TIF District will remain in place for a period of 30 years from adoption. The allocation of tax increment revenues, through a credit enhancement agreement, to be paid to owners/developers of specified property, will commence by agreement between the Town and the owner/developer and will continue for a period not to exceed 30 years or the remainder of the term of the District designation, whichever is less. No more than 75% of the property taxes to be generated on the improvements within the District will be returned to the developer. The remaining amount will be retained by the Town and used to fund the development plan of the District. The Council shall determine in its discretion whether it is necessary or appropriate to enter any Credit Enhancement Agreement. The Town will not incur any indebtedness in connection with the Capital Program. The developers of privately-owned property within the District will finance the Capital Program through a combination of the developers' funds, various loans and a portion of the tax increment of the District. The Town anticipates that it may elect, at a future date, to incur indebtedness to finance a portion of the public facilities, improvements and programs costs.

**Tax Abatements:**

As noted above, the Town of Kittery has established three tax increment financing districts (TIFs) in accordance with M.R.S.A. Title 30-A, §5221-§5235 for a variety of economic development purposes, including business retention and expansion



# TOWN OF KITTERY, MAINE

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 22 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

and public infrastructure improvement. The Town has chosen to disclose information about its tax abatement (credit enhancement) agreements individually and negotiates property tax abatement agreements on an individual basis. The following is a brief description of and total amount of taxes abated for each tax increment financing district:

TIF District	Original Assessed Value	Current Assessed Value	TIF Cap	New Taxes	Taxes Abated
TIF District #1 (Mixed Use)	\$ 3,156,500	\$ 3,033,800	75%	\$ -	\$ -
TIF District #2 (Route 1 Shopping Corridor)	15,919,000	20,330,100	75%	70,798	-
TIF District #3 (Business Park)	2,105,200	3,058,800	75%	15,305	-

The Town has not made any commitments as part of the agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities.

### NOTE 23 - COLLATERALIZATION

At June 30, 2019, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People's United Bank. These letters of credit, which all expire at the close of business on February 19, 2020, authorize one draw only up to the amount of \$11,000,000. There were no draws for the year ended June 30, 2019.

### NOTE 24 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

### NOTE 25 - RESTATEMENTS

The beginning balance of the governmental activities net position was restated as of July 1, 2018 to adjust the balance of the pension benefit obligations for the effects of implementing GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other than Pensions."* The pension benefit obligation was

TOWN OF KITTERY, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 25 - RESTATEMENTS (CONTINUED)

restated by \$2,289,562 which reduced the governmental activities net position by the same amount.

In 2019, it was determined that certain transactions were incorrectly recorded or omitted. The beginning balance for the following items were restated as of July 1, 2018; the notes from direct borrowings payable balance was restated by an increase of \$106,409 from \$32,466 to \$138,875. The school special revenue funds were restated by an increase of \$8,977 from \$236,790 to \$245,767. The general fund total fund balance was decreased by \$751,469 from \$7,099,000 to \$6,347,531 to reclassify education funds into a separate fund. The capital assets balance was decreased by \$794,055 and the accumulated depreciation balance was decreased by \$1,555,745. The net restatement to capital assets was an increase of \$761,690 from \$35,043,710 to \$35,805,400.

The net restatement to governmental activities net position was a decrease of \$1,625,304 from \$27,761,144 to \$26,135,840.

The beginning net position for business-type activities was restated as of July 1, 2018 to correct the capital assets balance. The capital assets were increased by \$846,000 and accumulated depreciation was increased by \$77,007. The net restatement to the capital assets balance was an increase of \$768,993 from \$22,042,573 to \$22,811,566

### Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - Education Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pensions
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB
- Schedule of Changes in Net OPEB Liability - MMEHT Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - MMEHT Plan
- Schedule of Changes in Net OPEB Liability - MEABT Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - MEABT Plan
- Notes to Required Supplementary Information

## TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1, Restated	\$ 6,347,531	\$ 6,347,531	\$ 6,347,531	\$ -
Resources (Inflows):				
General tax revenue	11,131,281	11,131,281	11,286,150	154,869
Intergovernmental revenue	917,033	917,033	1,047,753	130,720
Charges for services	2,057,200	2,057,200	2,214,101	156,901
Investment income	51,000	51,000	140,768	89,768
Other revenue	109,905	109,905	125,106	15,201
Transfers from other funds	273,978	273,978	258,978	(15,000)
Amounts Available for Appropriation	<u>20,887,928</u>	<u>20,887,928</u>	<u>21,420,387</u>	<u>532,459</u>
Charges to Appropriations (Outflows):				
General government	4,147,609	4,143,275	3,847,079	296,196
Public safety	2,945,825	2,990,825	2,942,847	47,978
Public works	1,061,328	1,061,328	1,069,346	(8,018)
Recreation and culture	1,917,829	1,947,829	1,893,115	54,714
Health and sanitation	535,237	515,237	501,337	13,900
Social services	59,685	59,685	57,926	1,759
County tax	869,853	869,853	863,018	6,835
Debt service:				
Principal	656,199	656,199	656,199	-
Interest	184,662	184,662	184,612	50
Overlay	113,564	58,564	56,519	2,045
Grant funds/misc. accounts	133,560	135,810	136,122	(312)
Transfers to other funds	2,365,046	2,479,380	2,718,259	(238,879)
Total Charges to Appropriations	<u>14,990,397</u>	<u>15,102,647</u>	<u>14,926,379</u>	<u>176,268</u>
Budgetary Fund Balance, June 30	<u>\$ 5,897,531</u>	<u>\$ 5,785,281</u>	<u>\$ 6,494,008</u>	<u>\$ 708,727</u>
Utilization of unassigned fund balance	\$ 450,000	\$ 552,250	\$ -	\$ (552,250)
Utilization of assigned fund balance	-	10,000	-	(10,000)
	<u>\$ 450,000</u>	<u>\$ 562,250</u>	<u>\$ -</u>	<u>\$ (562,250)</u>

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

## TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - EDUCATION FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
Budgetary Fund Balance, July 1	\$ 751,469	\$ 751,469	\$ 751,469	\$ -
Revenues (Inflows):				
Local assessments	15,139,752	15,139,752	15,139,752	-
Intergovernmental revenues:				
State subsidy	1,141,190	1,141,190	1,142,443	1,253
Medicaid	25,000	25,000	34,545	9,545
Impact aid	325,000	325,000	700,277	375,277
Charges for services	30,000	30,000	33,254	3,254
Other revenue	7,400	7,400	18,179	10,779
Transfers from other funds	86,765	86,765	186,765	100,000
Amounts Available for Appropriation	<u>17,506,576</u>	<u>17,506,576</u>	<u>18,006,684</u>	<u>500,108</u>
Charges to Appropriations (Outflows):				
Regular instruction	6,849,225	6,849,225	6,714,434	134,791
Special education	3,567,011	3,567,011	3,849,160	(282,149)
Career and technical	5,152	5,152	5,152	-
Other instruction	344,553	344,553	322,039	22,514
Student and staff support	1,800,598	1,800,598	1,778,096	22,502
System administration	611,966	611,966	600,007	11,959
School administration	1,094,600	1,094,600	1,068,130	26,470
Transportation and buses	654,589	654,589	673,729	(19,140)
Operations and maintenance	1,383,567	1,383,567	1,402,895	(19,328)
Debt service:				
Principal	620,000	620,000	620,000	-
Interest	182,769	182,769	182,819	(50)
Other expenditures	200	200	-	200
Transfers to other funds	115,000	115,000	477,174	(362,174)
Total Charges to Appropriations	<u>17,229,230</u>	<u>17,229,230</u>	<u>17,693,635</u>	<u>(464,405)</u>
Budgetary Fund Balance, June 30	<u>\$ 277,346</u>	<u>\$ 277,346</u>	<u>\$ 313,049</u>	<u>\$ 35,703</u>
Utilization of assigned fund balance	<u>\$ 474,123</u>	<u>\$ 474,123</u>	<u>\$ -</u>	<u>\$ (474,123)</u>

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

	2019	2018	2017	2016	2015
<u>PLD Plan:</u>					
Proportion of the net pension liability	1.01%	0.98%	0.99%	1.02%	1.00%
Proportionate share of the net pension liability	\$ 2,771,205	\$ 4,022,261	\$ 5,257,645	\$ 3,253,198	\$ 1,538,376
Covered employee payroll	\$ 4,957,486	\$ 4,621,325	\$ 4,437,060	\$ 4,374,536	\$ 4,052,282
Proportionate share of the net pension liability as a percentage of its covered employee payroll	55.90%	87.04%	118.49%	74.37%	37.96%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	86.43%	81.60%	88.30%	94.10%
<u>SET Plan:</u>					
School Department's proportion of the net pension liability	0.02%	0.02%	0.02%	0.02%	0.02%
School Department's proportionate share of the net pension liability	\$ 305,986	\$ 317,524	\$ 308,441	\$ 240,362	\$ 204,809
State's proportionate share of the net pension liability associated with the School Department	<u>8,627,532</u>	<u>9,439,716</u>	<u>11,131,629</u>	<u>8,327,329</u>	<u>6,502,031</u>
Total	<u>\$ 8,933,518</u>	<u>\$ 9,757,240</u>	<u>\$ 11,440,070</u>	<u>\$ 8,567,691</u>	<u>\$ 6,706,840</u>
School Department's covered employee payroll	\$ 8,135,669	\$ 8,075,196	\$ 7,602,064	\$ 7,506,846	\$ 6,957,837
School Department's proportionate share of the net pension liability as a percentage of its covered employee payroll	3.76%	3.93%	4.06%	3.20%	2.94%
Plan fiduciary net position as a percentage of the total pension liability	85.17%	80.78%	76.21%	81.18%	83.91%

\* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF CONTRIBUTIONS - PENSIONS  
LAST 10 FISCAL YEARS\*

	2019	2018	2017	2016	2015
<u>PLD Plan:</u>					
Contractually required contribution	\$ 514,920	\$ 562,108	\$ 503,516	\$ 464,330	\$ 416,802
Contributions in relation to the contractually required contribution	<u>(514,920)</u>	<u>(562,108)</u>	<u>(503,516)</u>	<u>(464,330)</u>	<u>(416,802)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,275,045	\$ 4,957,486	\$ 4,621,325	\$ 4,437,060	\$ 4,374,536
Contributions as a percentage of covered employee payroll	12.04%	11.34%	10.90%	10.46%	9.53%
<u>SET Plan:</u>					
Contractually required contribution	\$ 386,762	\$ 355,212	\$ 299,625	\$ 277,171	\$ 220,876
Contributions in relation to the contractually required contribution	<u>(386,762)</u>	<u>(355,212)</u>	<u>(299,625)</u>	<u>(277,171)</u>	<u>(220,876)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Department's covered employee payroll	\$ 8,204,989	\$ 8,135,669	\$ 8,075,196	\$ 7,602,064	\$ 7,506,846
Contributions as a percentage of covered employee payroll	4.71%	4.37%	3.71%	3.65%	2.94%

\* The amounts presented for each fiscal year are for those years for which information is available.

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
LAST 10 FISCAL YEARS\*

	<u>2019</u>	<u>2018</u>
<u>SET Life Insurance:</u>		
Proportion of the net OPEB liability	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>228,880</u>	<u>210,553</u>
Total	<u><u>\$ 228,880</u></u>	<u><u>\$ 210,553</u></u>
Covered-employee payroll	\$ 8,135,669	\$ 8,075,196
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	48.04%	47.29%

\* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

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



## TOWN OF KITTERY, MAINE

SCHEDULE OF CONTRIBUTIONS - OPEB  
LAST 10 FISCAL YEARS\*

	2019	2018
<u>SET Life Insurance:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,204,989	\$ 8,135,669
Contributions as a percentage of covered payroll	0.00%	0.00%

MMEHT:

Employer contributions	\$ 253,943	\$ 149,825
Benefit payments	(253,943)	(149,825)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,444,402	\$ 4,357,257
Contributions as a percentage of covered payroll	0.00%	0.00%

	2019
<u>MEABT:</u>	
Employer contributions	\$ 91,500
Benefit payments	(91,500)
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 7,511,476
Contributions as a percentage of covered payroll	0.00%

\* The amounts presented for each fiscal year are for those years for which information is available.

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MMEHT PLAN  
FOR THE YEAR ENDED JUNE 30, 2019

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 7/1/17 (Reporting July 1, 2018)	\$ 6,826,414	\$ -	\$ 6,826,414
Changes for the year:			
Service cost	308,137	-	308,137
Interest	239,907	-	239,907
Changes of benefits	-	-	-
Differences between expected and actual experience	262,710	-	262,710
Changes of assumptions	-	-	-
Contributions - employer	-	253,943	(253,943)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(253,943)	(253,943)	-
Administrative expense	-	-	-
Net changes	556,811	-	556,811
Balances at 7/1/18 (Reporting July 1, 2019)	<u>\$ 7,383,225</u>	<u>\$ -</u>	<u>\$ 7,383,225</u>

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
MMEHT PLAN  
LAST 10 FISCAL YEARS\*

	2019	2018
<u>Total OPEB liability</u>		
Service cost (BOY)	\$ 308,137	\$ 93,836
Interest (includes interest on service cost)	239,907	121,824
Changes of benefit terms	-	-
Differences between expected and actual experience	262,710	3,357,298
Changes of assumptions	-	282,775
Benefit payments, including refunds of member contributions	(253,943)	(149,825)
Net change in total OPEB liability	\$ 556,811	\$ 3,705,908
 Total OPEB liability - beginning	 \$ 6,826,414	 \$ 3,120,506
Total OPEB liability - ending	\$ 7,383,225	\$ 6,826,414
 <u>Plan fiduciary net position</u>		
Contributions - employer	253,943	149,825
Contributions - member	-	-
Net investment income	-	-
Benefit payments, including refunds of member contributions	(253,943)	(149,825)
Administrative expense	-	-
Net change in fiduciary net position	-	-
 Plan fiduciary net position - beginning	 \$ -	 \$ -
Plan fiduciary net position - ending	\$ -	\$ -
 Net OPEB liability - ending	 \$ 7,383,225	 \$ 6,826,414
 Plan fiduciary net position as a percentage of the total OPEB liability	 -	 -
 Covered payroll	 \$ 4,444,402	 \$ 4,357,257
Net OPEB liability as a percentage of covered payroll	166.12%	156.67%

\* The amounts presented for each fiscal year are for those years for which information is available.

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - MEABT PLAN  
FOR THE YEAR ENDED JUNE 30, 2019

	Increase (Decrease)		
	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 7/1/17 (Reporting July 1, 2018)	\$ 2,289,562	\$ -	\$ 2,289,562
Changes for the year:			
Service cost	21,415	-	21,415
Interest	81,110	-	81,110
Changes of benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(94,186)	-	(94,186)
Contributions - employer	-	91,500	(91,500)
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(91,500)	(91,500)	-
Administrative expense	-	-	-
Net changes	(83,161)	-	(83,161)
Balances at 6/30/18 (Reporting June 30, 2019)	<u>\$ 2,206,401</u>	<u>\$ -</u>	<u>\$ 2,206,401</u>

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
MEABT PLAN  
LAST 10 FISCAL YEARS\*

	<u>2019</u>
<u>Total OPEB liability</u>	
Service cost (BOY)	\$ 21,415
Interest (includes interest on service cost)	81,110
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(94,186)
Benefit payments, including refunds of member contributions	(91,500)
Net change in total OPEB liability	<u>\$ (83,161)</u>
Total OPEB liability - beginning	\$ 2,289,562
Total OPEB liability - ending	\$ 2,206,401
<u>Plan fiduciary net position</u>	
Contributions - employer	91,500
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(91,500)
Administrative expense	-
Net change in fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	<u><u>\$ -</u></u>
Net OPEB liability - ending	<u><u>\$ 2,206,401</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	-
Covered payroll	\$ 7,511,476
Net OPEB liability as a percentage of covered payroll	29.4%

\* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF KITTERY, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019

**Changes of Assumptions**

For both the SET Plan and the PLD Consolidated Plan, the discount rate was reduced from 6.875% to 6.75%. In addition, the cost of living benefit increases for the PLD Plan, decreased from 2.20% to 1.91%.

The funding method for the OPEB MEABT Plan was changed from Projected Unit Credit funding to Entry Age Normal funding method.

### 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.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Schedule of Fiduciary Net Position - Fiduciary Funds - Private-Purpose Trust Funds
- Combining Schedule of Changes in Fiduciary Net Position - Fiduciary Funds - Private-Purpose Trust Funds
- Combining Schedule of Changes in Fiduciary Funds - Agency Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

## SCHEDULE A

## TOWN OF KITTERY, MAINE

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL FUND REVENUES  
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
General tax revenues:				
Property taxes	\$ 9,353,781	\$ 9,353,781	\$ 9,249,778	\$ (104,003)
Vehicle excise taxes	1,750,000	1,750,000	2,006,973	256,973
Boat excise taxes	27,500	27,500	29,399	1,899
Intergovernmental revenues:				
State revenue sharing	414,000	414,000	446,120	32,120
Homestead exemption	180,000	180,000	267,578	87,578
GMH Housing	275,000	275,000	291,699	16,699
General assistance	45,000	45,000	34,348	(10,652)
Other	3,033	3,033	8,008	4,975
Charges for services:				
Recreation fees	987,000	987,000	1,068,298	81,298
Code enforcement fees	283,250	283,250	300,997	17,747
Registration fees	27,000	27,000	28,916	1,916
Town clerk fees	22,000	22,000	26,701	4,701
Planning fees	20,600	20,600	29,218	8,618
Solid waste/recycling	125,000	125,000	53,494	(71,506)
Solid waste/permits	55,000	55,000	104,108	49,108
Fort Foster fees	195,000	195,000	237,967	42,967
Dispatching services	109,360	109,360	105,360	(4,000)
Police department	76,050	76,050	81,308	5,258
Animal control	9,300	9,300	7,509	(1,791)
Public works	12,500	12,500	530	(11,970)
Mooring/launch fees	105,200	105,200	139,738	34,538
Harbor fees	29,940	29,940	29,957	17
Investment income:				
Investment income	51,000	51,000	140,768	89,768
Other income:				
Interest/fees on taxes	50,000	50,000	57,162	7,162
Payment in lieu of taxes	7,000	7,000	3,286	(3,714)
Other income	20,350	20,350	16,392	(3,958)
Rent	22,900	22,900	22,900	-
Other reimbursements	9,655	9,655	25,366	15,711
Transfers from other funds:				
Special revenue funds	243,978	243,978	243,978	-
Permanent funds	30,000	30,000	15,000	(15,000)
Total Revenues	<u>\$ 14,540,397</u>	<u>\$ 14,540,397</u>	<u>\$ 15,072,856</u>	<u>\$ 532,459</u>

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



## TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
<b>General government</b>					
Administration	\$ 1,479,750	\$ (14,334)	\$ 1,465,416	\$ 1,408,318	\$ 57,098
Assessing	144,022	10,000	154,022	149,841	4,181
Code enforcement	342,457	-	342,457	335,617	6,840
Insurance	2,143,081	-	2,143,081	1,930,616	212,465
Planning board	14,149	-	14,149	7,612	6,537
Elections	11,800	-	11,800	9,730	2,070
Council	12,350	-	12,350	5,345	7,005
	<u>4,147,609</u>	<u>(4,334)</u>	<u>4,143,275</u>	<u>3,847,079</u>	<u>296,196</u>
<b>Public safety</b>					
Police department	2,231,411	55,000	2,286,411	2,247,677	38,734
Fire department	331,910	(10,000)	321,910	309,921	11,989
Street lights	120,000	-	120,000	131,070	(11,070)
Hydrants	261,804	-	261,804	254,179	7,625
Civil emergency preparedness	700	-	700	-	700
	<u>2,945,825</u>	<u>45,000</u>	<u>2,990,825</u>	<u>2,942,847</u>	<u>47,978</u>
<b>Public works</b>					
Highways	1,061,328	-	1,061,328	1,069,346	(8,018)
	<u>1,061,328</u>	<u>-</u>	<u>1,061,328</u>	<u>1,069,346</u>	<u>(8,018)</u>
<b>Recreation and culture</b>					
Parks	133,618	-	133,618	110,167	23,451
Fort Foster	155,486	-	155,486	148,875	6,611
Recreation	1,054,874	20,000	1,074,874	1,054,269	20,605
Library	478,901	-	478,901	478,901	-
Port Authority	94,950	10,000	104,950	100,903	4,047
	<u>1,917,829</u>	<u>30,000</u>	<u>1,947,829</u>	<u>1,893,115</u>	<u>54,714</u>
<b>Health and sanitation</b>					
Solid waste	535,237	(20,000)	515,237	501,337	13,900
	<u>535,237</u>	<u>(20,000)</u>	<u>515,237</u>	<u>501,337</u>	<u>13,900</u>
<b>Social services</b>					
General assistance	50,000	-	50,000	49,070	930
Community agencies	9,165	-	9,165	8,365	800
Public health services	520	-	520	491	29
	<u>59,685</u>	<u>-</u>	<u>59,685</u>	<u>57,926</u>	<u>1,759</u>

## TOWN OF KITTERY, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Budget Adjustments	Final Available	Actual	Variance Positive (Negative)
<b>County tax</b>	869,853	-	869,853	863,018	6,835
<b>Debt service</b>					
Principal	656,199	-	656,199	656,199	-
Interest	184,662	-	184,662	184,612	50
	840,861	-	840,861	840,811	50
<b>Overlay</b>	113,564	(55,000)	58,564	56,519	2,045
<b>Grant funds/misc. accounts</b>					
EPA stormwater program	19,600	-	19,600	19,104	496
Memorial day activities	700	-	700	1,191	(491)
Computer repair	42,000	-	42,000	42,799	(799)
Shellfish conservation	3,560	-	3,560	3,500	60
Conservation commission	500	-	500	27	473
Self insurance claims	-	2,250	2,250	2,250	-
Mosquito/tick control	35,000	-	35,000	35,194	(194)
GIS/web account	3,600	-	3,600	3,600	-
PSAP paid to York police dept.	28,000	-	28,000	28,675	(675)
Bank fees	600	-	600	(218)	818
	133,560	2,250	135,810	136,122	(312)
<b>Transfers to other funds</b>					
Special revenue funds	1,533,281	64,334	1,597,615	1,799,991	(202,376)
Capital projects funds	745,000	50,000	795,000	795,000	-
Permanent funds	-	-	-	36,503	(36,503)
Education fund	86,765	-	86,765	86,765	-
	2,365,046	114,334	2,479,380	2,718,259	(238,879)
<b>Total Departmental Operations</b>	<b>\$ 14,990,397</b>	<b>\$ 112,250</b>	<b>\$ 15,102,647</b>	<b>\$ 14,926,379</b>	<b>\$ 176,268</b>

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

## SCHEDULE C

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 27,840	\$ 27,840
Investments	-	-	641,369	641,369
Accounts receivable (net of allowance for uncollectibles)	638,147	-	-	638,147
Inventory	10,906	-	-	10,906
Due from other funds	4,596,975	1,752,079	100,072	6,449,126
TOTAL ASSETS	<u>\$ 5,246,028</u>	<u>\$ 1,752,079</u>	<u>\$ 769,281</u>	<u>\$ 7,767,388</u>
LIABILITIES				
Accounts payable	\$ 52,343	\$ 148,118	\$ 2,550	\$ 203,011
Accrued expenses	15	-	-	15
Due to other funds	369,809	-	7,500	377,309
TOTAL LIABILITIES	<u>422,167</u>	<u>148,118</u>	<u>10,050</u>	<u>580,335</u>
FUND BALANCES				
Nonspendable	10,906	-	60,000	70,906
Restricted	133,499	1,069,865	700,003	1,903,367
Committed	4,463,252	661,134	-	5,124,386
Assigned	353,075	-	-	353,075
Unassigned	(136,871)	(127,038)	(772)	(264,681)
TOTAL FUND BALANCES	<u>4,823,861</u>	<u>1,603,961</u>	<u>759,231</u>	<u>7,187,053</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,246,028</u>	<u>\$ 1,752,079</u>	<u>\$ 769,281</u>	<u>\$ 7,767,388</u>

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

## SCHEDULE D

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenues	\$ 1,491,818	\$ 242,722	\$ -	\$ 1,734,540
Charges for services	433,816	-	-	433,816
Investment income, net of unrealized gains/(losses)	-	-	8,615	8,615
Interest income	-	2,354	16,200	18,554
Other income	503,930	625	46,982	551,537
TOTAL REVENUES	<u>2,429,564</u>	<u>245,701</u>	<u>71,797</u>	<u>2,747,062</u>
EXPENDITURES				
General government	267,386	-	87,446	354,832
Public safety	41,342	-	-	41,342
Health and sanitation	11,650	-	-	11,650
Recreation and culture	102,959	-	-	102,959
Education	1,495,067	-	-	1,495,067
Capital outlay	1,780,228	1,292,555	-	3,072,783
Other	64,956	302	-	65,258
TOTAL EXPENDITURES	<u>3,763,588</u>	<u>1,292,857</u>	<u>87,446</u>	<u>5,143,891</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,334,024)</u>	<u>(1,047,156)</u>	<u>(15,649)</u>	<u>(2,396,829)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,652,914	796,057	36,503	3,485,474
Transfers (out)	(493,187)	(27,597)	(15,000)	(535,784)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,159,727</u>	<u>768,460</u>	<u>21,503</u>	<u>2,949,690</u>
NET CHANGE IN FUND BALANCES	825,703	(278,696)	5,854	552,861
FUND BALANCES, JULY 1, RESTATED	<u>3,998,158</u>	<u>1,882,657</u>	<u>753,377</u>	<u>6,634,192</u>
FUND BALANCES, JUNE 30	<u>\$ 4,823,861</u>	<u>\$ 1,603,961</u>	<u>\$ 759,231</u>	<u>\$ 7,187,053</u>

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

### Special Revenue Funds

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

## SCHEDULE E

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	ASA Applicant Code	Oil and More Donations	Channel 22	Concert in the Park	D.A.R.E.	Fire Hazmat Spill Cleanup	Thresher Memorial
<b>ASSETS</b>							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-
Due from other funds	28,254	-	262,877	2,597	216	2,701	8,215
<b>TOTAL ASSETS</b>	<u>\$ 28,254</u>	<u>\$ -</u>	<u>\$ 262,877</u>	<u>\$ 2,597</u>	<u>\$ 216</u>	<u>\$ 2,701</u>	<u>\$ 8,215</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 6,486	\$ -	\$ 1,562	\$ -	\$ -	\$ -	\$ 71
Accrued expenses	-	15	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>6,486</u>	<u>15</u>	<u>1,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	21,768	-	261,315	2,597	216	2,701	8,144
Assigned	-	-	-	-	-	-	-
Unassigned	-	(15)	-	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>21,768</u>	<u>(15)</u>	<u>261,315</u>	<u>2,597</u>	<u>216</u>	<u>2,701</u>	<u>8,144</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 28,254</u>	<u>\$ -</u>	<u>\$ 262,877</u>	<u>\$ 2,597</u>	<u>\$ 216</u>	<u>\$ 2,701</u>	<u>\$ 8,215</u>

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Accrued Compensated Absences	Ballot Counting Machines	Town Pier	Kittery Block Party	Kittery Community Center	York Hospital
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-
Due from other funds	109,783	6,078	-	27,278	23,058	18,515
TOTAL ASSETS	<u>\$ 109,783</u>	<u>\$ 6,078</u>	<u>\$ -</u>	<u>\$ 27,278</u>	<u>\$ 23,058</u>	<u>\$ 18,515</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 7,574	\$ 155	\$ -
Accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,574</u>	<u>155</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	109,783	6,078	-	19,704	22,903	18,515
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>109,783</u>	<u>6,078</u>	<u>-</u>	<u>19,704</u>	<u>22,903</u>	<u>18,515</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 109,783</u>	<u>\$ 6,078</u>	<u>\$ -</u>	<u>\$ 27,278</u>	<u>\$ 23,058</u>	<u>\$ 18,515</u>

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Police Forfeiture	Public Safety Impact Fees	Open Space	Spruce Creek - PH4	Conservation Committee	TIF Financial Plan
ASSETS						
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-
Due from other funds	28,662	48,948	6,890	-	912	521,215
TOTAL ASSETS	<u>\$ 28,662</u>	<u>\$ 48,948</u>	<u>\$ 6,890</u>	<u>\$ -</u>	<u>\$ 912</u>	<u>\$ 521,215</u>
LIABILITIES						
Accounts payable	\$ 850	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
TOTAL LIABILITIES	<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	48,948	-	-	-	-
Committed	27,812	-	6,890	-	912	521,215
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>27,812</u>	<u>48,948</u>	<u>6,890</u>	<u>-</u>	<u>912</u>	<u>521,215</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 28,662</u>	<u>\$ 48,948</u>	<u>\$ 6,890</u>	<u>\$ -</u>	<u>\$ 912</u>	<u>\$ 521,215</u>



## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	FEMA Maps Appeal	Sewer Impact Fees	Sewer Betterments	DPW Right of Way Reserve
ASSETS				
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ 11,133	\$ 32,100	\$ -
Inventory	-	-	-	-
Due from other funds	-	743,887	156,583	210,940
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 755,020</u>	<u>\$ 188,683</u>	<u>\$ 210,940</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-
Due to other funds	200	-	-	-
TOTAL LIABILITIES	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	755,020	188,683	210,940
Assigned	-	-	-	-
Unassigned	(200)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>(200)</u>	<u>755,020</u>	<u>188,683</u>	<u>210,940</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 755,020</u>	<u>\$ 188,683</u>	<u>\$ 210,940</u>

## SCHEDULE E (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Fort Foster FEMA	KCC Visual Arts Committee	Recreational Vehicle	Highway Vehicle	Fire Dept. Vehicle	KCC Playgrounds	Spruce Creek PH5 Grant
<b>ASSETS</b>							
Accounts receivable (net of allowance for uncollectibles)	\$ 392,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-
Due from other funds	-	5,000	25,121	266,272	189,815	64,718	-
<b>TOTAL ASSETS</b>	<u>\$ 392,037</u>	<u>\$ 5,000</u>	<u>\$ 25,121</u>	<u>\$ 266,272</u>	<u>\$ 189,815</u>	<u>\$ 64,718</u>	<u>\$ -</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 1,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	54,061	-	-	-	-	-	6,028
<b>TOTAL LIABILITIES</b>	<u>55,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,051</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	336,102	5,000	25,121	266,272	189,815	64,718	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(6,051)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>336,102</u>	<u>5,000</u>	<u>25,121</u>	<u>266,272</u>	<u>189,815</u>	<u>64,718</u>	<u>(6,051)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ 392,037</u>	<u>\$ 5,000</u>	<u>\$ 25,121</u>	<u>\$ 266,272</u>	<u>\$ 189,815</u>	<u>\$ 64,718</u>	<u>\$ -</u>

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Tax Acquired Properties	Storm Drain Mapping	Port Authority Boat	Recreational Equipment	Computer	Emery Field PH 1 LCWF Grant	Ogden Fdn. Prog. Dev Grant (KCC)
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-
Due from other funds	-	45,988	24,498	8,058	39,413	-	16,800
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 45,988</u>	<u>\$ 24,498</u>	<u>\$ 8,058</u>	<u>\$ 39,413</u>	<u>\$ -</u>	<u>\$ 16,800</u>
LIABILITIES							
Accounts payable	\$ 4,002	\$ 1,384	\$ -	\$ -	\$ -	\$ -	\$ 4,800
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	8,607	-	-	-	-	-	-
TOTAL LIABILITIES	<u>12,609</u>	<u>1,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,800</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	44,604	24,498	8,058	39,413	-	12,000
Assigned	-	-	-	-	-	-	-
Unassigned	(12,609)	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>(12,609)</u>	<u>44,604</u>	<u>24,498</u>	<u>8,058</u>	<u>39,413</u>	<u>-</u>	<u>12,000</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 45,988</u>	<u>\$ 24,498</u>	<u>\$ 8,058</u>	<u>\$ 39,413</u>	<u>\$ -</u>	<u>\$ 16,800</u>

## SCHEDULE E (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Police Vehicle Equipment	Emery Field PH 2 LCWF Grant	Records Preservation	Municipal Facility Reserve	Public Safety Base Station	Parks Buildings & Grounds	Billable Police Details	Pol. Grant Support Det.
ASSETS								
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-	-
Due from other funds	34,420	54,945	10	227,370	20,845	17	8,176	-
<b>TOTAL ASSETS</b>	<b>\$ 34,420</b>	<b>\$ 54,945</b>	<b>\$ 10</b>	<b>\$ 227,370</b>	<b>\$ 20,845</b>	<b>\$ 17</b>	<b>\$ 8,176</b>	<b>\$ -</b>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ 12,274	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	9,383
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,383</b>
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	34,420	54,945	10	215,096	20,845	17	8,176	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(9,383)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>34,420</b>	<b>54,945</b>	<b>10</b>	<b>215,096</b>	<b>20,845</b>	<b>17</b>	<b>8,176</b>	<b>(9,383)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 34,420</b>	<b>\$ 54,945</b>	<b>\$ 10</b>	<b>\$ 227,370</b>	<b>\$ 20,845</b>	<b>\$ 17</b>	<b>\$ 8,176</b>	<b>\$ -</b>

## SCHEDULE E (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Kittery Community Center 5 Year	Joint Land Use OEA PH1	Port Authority Equipment	Fire Equipment Reserve	Sewer Vehicle Reserve	Sewer Depreciation Reserve	Sewer Safety Grants
ASSETS							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-	-
Due from other funds	33,396	-	60,082	162,642	93,752	325,128	2,998
TOTAL ASSETS	<u>\$ 33,396</u>	<u>\$ -</u>	<u>\$ 60,082</u>	<u>\$ 162,642</u>	<u>\$ 93,752</u>	<u>\$ 325,128</u>	<u>\$ 2,998</u>
LIABILITIES							
Accounts payable	\$ -	\$ 2,403	\$ -	\$ -	\$ 870	\$ -	\$ -
Accrued expenses	-	-	-	-	-	-	-
Due to other funds	-	83,174	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>85,577</u>	<u>-</u>	<u>-</u>	<u>870</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	33,396	-	60,082	162,642	92,882	325,128	2,998
Assigned	-	-	-	-	-	-	-
Unassigned	-	(85,577)	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>33,396</u>	<u>(85,577)</u>	<u>60,082</u>	<u>162,642</u>	<u>92,882</u>	<u>325,128</u>	<u>2,998</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 33,396</u>	<u>\$ -</u>	<u>\$ 60,082</u>	<u>\$ 162,642</u>	<u>\$ 93,752</u>	<u>\$ 325,128</u>	<u>\$ 2,998</u>

## SCHEDULE E (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2019

	Police New Officer	Additional Snow and Ice Damages	Athletic Fields	Senior Tax Program	Wetland Mitigation	School Special Revenue Funds	Total
<b>ASSETS</b>							
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,877	\$ 638,147
Inventory	-	-	-	-	-	10,906	10,906
Due from other funds	-	40,577	2,142	10,000	32,753	594,430	4,596,975
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 40,577</u>	<u>\$ 2,142</u>	<u>\$ 10,000</u>	<u>\$ 32,753</u>	<u>\$ 808,213</u>	<u>\$ 5,246,028</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 495	\$ 7,520	\$ 52,343
Accrued expenses	-	-	-	-	-	-	15
Due to other funds	2,023	-	-	-	-	206,333	369,809
<b>TOTAL LIABILITIES</b>	<u>2,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495</u>	<u>213,853</u>	<u>422,167</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	10,906	10,906
Restricted	-	40,577	-	-	-	43,974	133,499
Committed	-	-	2,142	10,000	32,258	207,418	4,463,252
Assigned	-	-	-	-	-	353,075	353,075
Unassigned	(2,023)	-	-	-	-	(21,013)	(136,871)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>(2,023)</u>	<u>40,577</u>	<u>2,142</u>	<u>10,000</u>	<u>32,258</u>	<u>594,360</u>	<u>4,823,861</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u>\$ -</u>	<u>\$ 40,577</u>	<u>\$ 2,142</u>	<u>\$ 10,000</u>	<u>\$ 32,753</u>	<u>\$ 808,213</u>	<u>\$ 5,246,028</u>

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

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	ASA Applicant Code	Oil and More Donations	Channel 22	Concert in the Park	D.A.R.E.	Fire Hazmat Spill Cleanup	Thresher Memorial
REVENUES							
Intergovernmental revenue	\$ 325	\$ -	\$ -	\$ -	\$ -	\$ 1,747	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	21,319	-	104,056	4,800	-	-	9,258
TOTAL REVENUES	<u>21,644</u>	<u>-</u>	<u>104,056</u>	<u>4,800</u>	<u>-</u>	<u>1,747</u>	<u>9,258</u>
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	2,232	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	1,450	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	-	-	85,177	-	-	-	-
Other	36,149	-	-	-	-	-	2,203
TOTAL EXPENDITURES	<u>36,149</u>	<u>-</u>	<u>85,177</u>	<u>1,450</u>	<u>-</u>	<u>2,232</u>	<u>2,203</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,505)</u>	<u>-</u>	<u>18,879</u>	<u>3,350</u>	<u>-</u>	<u>(485)</u>	<u>7,055</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	(243,978)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(243,978)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(14,505)	-	(225,099)	3,350	-	(485)	7,055
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>36,273</u>	<u>(15)</u>	<u>486,414</u>	<u>(753)</u>	<u>216</u>	<u>3,186</u>	<u>1,089</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 21,768</u>	<u>\$ (15)</u>	<u>\$ 261,315</u>	<u>\$ 2,597</u>	<u>\$ 216</u>	<u>\$ 2,701</u>	<u>\$ 8,144</u>

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Accrued Compensated Absences	Ballot Counting Machines	Town Pier	Kittery Block Party	Kittery Community Center	York Hospital
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 46,360	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Other income	-	-	-	-	12,845	18,500
TOTAL REVENUES	-	-	-	46,360	12,845	18,500
EXPENDITURES						
General government	193,056	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Recreation and culture	-	-	-	50,413	21,943	-
Education	-	-	-	-	-	-
Other	-	-	-	-	-	18,307
TOTAL EXPENDITURES	193,056	-	-	50,413	21,943	18,307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(193,056)	-	-	(4,053)	(9,098)	193
OTHER FINANCING SOURCES (USES)						
Transfers in	175,000	-	33,664	-	-	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	175,000	-	33,664	-	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(18,056)	-	33,664	(4,053)	(9,098)	193
FUND BALANCES (DEFICITS), JULY 1, RESTATED	127,839	6,078	(33,664)	23,757	32,001	18,322
FUND BALANCES (DEFICITS), JUNE 30	\$ 109,783	\$ 6,078	\$ -	\$ 19,704	\$ 22,903	\$ 18,515



## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Police Forfeiture	Public Safety Impact Fees	Open Space	Spruce Creek - PH4	Conservation Committee	TIF Financial Plan
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Other income	8,460	30,413	-	-	-	-
TOTAL REVENUES	<u>8,460</u>	<u>30,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	39,421	67,096	-	-	-	-
Other	-	-	-	-	60	-
TOTAL EXPENDITURES	<u>39,421</u>	<u>67,096</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(30,961)</u>	<u>(36,683)</u>	<u>-</u>	<u>-</u>	<u>(60)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	139,334
Transfers (out)	-	-	(52,157)	(2,352)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(52,157)</u>	<u>(2,352)</u>	<u>-</u>	<u>139,334</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(30,961)	(36,683)	(52,157)	(2,352)	(60)	139,334
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>58,773</u>	<u>85,631</u>	<u>59,047</u>	<u>2,352</u>	<u>972</u>	<u>381,881</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 27,812</u>	<u>\$ 48,948</u>	<u>\$ 6,890</u>	<u>\$ -</u>	<u>\$ 912</u>	<u>\$ 521,215</u>

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	FEMA Maps Appeal	Sewer Impact Fees	Sewer Betterments	DPW Right of Way Reserve
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services	-	81,615	50,100	-
Other income	147	-	-	-
TOTAL REVENUES	<u>147</u>	<u>81,615</u>	<u>50,100</u>	<u>-</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Health and sanitation	-	11,650	-	-
Recreation and culture	-	-	-	-
Education	-	-	-	-
Capital outlay	24,670	-	-	373,752
Other	-	-	-	-
TOTAL EXPENDITURES	<u>24,670</u>	<u>11,650</u>	<u>-</u>	<u>373,752</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(24,523)</u>	<u>69,965</u>	<u>50,100</u>	<u>(373,752)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	27,376	-	-	400,000
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>27,376</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	2,853	69,965	50,100	26,248
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>(3,053)</u>	<u>685,055</u>	<u>138,583</u>	<u>184,692</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (200)</u>	<u>\$ 755,020</u>	<u>\$ 188,683</u>	<u>\$ 210,940</u>

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Fort Foster FEMA	KCC Visual Arts Committee	Recreational Vehicle	Highway Vehicle	Fire Dept. Vehicle	KCC Playgrounds	Spruce Creek PH5 Grant
REVENUES							
Intergovernmental revenue	\$ 392,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	-	5,000	50,720	2,965	2,269	-	11,970
TOTAL REVENUES	<u>392,037</u>	<u>5,000</u>	<u>50,720</u>	<u>2,965</u>	<u>2,269</u>	<u>-</u>	<u>11,970</u>
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	55,935	-	28,949	239,373	281,519	-	18,674
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>55,935</u>	<u>-</u>	<u>28,949</u>	<u>239,373</u>	<u>281,519</u>	<u>-</u>	<u>18,674</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>336,102</u>	<u>5,000</u>	<u>21,771</u>	<u>(236,408)</u>	<u>(279,250)</u>	<u>-</u>	<u>(6,704)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	8,650	400,000	175,900	-	2,352
Transfers (out)	-	-	(26,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(17,350)</u>	<u>400,000</u>	<u>175,900</u>	<u>-</u>	<u>2,352</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	336,102	5,000	4,421	163,592	(103,350)	-	(4,352)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>-</u>	<u>-</u>	<u>20,700</u>	<u>102,680</u>	<u>293,165</u>	<u>64,718</u>	<u>(1,699)</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 336,102</u>	<u>\$ 5,000</u>	<u>\$ 25,121</u>	<u>\$ 266,272</u>	<u>\$ 189,815</u>	<u>\$ 64,718</u>	<u>\$ (6,051)</u>

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Tax Acquired Properties	Storm Drain Mapping	Port Authority Boat	Recreational Equipment	Computer	Emery Field PH 1 LCWF Grant	Ogden Fdn. Prog. Dev Grant (KCC)
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	-	-	2,400	-	-	15,343	20,000
TOTAL REVENUES	-	-	2,400	-	-	15,343	20,000
EXPENDITURES							
General government	-	-	-	-	24,330	-	-
Public safety	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	5,399	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	12,609	72,843	-	-	-	30,686	31,200
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	12,609	72,843	-	5,399	24,330	30,686	31,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,609)	(72,843)	2,400	(5,399)	(24,330)	(15,343)	(11,200)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	10,000	5,000	8,400	50,000	52,157	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	5,000	8,400	50,000	52,157	-
NET CHANGE IN FUND BALANCES (DEFICITS)	(12,609)	(62,843)	7,400	3,001	25,670	36,814	(11,200)
FUND BALANCES (DEFICITS), JULY 1, RESTATED	-	107,447	17,098	5,057	13,743	(36,814)	23,200
FUND BALANCES (DEFICITS), JUNE 30	\$ (12,609)	\$ 44,604	\$ 24,498	\$ 8,058	\$ 39,413	\$ -	\$ 12,000

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Police Vehicle Equipment	Emery Field PH 2 LCWF Grant	Records Preservation	Municipal Facility Reserve	Public Safety Base Station	Parks Buildings & Grounds	Billable Police Details	Pol. Grant Support Det.
REVENUES								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,014
Charges for services	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	21,160	-
TOTAL REVENUES	-	-	-	-	-	-	21,160	21,014
EXPENDITURES								
General government	-	-	10,000	-	-	-	-	-
Public safety	-	-	-	-	-	-	17,567	17,334
Health and sanitation	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	23,754	-	-
Education	-	-	-	-	-	-	-	-
Capital outlay	116,788	30,055	-	39,144	-	-	-	-
Other	-	-	-	2,875	-	-	-	-
TOTAL EXPENDITURES	116,788	30,055	10,000	42,019	-	23,754	17,567	17,334
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(116,788)	(30,055)	(10,000)	(42,019)	-	(23,754)	3,593	3,680
OTHER FINANCING SOURCES (USES)								
Transfers in	142,000	85,000	10,000	56,740	-	20,000	-	-
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	142,000	85,000	10,000	56,740	-	20,000	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	25,212	54,945	-	14,721	-	(3,754)	3,593	3,680
FUND BALANCES (DEFICITS), JULY 1, RESTATED	9,208	-	10	200,375	20,845	3,771	4,583	(13,063)
FUND BALANCES (DEFICITS), JUNE 30	\$ 34,420	\$ 54,945	\$ 10	\$ 215,096	\$ 20,845	\$ 17	\$ 8,176	\$ (9,383)

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Kittery Community Center 5 Year	Joint Land Use OEA PH1	Port Authority Equipment	Fire Equipment Reserve	Sewer Vehicle Reserve	Sewer Depreciation Reserve	Sewer Safety Grants
REVENUES							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
Other income	-	-	1,000	-	-	-	998
TOTAL REVENUES	-	-	1,000	-	-	-	998
EXPENDITURES							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Capital outlay	20,431	85,577	-	23,983	74,056	28,290	-
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	20,431	85,577	-	23,983	74,056	28,290	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,431)	(85,577)	1,000	(23,983)	(74,056)	(28,290)	998
OTHER FINANCING SOURCES (USES)							
Transfers in	25,000	-	13,000	57,667	-	200,000	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	-	13,000	57,667	-	200,000	-
NET CHANGE IN FUND BALANCES (DEFICITS)	4,569	(85,577)	14,000	33,684	(74,056)	171,710	998
FUND BALANCES (DEFICITS), JULY 1, RESTATED	28,827	-	46,082	128,958	166,938	153,418	2,000
FUND BALANCES (DEFICITS), JUNE 30	\$ 33,396	\$ (85,577)	\$ 60,082	\$ 162,642	\$ 92,882	\$ 325,128	\$ 2,998

## SCHEDULE F (CONTINUED)

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Police New Officer	Additional Snow and Ice Damages	Athletic Fields	Senior Tax Program	Wetland Mitigation	School Special Revenue Funds	Total
REVENUES							
Intergovernmental revenue	\$ 5,480	\$ 40,577	\$ -	\$ -	\$ -	\$ 984,278	\$ 1,491,818
Charges for services	-	-	-	-	-	302,101	433,816
Other income	-	-	-	-	-	160,307	503,930
TOTAL REVENUES	<u>5,480</u>	<u>40,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,446,686</u>	<u>2,429,564</u>
EXPENDITURES							
General government	-	-	-	40,000	-	-	267,386
Public safety	4,209	-	-	-	-	-	41,342
Health and sanitation	-	-	-	-	-	-	11,650
Recreation and culture	-	-	-	-	-	-	102,959
Education	-	-	-	-	-	1,495,067	1,495,067
Capital outlay	-	-	-	-	-	-	1,780,228
Other	-	-	-	-	5,362	-	64,956
TOTAL EXPENDITURES	<u>4,209</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>5,362</u>	<u>1,495,067</u>	<u>3,763,588</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,271</u>	<u>40,577</u>	<u>-</u>	<u>(40,000)</u>	<u>(5,362)</u>	<u>(48,381)</u>	<u>(1,334,024)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	25,000	50,000	-	480,674	2,652,914
Transfers (out)	-	-	(85,000)	-	-	(83,700)	(493,187)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>50,000</u>	<u>-</u>	<u>396,974</u>	<u>2,159,727</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	1,271	40,577	(60,000)	10,000	(5,362)	348,593	825,703
FUND BALANCES (DEFICITS), JULY 1, RESTATED	<u>(3,294)</u>	<u>-</u>	<u>62,142</u>	<u>-</u>	<u>37,620</u>	<u>245,767</u>	<u>3,998,158</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (2,023)</u>	<u>\$ 40,577</u>	<u>\$ 2,142</u>	<u>\$ 10,000</u>	<u>\$ 32,258</u>	<u>\$ 594,360</u>	<u>\$ 4,823,861</u>

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

### Capital Projects Funds

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



## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2019

	Community Center	Town Facilities	Street Lights Project	Pepperill Coves Paving/ Utilities	Fire Department Facility	Public Works Sign Shed
ASSETS						
Due from other funds	\$ 373	\$ 28,280	\$ 2,661	\$ 57,462	\$ 319	\$ 20
TOTAL ASSETS	<u>\$ 373</u>	<u>\$ 28,280</u>	<u>\$ 2,661</u>	<u>\$ 57,462</u>	<u>\$ 319</u>	<u>\$ 20</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 99,491	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>99,491</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	373	28,280	-	-	-	-
Committed	-	-	-	57,462	319	20
Assigned	-	-	-	-	-	-
Unassigned	-	-	(96,830)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>373</u>	<u>28,280</u>	<u>(96,830)</u>	<u>57,462</u>	<u>319</u>	<u>20</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 373</u>	<u>\$ 28,280</u>	<u>\$ 2,661</u>	<u>\$ 57,462</u>	<u>\$ 319</u>	<u>\$ 20</u>

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2019

	Boat Infrastructure Grant	Rice Building Rehab	Fort Foster Bench	State Aid to Roads	Kittery Port Authority Railings & Lights
ASSETS					
Due from other funds	\$ 1,584	\$ 17,710	\$ 11,200	\$ 1,041,921	\$ -
TOTAL ASSETS	<u>\$ 1,584</u>	<u>\$ 17,710</u>	<u>\$ 11,200</u>	<u>\$ 1,041,921</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ -	\$ 47,918	\$ -	\$ 709	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>47,918</u>	<u>-</u>	<u>709</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	1,041,212	-
Committed	1,584	-	11,200	-	-
Assigned	-	-	-	-	-
Unassigned	-	(30,208)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>1,584</u>	<u>(30,208)</u>	<u>11,200</u>	<u>1,041,212</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 1,584</u>	<u>\$ 17,710</u>	<u>\$ 11,200</u>	<u>\$ 1,041,921</u>	<u>\$ -</u>

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2019

	Government St. Pier Reserve	Rice & Taylor Lighting	Rice Beam Replacement	Zoning Record Upgrade	School Capital Projects Funds	Total
ASSETS						
Due from other funds	\$ 22,732	\$ -	\$ -	\$ 48,947	\$ 518,870	\$ 1,752,079
TOTAL ASSETS	<u>\$ 22,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,947</u>	<u>\$ 518,870</u>	<u>\$ 1,752,079</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,118
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,118</u>
FUND BALANCES (DEFICITS)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	1,069,865
Committed	22,732	-	-	48,947	518,870	661,134
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(127,038)
TOTAL FUND BALANCES (DEFICITS)	<u>22,732</u>	<u>-</u>	<u>-</u>	<u>48,947</u>	<u>518,870</u>	<u>1,603,961</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 22,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,947</u>	<u>\$ 518,870</u>	<u>\$ 1,752,079</u>

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

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Community Center	Town Facilities	Street Lights Project	Pepperill Coves Paving/ Utilities	Fire Department Facility	Public Works Sign Shed
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	2,354	-	-	-	-
Other income	-	-	-	-	-	-
TOTAL REVENUES	-	2,354	-	-	-	-
EXPENDITURES						
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	-	-	146,830	-	18,681	-
Other	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	146,830	-	18,681	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2,354	(146,830)	-	(18,681)	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	50,000	36,000	19,000	-
Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	50,000	36,000	19,000	-
NET CHANGE IN FUND BALANCES (DEFICITS)	-	2,354	(96,830)	36,000	319	-
FUND BALANCES (DEFICITS) - JULY 1	373	25,926	-	21,462	-	20
FUND BALANCES (DEFICITS) - JUNE 30	\$ 373	\$ 28,280	\$ (96,830)	\$ 57,462	\$ 319	\$ 20

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Boat Infrastructure Grant	Rice Building Rehab	Fort Foster Bench	State Aid to Roads	Kittery Port Authority Railings & Lights
REVENUES					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 242,722	\$ -
Interest income	-	-	-	-	-
Other income	-	-	625	-	-
TOTAL REVENUES	-	-	625	242,722	-
EXPENDITURES					
Public works	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	130,208	-	115,931	-
Other	-	-	302	-	-
TOTAL EXPENDITURES	-	130,208	302	115,931	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(130,208)	323	126,791	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	-	-	-
Transfers (out)	-	-	-	-	(1,057)
TOTAL OTHER FINANCING SOURCES (USES)	-	100,000	-	-	(1,057)
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(30,208)	323	126,791	(1,057)
FUND BALANCES (DEFICITS) - JULY 1	1,584	-	10,877	914,421	1,057
FUND BALANCES (DEFICITS) - JUNE 30	\$ 1,584	\$ (30,208)	\$ 11,200	\$ 1,041,212	\$ -

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Government St. Pier Reserve	Rice & Taylor Lighting	Rice Beam Replacement	Zoning Record Upgrade	School Capital Projects Funds	Total
REVENUES						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,722
Interest income	-	-	-	-	-	2,354
Other income	-	-	-	-	-	625
TOTAL REVENUES	-	-	-	-	-	245,701
EXPENDITURES						
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlay	482,290	10,000	-	21,053	367,562	1,292,555
Other	-	-	-	-	-	302
TOTAL EXPENDITURES	482,290	10,000	-	21,053	367,562	1,292,857
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(482,290)	(10,000)	-	(21,053)	(367,562)	(1,047,156)
OTHER FINANCING SOURCES (USES)						
Transfers in	451,057	-	-	-	140,000	796,057
Transfers (out)	-	-	(6,740)	-	(19,800)	(27,597)
TOTAL OTHER FINANCING SOURCES (USES)	451,057	-	(6,740)	-	120,200	768,460
NET CHANGE IN FUND BALANCES (DEFICITS)	(31,233)	(10,000)	(6,740)	(21,053)	(247,362)	(278,696)
FUND BALANCES (DEFICITS) - JULY 1	53,965	10,000	6,740	70,000	766,232	1,882,657
FUND BALANCES (DEFICITS) - JUNE 30	\$ 22,732	\$ -	\$ -	\$ 48,947	\$ 518,870	\$ 1,603,961

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

### Permanent Funds

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

## TOWN OF KITTERY, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2019

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust	George Smart Santa	Recycling Scholarship	Connie Samuels Beautification	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ 25,236	\$ -	\$ 2,604	\$ -	\$ -	\$ 27,840
Investments	-	-	641,369	-	-	-	-	641,369
Due from other funds	2,550	27,275	-	9,228	-	2,418	58,601	100,072
<b>TOTAL ASSETS</b>	<u>\$ 2,550</u>	<u>\$ 27,275</u>	<u>\$ 666,605</u>	<u>\$ 9,228</u>	<u>\$ 2,604</u>	<u>\$ 2,418</u>	<u>\$ 58,601</u>	<u>\$ 769,281</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,550
Due to other funds	-	-	7,500	-	-	-	-	7,500
<b>TOTAL LIABILITIES</b>	<u>2,550</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,050</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	10,000	-	-	50,000	60,000
Restricted	-	27,275	659,105	-	2,604	2,418	8,601	700,003
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(772)	-	-	-	(772)
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>27,275</u>	<u>659,105</u>	<u>9,228</u>	<u>2,604</u>	<u>2,418</u>	<u>58,601</u>	<u>759,231</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,550</u>	<u>\$ 27,275</u>	<u>\$ 666,605</u>	<u>\$ 9,228</u>	<u>\$ 2,604</u>	<u>\$ 2,418</u>	<u>\$ 58,601</u>	<u>\$ 769,281</u>

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



## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Cemetery Trust	Public Health Trust	Mary Safford Wildes	Lester Raynes Trust	George Smart Santa	Recycling Scholarship	Connie Samuels Beautification	Total
REVENUES								
Investment income, net of unrealized gains/(losses)	\$ -	\$ -	\$ 8,615	\$ -	\$ -	\$ -	\$ -	\$ 8,615
Interest income	-	-	16,200	-	-	-	-	16,200
Other income	-	-	38,618	-	450	7,914	-	46,982
TOTAL REVENUES	-	-	63,433	-	450	7,914	-	71,797
EXPENDITURES								
Other	21,175	-	50,846	-	3,300	12,125	-	87,446
TOTAL EXPENDITURES	21,175	-	50,846	-	3,300	12,125	-	87,446
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,175)	-	12,587	-	(2,850)	(4,211)	-	(15,649)
OTHER FINANCING SOURCES (USES)								
Transfers in	36,503	-	-	-	-	-	-	36,503
Transfers (out)	-	-	(15,000)	-	-	-	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	36,503	-	(15,000)	-	-	-	-	21,503
NET CHANGE IN FUND BALANCES	15,328	-	(2,413)	-	(2,850)	(4,211)	-	5,854
FUND BALANCES, JULY 1	(15,328)	27,275	661,518	9,228	5,454	6,629	58,601	753,377
FUND BALANCES, JUNE 30	\$ -	\$ 27,275	\$ 659,105	\$ 9,228	\$ 2,604	\$ 2,418	\$ 58,601	\$ 759,231

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

### Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town as an agent for individuals, private organizations or other governmental units. These assets are not available to support Town programs.

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF NET POSITION - FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2019

	Adult Ed Scholarships	Bob Whitten	William Dennett
ASSETS			
Cash and cash equivalents	\$ 5,053	\$ 7,112	\$ 582
TOTAL ASSETS	<u>\$ 5,053</u>	<u>\$ 7,112</u>	<u>\$ 582</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted - held in trust	<u>5,053</u>	<u>7,112</u>	<u>582</u>
TOTAL NET POSITION	<u>5,053</u>	<u>7,112</u>	<u>582</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,053</u>	<u>\$ 7,112</u>	<u>\$ 582</u>

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF NET POSITION - FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2019

	Priscilla Guy	Louise Whelton Art	Total
ASSETS			
Cash and cash equivalents	\$ 2,594	\$ 2,119	\$ 17,460
TOTAL ASSETS	<u>\$ 2,594</u>	<u>\$ 2,119</u>	<u>\$ 17,460</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Restricted - held in trust	<u>2,594</u>	<u>2,119</u>	<u>17,460</u>
TOTAL NET POSITION	<u>2,594</u>	<u>2,119</u>	<u>17,460</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,594</u>	<u>\$ 2,119</u>	<u>\$ 17,460</u>

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

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Constance Samuels	Adult Ed Scholarships	Bob Whitten	William Dennett
ADDITIONS				
Interest	\$ -	\$ -	\$ 8	\$ 1
Contributions	-	273	-	-
TOTAL ADDITIONS	-	273	8	1
DEDUCTIONS				
Scholarships	-	-	750	-
TOTAL DEDUCTIONS	-	-	750	-
CHANGE IN NET POSITION	-	273	(742)	1
NET POSITION - JULY 1	-	4,780	7,854	581
NET POSITION - JUNE 30	\$ -	\$ 5,053	\$ 7,112	\$ 582

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Priscilla Guy	Louise Whelton Art	Florence McCashin Memorial	Total
ADDITIONS				
Interest	\$ 1	\$ -	\$ -	\$ 10
Contributions	-	-	-	273
TOTAL ADDITIONS	<u>1</u>	<u>-</u>	<u>-</u>	<u>283</u>
DEDUCTIONS				
Scholarships	-	250	-	1,000
TOTAL DEDUCTIONS	<u>-</u>	<u>250</u>	<u>-</u>	<u>1,000</u>
CHANGE IN NET POSITION	1	(250)	-	(717)
NET POSITION - JULY 1	<u>2,593</u>	<u>2,369</u>	<u>-</u>	<u>18,177</u>
NET POSITION - JUNE 30	<u>\$ 2,594</u>	<u>\$ 2,119</u>	<u>\$ -</u>	<u>\$ 17,460</u>

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

## TOWN OF KITTERY, MAINE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY FUNDS  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Beginning Balance	Cash Receipts	Cash Disbursements	Ending Balance
RW Traip Academy	\$ 49,726	\$ 59,092	\$ 55,133	\$ 53,685
Shapleigh School	14,272	26,525	24,861	15,936
Horace Mitchell School	6,326	4,805	4,421	6,710
	<u>\$ 70,324</u>	<u>\$ 90,422</u>	<u>\$ 84,415</u>	<u>\$ 76,331</u>

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

### General Capital Assets

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



## TOWN OF KITTERY, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
Police	\$ -	\$ 84,458	\$ 890,785	\$ -	\$ 975,243
General government	-	2,920,091	377,129	-	3,297,220
Fire	353,200	2,678,208	2,435,832	-	5,467,240
Public works	8,579,000	3,816,956	3,841,834	11,269,775	27,507,565
Health and sanitation	-	58,183	22,700	15,000	95,883
Recreation and culture	1,989,284	9,120,181	202,301	-	11,311,766
Town-wide	-	643,329	61,763	825,777	1,530,869
School department	34,735	26,007,440	859,221	-	26,901,396
Sewer department	285,980	19,416,324	526,657	11,691,686	31,920,647
Total General Capital Assets	11,242,199	64,745,170	9,218,222	23,802,238	109,007,829
Less: Accumulated Depreciation	-	(36,906,684)	(5,591,276)	(10,360,170)	(52,858,130)
Net General Capital Assets	\$ 11,242,199	\$ 27,838,486	\$ 3,626,946	\$ 13,442,068	\$ 56,149,699

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

## TOWN OF KITTERY, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2019

	General Capital Assets 7/1/18 (Restated)	Additions	Deletions	General Capital Assets 6/30/19
Police	\$ 975,243	\$ -	\$ -	\$ 975,243
General government	3,297,220	-	-	3,297,220
Fire	5,467,240	-	-	5,467,240
Public works	27,156,514	351,051	-	27,507,565
Health and sanitation	95,883	-	-	95,883
Recreation and culture	11,311,766	-	-	11,311,766
Town-wide	1,530,869	-	-	1,530,869
School department	26,823,396	78,000	-	26,901,396
Sewer department	31,920,647	-	-	31,920,647
Total General Capital Assets	108,578,778	429,051	-	109,007,829
Less: Accumulated Depreciation	(49,961,812)	(2,896,318)	-	(52,858,130)
Net General Capital Assets	<u>\$ 58,616,966</u>	<u>\$ (2,467,267)</u>	<u>\$ -</u>	<u>\$ 56,149,699</u>

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

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed-through State of Maine - Department of Education and Cultural Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3014	\$ -	\$ 38,528
National School Lunch Program	10.555	3022	-	29,151
National School Lunch Program	10.555	3024	-	102,167
Summer Food Service Program for Children	10.559	3016	-	17,917
Summer Food Service Program for Children	10.559	3018	-	1,880
Subtotal Child Nutrition Cluster			-	189,643
Total U.S. Department of Agriculture			-	189,643
U.S. Department of Defense				
Direct Funding:				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	N/A	13,723	71,854
Total U.S. Department of Defense			13,723	71,854
U.S. Department of the Interior				
Passed-through State of Maine - Land, Water and Conservation Fund:				
Sportfishing and Boating Safety Act	15.622	23-00864	-	30,686
Total U.S. Department of the Interior			-	30,686
U.S. Department of Transportation				
Passed-through State of Maine - Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	CSN #29303	-	83,903
Highway Planning and Construction	20.205	CSN #29499	-	145
Subtotal Highway Planning and Construction Cluster			-	84,048
Passed-through State of Maine Bureau of Highway Safety:				
NHTSA Discretionary Safety Grants and Cooperative Agreements	20.614	N/A	-	2,295
NHTSA Discretionary Safety Grants and Cooperative Agreements	20.614	N/A	-	1,548
NHTSA Discretionary Safety Grants and Cooperative Agreements	20.614	N/A	-	6,106
NHTSA Discretionary Safety Grants and Cooperative Agreements	20.614	N/A	-	5,229
Total U.S. Department of Transportation			-	99,226
U.S. Environmental Protection Agency				
Direct Funding:				
Clean Water State Revolving Fund Cluster:				
Clean Water Revolving Loan Fund	66.458	Loan	-	2,038,743
Subtotal Clean Water State Revolving Fund Cluster			-	2,038,743

TOWN OF KITTERY, MAINE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. Department of Education				
Passed-through State of Maine - Department of Education and Cultural Services:				
Title I Grants to Local Educational Agencies	84.010	3107	-	78,345
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	3046	-	213,464
Special Education Preschool Grants	84.173	6247	-	4,764
Subtotal Special Education Cluster (IDEA)			-	218,228
Supporting Effective Instruction State Grants	84.367	3042	-	25,537
Student Support and Academic Enrichment Program	84.424	3345	-	6,343
Total U.S. Department of Education			-	328,453
U.S. Department of Homeland Security				
Direct Funding:				
Disaster Grants - Public Assistance	97.036	N/A	-	55,935
Total U.S. Department of Homeland Security			-	55,935
TOTAL FEDERAL ASSISTANCE			\$ 13,723	\$ 2,814,540

TOWN OF KITTERY, MAINE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Kittery, Maine under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Kittery, Maine, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Kittery, Maine.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Kittery, Maine has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Federal Clean Water Revolving Loan Program

The federal clean water revolving loan program listed subsequently is administered directly by the Town of Kittery, Maine and balances and transactions relating to this program is included in the Town of Kittery, Maine's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2019</u>
1) 66.458	Clean Water Revolving Loan	\$ 1,877,990



*Proven Expertise & Integrity*

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

Town Council  
Town of Kittery  
Kittery, Maine

We have audited, 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, the financial statements of the governmental activities, 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, 2019 and the related notes to the financial statements, which collectively comprise the Town of Kittery, Maine's basic financial statements and have issued our report thereon dated December 5, 2019.

Internal Control Over Financial Reporting

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

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
December 5, 2019



*Proven Expertise & Integrity*

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Town Council  
Town of Kittery  
Kittery, Maine

### Report on Compliance for Each Major Federal Program

We have audited the Town of Kittery, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Kittery, Maine's major federal programs for the year ended June 30, 2019. The Town of Kittery, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kittery, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Kittery, Maine's compliance.

#### Opinion on Each Major Federal Program

In our opinion, the Town of Kittery, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

#### Report on Internal Control Over Compliance

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

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

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

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

*RHR Smith & Company*

Buxton, Maine

December 5, 2019

TOWN OF KITTERY, MAINE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

**Section I - Summary of Auditor's Results**

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported  
in accordance with §200.516 of Uniform Guidance? ☐yes ☒no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

10.553/10.555/10.559	Child Nutrition Cluster
----------------------	-------------------------

Dollar threshold used to distinguish between type A and B: \$750,000

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

**Section II – Financial Statement Findings**

None

**Section III – Federal Awards Findings and Questioned Costs**

None



## INDEPENDENT AUDITORS' REPORT ON STATE REQUIREMENTS

Town Council  
Town of Kittery  
Kittery, Maine

We have audited the financial statements of Town of Kittery, Maine for the year ended June 30, 2019 and have issued our report thereon dated December 5, 2019. 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 Maine Department of Education for accuracy. In addition, we have reviewed the Town of Kittery, Maine'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, Maine 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, Maine was in noncompliance with, or in violation of, those provisions.

Management has determined that adjustments were necessary to the fiscal books of the Town of Kittery, Maine and have attached the following schedule as it relates to the reconciliation of audit adjustments to the updated annual financial data submitted to the Maine Education Financial System maintained at the Maine Department of Education.

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

*RHR Smith & Company*

Buxton, Maine  
December 5, 2019

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

KITTERY SCHOOL DEPARTMENT

RECONCILIATION OF AUDIT ADJUSTMENTS TO ANNUAL FINANCIAL DATA  
SUBMITTED TO THE MAINE EDUCATION FINANCIAL SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund (1000)	Special Revenue Funds (2000)	Capital Projects Funds (3000)	Total
June 30, 2019 Balance per MEFS	\$ 313,049	\$ 554,629	\$ 518,870	\$ 1,386,548
<b>Other adjustments:</b>				
Funds Not Reported on MEFS:				
0150- Adult Education	-	(5,936)	-	(5,936)
0292 - Dedicated Maintenance Reserve	-	15,309	-	15,309
0601- Enterprise Gate Receipts	-	5,010	-	5,010
0901 - Mitchell Fund	-	7,592	-	7,592
0902 - Shapleigh Fund	-	13,009	-	13,009
0903 - Traip Fund	-	4,709	-	4,709
0904- Central Office Fund	-	38	-	38
Audited GAAP Basis Fund Balance				
June 30, 2019	<u>\$ 313,049</u>	<u>\$ 594,360</u>	<u>\$ 518,870</u>	<u>\$ 1,426,279</u>