

Audited Financial Statements

Town of Kennebunk, Maine

June 30, 2011



*Proven Expertise and Integrity*

TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2011

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## INDEPENDENT AUDITORS' REPORT

November 22, 2011

Board of Selectmen  
Town of Kennebunk  
Kennebunk, Maine

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 Kennebunk, Maine, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Kennebunk's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Kennebunk, Maine as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 46 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

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United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunk, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RHR Smith & Company*

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**  
**(UNAUDITED)**

The following management's discussion and analysis of Town of Kennebunk, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements.

**Financial Statement Overview**

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

**Basic Financial Statements**

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

**Government - Wide Financial Statements**

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

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

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

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of Kennebunk 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 welfare and education.
- *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 Kennebunk include pay-per-throw trash program and electrical inspection program.

### **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 Kennebunk, 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 Kennebunk 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Kennebunk presents four columns in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, roads and paving and the April 16<sup>th</sup> storm fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

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

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

### **Other Supplementary Information**

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

## Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total governmental net assets increased by \$1,351,648 from \$21,802,114 to \$23,153,762 or a 5.84% increase. The Town's total business-type net assets decreased by \$29,327 from (\$8,003) to (\$37,330) or a 366.45% decrease.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$9,440,169 at the end of this year. Unrestricted net assets for business-type activities decreased by \$29,327.

**Table 1**  
**Town of Kennebunk, Maine**  
**Net Assets**  
**June 30,**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>				
Current and other assets	\$ 12,437,631	\$ 13,822,207	\$ (37,330)	\$ (8,003)
Capital assets	20,822,538	18,629,424	-	-
<b>Total assets</b>	<u><u>\$ 33,260,169</u></u>	<u><u>\$ 32,451,631</u></u>	<u><u>\$ (37,330)</u></u>	<u><u>\$ (8,003)</u></u>
<b>Liabilities</b>				
Current liabilities	\$ 2,179,907	\$ 1,883,901	\$ -	\$ -
Long-term debt outstanding	7,926,500	8,765,616	-	-
<b>Total liabilities</b>	<u><u>\$ 10,106,407</u></u>	<u><u>\$ 10,649,517</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 12,510,975	\$ 9,469,154	\$ -	\$ -
Restricted for: Special Revenues	406,571	1,708,019	-	-
Capital Project funds	712,728	490,923	-	-
Permanent funds	83,319	88,404	-	-
Unrestricted	9,440,169	10,045,614	(37,330)	(8,003)
<b>Total net assets</b>	<u><u>\$ 23,153,762</u></u>	<u><u>\$ 21,802,114</u></u>	<u><u>\$ (37,330)</u></u>	<u><u>\$ (8,003)</u></u>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>				
Taxes:				
Property	\$ 27,512,222	\$ 25,960,178	\$ -	\$ -
Excise	1,792,404	1,818,001	-	-
Intergovernmental	988,542	1,973,891	-	-
Charges for service	1,608,080	1,477,558	504,570	518,887
Miscellaneous	1,179,992	843,006	-	-
Total revenues	<u>33,081,240</u>	<u>32,072,634</u>	<u>504,570</u>	<u>518,887</u>
<b>Expenses</b>				
Current:				
General government	1,663,487	1,899,428	-	-
Public safety	3,530,303	3,813,344	-	-
Recreation and culture	1,101,229	1,211,717	-	-
Health and welfare	334,553	374,122	533,897	526,294
Public works	1,621,919	742,846	-	-
Education	19,192,939	18,472,471	-	-
County tax	1,160,756	1,129,156	-	-
Employee benefits	1,482,589	1,385,468	-	-
Outside agencies	30,815	30,815	-	-
Interest	26,180	-	-	-
Unclassified	1,445,112	999,421	-	-
Unallocated depreciation	139,710	140,564	-	-
Total expenses	<u>31,729,592</u>	<u>30,199,352</u>	<u>533,897</u>	<u>526,294</u>
Transfers	-	(97,509)	-	97,509
Change in net assets	1,351,648	1,775,773	(29,327)	90,102
Net assets - July 1	<u>21,802,114</u>	<u>20,026,341</u>	<u>(8,003)</u>	<u>(98,105)</u>
Net assets - June 30	<u>\$ 23,153,762</u>	<u>\$ 21,802,114</u>	<u>\$ (37,330)</u>	<u>\$ (8,003)</u>

### Revenues and Expenses

Revenues for the Town's governmental activities increased by 3.14%, while total expenses increased by 5.07%. Most of the Town's revenues were consistent with the previous year with minor increases or decreases. The biggest increase in expenses was in education and public works.

Proprietary fund revenues and expenses were consistent with the previous year with minor increases or decreases.

## Financial Analysis of the Town's Fund Statements

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

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

	2011	2010
Major Funds:		
General fund		
Nonspendable	\$ 148,160	\$ 165,099
Committed	867,013	954,433
Assigned	218,523	206,397
Unassigned	6,873,273	6,250,391
Subtotal General Fund	8,106,969	7,576,320
April 16th Storm		
Restricted	13,669	76,746
Road Paving & Improvement		
Restricted	699,059	414,177
Total Major Funds	\$ 8,819,697	\$ 8,067,243
Nonmajor Funds:		
Special revenue funds		
Restricted	\$ 406,571	\$ 1,708,019
Assigned	153,349	129,401
Unassigned	(44,013)	-
Capital Projects		
Committed	794,085	1,189,165
Assigned	341,275	868,122
Unassigned	(79,269)	-
Permanent funds		
Restricted	83,319	88,404
Total Nonmajor Funds	\$ 1,655,317	\$ 3,983,111

The general fund total fund balance increased by \$530,649 over the prior fiscal year and the major capital projects increased by \$221,805. The non-major fund balances decreased by \$2,327,794 over the prior fiscal year.

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

The pay-per-throw program had a deficit for the current year of \$30,910, while the electrical inspection program had an excess of \$1,583. The Town is reviewing the pay-per-throw program for future periods. The current year deficit was a result mostly of increased tipping fees charged contractually by Maine Energy Recovery Company (MERC).

### Budgetary Highlights

There were no significant differences between the original and final budget for the general fund.

The general fund actual revenues exceeded the budget by \$728,260. This was a result of most revenues recognized in excess of budgeted amount.

The general fund actual expenditures were under the budget by \$963,219. All expenditures were under budget with the exception of recreation and culture and health and welfare.

### Capital Asset and Debt Administration

#### Capital Assets

As of June 30, 2011, the net book value of capital assets recorded by the Town increased by \$2,193,114. This is the result of additions in land, construction in progress, building improvements, machinery and equipment, vehicles, and infrastructure less current year depreciation expense and disposed capital assets.

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

	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 3,517,499	\$ 3,276,503
Buildings and building improvements	3,789,553	4,015,620
Furniture and fixtures	53,920	59,911
Machinery and equipment	725,023	438,358
Vehicles	1,451,549	1,580,979
Art work and historical treasures	41,000	41,000
Construction in progress	44,013	1,945,739
Infrastructure	<u>11,199,981</u>	<u>7,271,314</u>
Total	<u>\$ 20,822,538</u>	<u>\$ 18,629,424</u>

## **Long-Term Debt Activity**

At June 30, 2011, the Town had \$8,200,000 in bonds outstanding versus \$8,957,000 last year, a decrease of 8.45 %, as shown in Note 5 of the financial statements.

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

Due to continued local, state and national economic uncertainty, the Town passed a "flat" budget for fiscal year 2012 at the June 2011 Annual Town Meeting.

## **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 Manager or Finance Director at 1 Summer Street, Kennebunk, Maine 04043.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 11,229,004	\$ -	\$ 11,229,004
Accounts receivable (net of allowance for uncollectibles):			
Taxes	652,474	-	652,474
Liens	253,796	-	253,796
Other	47,680	69,187	116,867
Tax acquired property	76,077	-	76,077
Prepaid expenses	72,083	-	72,083
Internal balances	106,517	(106,517)	-
<b>Total current assets</b>	<b>12,437,631</b>	<b>(37,330)</b>	<b>12,400,301</b>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, & other assets not being depreciated	2,563,661	-	2,563,661
Buildings & equipment, net of accumulated depreciation	18,258,877	-	18,258,877
<b>Total noncurrent assets</b>	<b>20,822,538</b>	<b>-</b>	<b>20,822,538</b>
<b>TOTAL ASSETS</b>	<b>\$ 33,260,169</b>	<b>\$ (37,330)</b>	<b>\$ 33,222,839</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 392,717	\$ -	\$ 392,717
Deferred revenue	260,652	-	260,652
Accrued payroll	233,621	-	233,621
Other liabilities	430,619	-	430,619
Current portion of long-term obligations	862,298	-	862,298
<b>Total current liabilities</b>	<b>2,179,907</b>	<b>-</b>	<b>2,179,907</b>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	7,445,000	-	7,445,000
Capital leases payable	4,265	-	4,265
Accrued compensated absences	318,460	-	318,460
Pension benefit obligations	158,775	-	158,775
<b>Total noncurrent liabilities</b>	<b>7,926,500</b>	<b>-</b>	<b>7,926,500</b>
<b>TOTAL LIABILITIES</b>	<b>10,106,407</b>	<b>-</b>	<b>10,106,407</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,510,975	-	12,510,975
Restricted for:			
Special Revenues	406,571	-	406,571
Capital Project funds	712,728	-	712,728
Permanent funds	83,319	-	83,319
Unrestricted	9,440,169	(37,330)	9,402,839
<b>TOTAL NET ASSETS</b>	<b>23,153,762</b>	<b>(37,330)</b>	<b>23,116,432</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 33,260,169</b>	<b>\$ (37,330)</b>	<b>\$ 33,222,839</b>

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

## STATEMENT B

TOWN OF KENNEBUNK, MAINE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Total	Business	Total
				Governmental Activities	type Activities	
Governmental activities						
Current:						
General government	\$ 1,663,487	\$ 340,426	\$ -	\$ (1,323,061)	\$ -	\$ (1,323,061)
Public safety	3,530,303	865,412	-	(2,664,891)	-	(2,664,891)
Recreation and culture	1,101,229	381,369	-	(719,860)	-	(719,860)
Health and welfare	334,553	-	-	(334,553)	-	(334,553)
Public works	1,621,919	20,873	154,948	(1,446,098)	-	(1,446,098)
Education	19,192,939	-	-	(19,192,939)	-	(19,192,939)
County tax	1,160,756	-	-	(1,160,756)	-	(1,160,756)
Employee benefits	1,482,589	-	-	(1,482,589)	-	(1,482,589)
Outside agencies	30,815	-	-	(30,815)	-	(30,815)
Interest on debt	26,180	-	-	(26,180)	-	(26,180)
Unclassified/Capital	1,445,112	-	-	(1,445,112)	-	(1,445,112)
Unallocated depreciation expense	139,710	-	-	(139,710)	-	(139,710)
<b>Total governmental activities</b>	<b>31,729,592</b>	<b>1,608,080</b>	<b>154,948</b>	<b>(29,966,564)</b>	<b>-</b>	<b>(29,966,564)</b>
Business-type activities:						
Pay-Per-Throw Trash Program	518,450	487,540	-	-	(30,910)	(30,910)
Electrical Inspection Program	15,447	17,030	-	-	1,583	1,583
<b>Total business-type activities</b>	<b>533,897</b>	<b>504,570</b>	<b>-</b>	<b>-</b>	<b>(29,327)</b>	<b>(29,327)</b>
<b>Total government</b>	<b>32,263,489</b>	<b>2,112,650</b>	<b>154,948</b>	<b>(29,966,564)</b>	<b>(29,327)</b>	<b>(29,995,891)</b>

STATEMENT B (CONTINUED)  
TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Changes in net assets:			
Net (expense) revenue	<u>(29,966,564)</u>	<u>(29,327)</u>	<u>(29,995,891)</u>
General revenue:			
Property taxes	27,512,222	-	27,512,222
Excise taxes	1,792,404	-	1,792,404
Grants and contributions not restricted to specific programs	833,594	-	833,594
Miscellaneous	<u>1,179,992</u>	<u>-</u>	<u>1,179,992</u>
Total general revenue	<u>31,318,212</u>	<u>-</u>	<u>31,318,212</u>
Change in net assets	1,351,648	(29,327)	1,322,321
NET ASSETS - JULY 1, 2010	<u>21,802,114</u>	<u>(8,003)</u>	<u>21,794,111</u>
NET ASSETS - JUNE 30, 2011	<u><u>\$ 23,153,762</u></u>	<u><u>\$ (37,330)</u></u>	<u><u>23,116,432</u></u>

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

## STATEMENT C

## TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Roads & Paving	April 16th Storm	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 11,126,652	\$ -	\$ -	\$ 102,352	\$ 11,229,004
Accounts receivables (net of allowance for uncollectibles)					
Taxes	652,474	-	-	-	652,474
Liens	253,796	-	-	-	253,796
Other	47,680	-	-	-	47,680
Tax acquired property	76,077	-	-	-	76,077
Prepaid expenses	72,083	-	-	-	72,083
Due from other funds	251,230	699,059	13,669	1,695,280	2,659,238
<b>TOTAL ASSETS</b>	<b>\$ 12,479,992</b>	<b>\$ 699,059</b>	<b>\$ 13,669</b>	<b>\$ 1,797,632</b>	<b>\$ 14,990,352</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Accounts payable	\$ 392,717	\$ -	\$ -	\$ -	\$ 392,717
Accrued payroll	233,621	-	-	-	233,621
Deferred revenue	260,652	-	-	-	260,652
Deferred tax revenue	645,008	-	-	-	645,008
Other liabilities	430,619	-	-	-	430,619
Due to other funds	2,410,406	-	-	142,315	2,552,721
<b>TOTAL LIABILITIES</b>	<b>4,373,023</b>	<b>-</b>	<b>-</b>	<b>142,315</b>	<b>4,515,338</b>
<b>Fund Equity</b>					
Nonspendable	148,160	-	-	-	148,160
Restricted	-	699,059	13,669	489,890	1,202,618
Committed	867,013	-	-	794,085	1,661,098
Assigned	218,523	-	-	494,624	713,147
Unassigned	6,873,273	-	-	(123,282)	6,749,991
<b>TOTAL FUND EQUITY</b>	<b>8,106,969</b>	<b>699,059</b>	<b>13,669</b>	<b>1,655,317</b>	<b>10,475,014</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 12,479,992</b>	<b>\$ 699,059</b>	<b>\$ 13,669</b>	<b>\$ 1,797,632</b>	<b>\$ 14,990,352</b>

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

## TOWN OF KENNEBUNK, MAINE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Total Governmental Funds
Total Fund Equity	\$ 10,475,014
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	20,822,538
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	645,008
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Capital leases payable	(111,563)
Bonds payable	(8,200,000)
Accrued compensated absences	(318,460)
Pension Benefit Obligation	(158,775)
Net assets of governmental activities	\$ 23,153,762

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

## STATEMENT E

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Roads & Paving	April 16th Storm	Other Governmental Funds	Totals Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 27,619,464	\$ -	\$ -	\$ -	\$ 27,619,464
Excise taxes	1,792,404	-	-	-	1,792,404
Intergovernmental revenues	988,542	-	-	-	988,542
Charges for service	1,608,080	-	-	-	1,608,080
Miscellaneous revenues	329,686	320,012	-	530,294	1,179,992
<b>TOTAL REVENUES</b>	<b>32,338,176</b>	<b>320,012</b>	<b>-</b>	<b>530,294</b>	<b>33,188,482</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,689,653	-	-	-	1,689,653
Public Safety	3,616,487	-	-	-	3,616,487
Public Works	1,066,554	-	-	-	1,066,554
Education	19,192,939	-	-	-	19,192,939
County tax	1,160,756	-	-	-	1,160,756
Recreation & culture	1,068,504	-	-	-	1,068,504
Health & welfare	334,553	-	-	-	334,553
Employee benefits	1,482,589	-	-	-	1,482,589
Agency request	30,815	-	-	-	30,815
Capital expenditures	-	-	-	3,445,228	3,445,228
Debt Service	-	-	-	890,478	890,478
Unclassified	167,329	554,860	63,077	-	785,266
<b>TOTAL EXPENDITURES</b>	<b>29,810,179</b>	<b>554,860</b>	<b>63,077</b>	<b>4,335,706</b>	<b>34,763,822</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<b>2,527,997</b>	<b>(234,848)</b>	<b>(63,077)</b>	<b>(3,805,412)</b>	<b>(1,575,340)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	519,730	-	1,594,688	2,114,418
Operating transfers (out)	(1,997,348)	-	-	(117,070)	(2,114,418)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,997,348)</b>	<b>519,730</b>	<b>-</b>	<b>1,477,618</b>	<b>-</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>					
	<b>530,649</b>	<b>284,882</b>	<b>(63,077)</b>	<b>(2,327,794)</b>	<b>(1,575,340)</b>
<b>FUND BALANCES - JULY 1</b>	<b>7,576,320</b>	<b>414,177</b>	<b>76,746</b>	<b>3,983,111</b>	<b>12,050,354</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 8,106,969</b>	<b>\$ 699,059</b>	<b>\$ 13,669</b>	<b>\$ 1,655,317</b>	<b>\$ 10,475,014</b>

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

## TOWN OF KENNEBUNK, 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, 2011

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (1,575,340)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized	5,266,715
Capital assets disposed	(1,967,283)
Depreciation expense	<u>(1,106,318)</u>
	<u>2,193,114</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>864,298</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>(15,591)</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	26,180
Pension benefit obligations	<u>(33,771)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>(107,242)</u>
Change in net assets of governmental activities (Statement B)	<u>\$ 1,351,648</u>

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

## TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - PROPRIETARY FUNDS  
JUNE 30, 2011

	Enterprise Funds		Totals
	Pay-Per-Throw Trash Program	Electrical Inspection Program	
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ -
Investments	-	-	-
Accounts receivable	69,187	-	69,187
Due from other funds	-	2,398	2,398
<b>Total assets</b>	<b>\$ 69,187</b>	<b>\$ 2,398</b>	<b>\$ 71,585</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	108,915	-	108,915
<b>Total liabilities</b>	<b>108,915</b>	<b>-</b>	<b>108,915</b>
<b>NET ASSETS</b>			
Restricted	-	2,398	2,398
Unrestricted	(39,728)	-	(39,728)
<b>Total net assets</b>	<b>(39,728)</b>	<b>2,398</b>	<b>(37,330)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 69,187</b>	<b>\$ 2,398</b>	<b>\$ 71,585</b>

See accompanying independent auditors' report.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		Totals
	Pay-Per-Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for service	\$ 487,540	\$ 17,030	\$ 504,570
Other	-	-	-
TOTAL OPERATING REVENUES	<u>487,540</u>	<u>17,030</u>	<u>504,570</u>
OPERATING EXPENSES			
Program supplies	<u>518,450</u>	<u>15,447</u>	<u>533,897</u>
TOTAL OPERATING EXPENSES	<u>518,450</u>	<u>15,447</u>	<u>533,897</u>
OPERATING INCOME (LOSS)	<u>(30,910)</u>	<u>1,583</u>	<u>(29,327)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	(30,910)	1,583	(29,327)
NET ASSETS - JULY 1	<u>(8,818)</u>	<u>815</u>	<u>(8,003)</u>
NET ASSETS - JUNE 30	<u>\$ (39,728)</u>	<u>\$ 2,398</u>	<u>\$ (37,330)</u>

See accompanying independent auditors' report.

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		Totals
	Pay-Per-Throw Trash Program	Electrical Inspection Program	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 501,616	\$ 15,447	\$ 517,063
Internal activity - receipts (payments) from/to other funds	-	-	-
Payments to suppliers	(501,616)	(15,447)	(517,063)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfer in from general fund	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-
INCREASE (DECREASE) IN CASH	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (30,910)	\$ 1,583	\$ (29,327)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	14,076	-	14,076
(Increase) decrease in due from other funds	-	(1,583)	(1,583)
Increase (decrease) in due to other funds	16,834	-	16,834
	\$ -	\$ -	\$ -

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

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Private Purpose Trusts</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ -
Investments	<u>2,588,402</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,588,402</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>-</u>
Deposits held for others	<u>-</u>
<b>NET ASSETS</b>	
Held in trust for special purposes	<u>2,588,402</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,588,402</u></u>

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

## TOWN OF KENNEBUNK, MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ 253,004
Net increase (decrease) in the fair value of investments	433,374
Miscellaneous	-
Total additions	<u>686,378</u>
DEDUCTIONS	
Withdrawals	131,201
Loan payments	-
Miscellaneous	1,095
Total deductions	<u>132,296</u>
Change in net assets	554,082
NET ASSETS - JULY 1	<u>2,034,320</u>
NET ASSETS - JUNE 30	<u><u>\$ 2,588,402</u></u>

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

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

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

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

***Government –Wide and Fund Financial Statements***

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's pay-per-throw and electrical inspection programs are categorized as business-type activities. All other activities of the Town are categorized as governmental.

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

**Measurement Focus - Basic Financial Statements & Fund Financial Statements**

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

The following fund types are used by the Town:

1. Governmental Funds:

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

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds

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

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

3. Fiduciary Funds:

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

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Basis of Accounting**

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

1. Accrual

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

2. Modified Accrual

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

**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.

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 inhabitants of the Town is called for the purpose of adopting the proposed budget after public notice of the meeting is given.
3. The budget is adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

**Deposits and Investments**

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

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

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

The Town of Kennebunk has a formal investment policy, and also follows the State of Maine Statutes.

**Inventories**

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet.

**Interfund Receivables and Payables**

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Transactions Between Funds**

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

**Allowance for Uncollectible Accounts**

The allowance for uncollectible accounts is estimated to be \$375,622 as of June 30, 2011 for ambulance receivables.

**Capital Assets**

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

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

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

Estimated useful lives are as follows:

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Long-term Obligations**

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

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

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

**Compensated Absences**

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2011 the Town's liability for compensated absences is \$318,460.

**Reserves**

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

**Net Assets**

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fund Equity**

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

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

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

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

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

**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.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Town's property tax for the current year was levied August 23, 2010 on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. Taxes were due on in two installments on October 1, 2010 and April 1, 2011. Interest on unpaid taxes commenced on October 2, 2010 and April 2, 2011, at 7% per annum.

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

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 \$470,901 for the year ended June 30, 2011.

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

**Program Revenues**

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

**Operating/Non-operating Proprietary Fund Revenues**

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 - CASH AND INVESTMENTS

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

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

At June 30, 2011, the Town's deposits amounting to \$11,625,021 were comprised of \$11,625,021 which were insured by federal depository insurance or by additional insurance purchased on behalf of the Town by the respective banking institutions and consequently were not exposed to custodial credit risk, and \$0 that was in excess of federal depository insurance, and therefore, not insured or collateralized.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 1,033,315
Savings accounts	36,037
Money market accounts	259,137
Certificates of deposit	10,296,532
	\$ 11,625,021

At June 30, 2011, all of the Town's investments relating to the fiduciary funds amounting to \$2,588,402 were collateralized with securities held by the financial institution in the Town's name and consequently were not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Fair Value</u>
Mutual funds	\$ 2,588,402
	\$ 2,588,402

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2011 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 251,230	\$ 2,410,406
Special revenue fund	559,920	44,013
Capital projects fund	1,135,360	79,269
Permanent fund	-	19,033
Enterprise fund	2,398	108,915
Road Paving & Improvement	699,059	-
April 16th Storm	13,669	-
Totals	\$ 2,661,636	\$ 2,661,636

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is as follows:

	Balance, 7/1/10	Additions	Deletions	Balance, 6/30/11
Governmental activities				
Non-depreciated assets:				
Land	\$ 2,176,624	\$ 302,024	\$ -	\$ 2,478,648
Art works & historical treasures	41,000	-	-	41,000
Construction in progress	1,945,739	44,013	(1,945,739)	44,013
	<u>4,163,363</u>	<u>346,037</u>	<u>(1,945,739)</u>	<u>2,563,661</u>
Depreciated assets:				
Land improvements	1,387,894	-	-	1,387,894
Buildings	1,480,505	-	(15,450)	1,465,055
Building improvements	6,537,417	24,747	-	6,562,164
Furniture & fixtures	250,806	-	-	250,806
Machinery & equipment	3,000,280	437,950	(335,128)	3,103,102
Vehicles	4,610,154	95,650	(201,741)	4,504,063
Infrastructure:				
Bridges	15,000	-	-	15,000
Drainage system	88,405	18,984	-	107,389
Roads	12,631,375	4,219,889	-	16,851,264
Sewer lines	316,306	-	-	316,306
Sidewalks	1,020,447	123,458	-	1,143,905
	<u>31,338,589</u>	<u>4,920,678</u>	<u>(552,319)</u>	<u>35,706,948</u>
Less: accumulated depreciation	<u>(16,872,528)</u>	<u>(1,106,318)</u>	<u>530,775</u>	<u>(17,448,071)</u>
	<u>14,466,061</u>	<u>3,814,360</u>	<u>(21,544)</u>	<u>18,258,877</u>
Net capital assets	<u>\$ 18,629,424</u>	<u>\$ 4,160,397</u>	<u>\$ (1,967,283)</u>	<u>\$ 20,822,538</u>

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:	
Administration	\$ 45,647
Police	124,455
Fire	208,416
Public works	555,365
Parks & recreation	32,725
Town-wide	<u>139,710</u>
Total depreciation expense	<u>\$ 1,106,318</u>

NOTE 5 – LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2011:

	Balance, 7/1/10	Additions	Deletions	Balance, 6/30/11	Current Portion
Bonds payable	\$ 8,957,000	\$ -	\$ (757,000)	\$ 8,200,000	\$ 755,000
Capital Leases	203,270	15,591	(107,298)	111,563	107,298
Accrued compensated absences	344,640	-	(26,180)	318,460	-
Pension benefit obligations	125,004	33,771	-	158,775	-
	<u>\$ 9,629,914</u>	<u>\$ 49,362</u>	<u>\$ (890,478)</u>	<u>\$ 8,788,798</u>	<u>\$ 862,298</u>

The following is a summary of outstanding bonds payable:

\$2,305,000, 2003 General Obligation bond due in annual installments varying from \$175,000 to \$60,000. The interest rate varies from 2.250% to 4.200% per annum. Maturity in October 2017.	\$ 955,000
\$995,000, 2004 General Obligation bond due in annual installments varying from \$100,000 to \$95,000. The interest rate varies from 2.000% to 3.875% per annum. Maturity in October 2014.	395,000
\$1,360,000, 2007 General Obligation bond due in annual installments of \$95,000 to \$50,000. The interest rate varies from 4.00% to 5.00% per annum. Maturity in October 2026.	980,000

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 5 – LONG TERM DEBT (CONTINUED)

\$6,252,000, 2010 General Obligation bond due in annual installments and semi annual interest installments through October 2029. The interest rate varies from 1.50% to 4.00% per annum. Annual principal installments are from \$120,000 to \$382,000.

5,870,000

\$ 8,200,000

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 755,000	\$ 243,416	\$ 998,416
2013	760,000	223,685	983,685
2014	765,000	202,516	967,516
2015	765,000	179,938	944,938
2016	515,000	161,998	676,998
2017-2021	2,260,000	609,097	2,869,097
2022-2026	1,850,000	260,409	2,110,409
2027-2031	<u>530,000</u>	<u>39,650</u>	<u>569,650</u>
	<u>\$ 8,200,000</u>	<u>\$ 1,920,709</u>	<u>\$ 10,120,709</u>

The following is a summary of outstanding capital leases payable:

\$16,074.54, 2008 Capital Lease payable to People's United Bank for equipment due in annual installments through October 2012. Interest is charged at a rate of 3.72% per annum. Annual payments are \$3,213.51.

\$ 6,427

\$41,179, 2009 Capital lease payable to People's United Bank for GMC Truck due in annual installments through March 2013. Interest is charged at a rate of 3.85% per annum. Annual payments are \$8,235.80

24,707

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 5 – LONG TERM DEBT (CONTINUED)

\$73,755, 2010 Capital Lease payable to People's United Bank for a 2010 international truck due in annual installments through July 2012. Interest is charged at a rate of 3.51% per annum. Annual payments vary from \$24,610 to \$26,161.	49,692
\$22,730, 2010 Capital lease payable to People's United Bank for a 2009 GMC Yukon due in annual installments through July 2012. Interest is charged at a rate of 3.07% per annum. Annual payments are \$7,923.	15,146
\$15,591, 2011 Capital lease payable to People's United Bank for photocopiers due in annual installments through July 2015. Interest is charged at a rate of 2.99% per annum. Annual payments are \$3,370.	15,591
	\$ 111,563

The following is a summary of outstanding capital lease requirements for the following fiscal years ending June 30:

Year Ending June 30:	
2012	\$ 49,777
2013	49,341
2014	11,605
2015	3,370
2016	3,370
Total minimum lease payment	117,463
Less amount representing interest	(5,900)
Present value of future minimum lease payments	\$ 111,563

NOTE 6 – EXPENDITURES OVER APPROPRIATIONS

The following expenditures were overspent at June 30, 2011:

Recreation and culture	\$ 46,190
Health and welfare	42,792
	\$ 88,982

TOWN OF KENNEBUNK, MAINE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

NOTE 7 – RESTRICTED NET ASSETS

The following net assets have been reserved at June 30, 2011 for the following purposes:

Restricted for special revenues	\$ 406,571
Restricted for capital project funds	712,728
Restricted for permanent funds	<u>83,319</u>
	<u><u>\$ 1,202,618</u></u>

NOTE 8 – NONSPENDABLE FUND EQUITY

At June 30, 2011, the general fund had the following nonspendable fund balances:

Tax acquired property	\$ 76,077
Prepaid expenses	<u>72,083</u>
	<u><u>\$ 148,160</u></u>

NOTE 9 – COMMITTED FUND EQUITY

At June 30, 2011, the general fund had the following committed fund balances:

Matching grant funds	\$ 50,000
Bicentennial celebration	2,833
Capital assets/projects and debt service	807,600
Kennebunk free library	<u>6,580</u>
	<u><u>\$ 867,013</u></u>

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 10 – ASSIGNED FUND EQUITY

At June 30, 2011, the general fund had the following assigned fund balances:

Heating assistance	\$	35,825
Assessors office		1,652
Community garden		1,163
Shellfish committee		5,799
Conservation commission		15,871
Downtown committee		4,834
Economic development committee		17,242
West Kennebunk Village committee		4,178
Human resources committee		7,926
Energy efficiency		739
Tree committee		1,763
Festival		2,373
General government training		5,366
Computer training		5,456
Community development training		3,714
Hazardous waste day		5,000
EMS Incentive Plan		27,500
Operational contingency		37,122
Donations		35,000
		35,000
	\$	218,523

NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOL

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 12 – OVERLAPPING DEBT

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. At June 30, 2011, the Town's share was approximately:

	Outstanding Debt	Town's Percentage	Total Share
County of York	\$ 12,821,105	7.28%	\$ 932,864
RSU No. 21	19,968,397	60.11%	12,003,003
			\$ 12,935,867

NOTE 13 – DEFINED BENEFIT PENSION PLAN

Description of the Plan – The Town contributes to Maine Public Employee Retirement System Consolidated Plan, a cost sharing multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employee Retirement System provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employee Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employee Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy – Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 28% of annual covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement System Board of Trustees. The Town's contributions to the Maine Public Employee Retirement System Consolidated Plan for the years ended June 30, 2011, and 2010, were \$75,153, and \$50,964, respectively, equal to the required contributions for each year. This is due to the fact that necessary contributions to the plan were being offset by existing credits.

NOTE 14 – CONTINGENCIES

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

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 14 – CONTINGENCIES (CONTINUED)

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

NOTE 15 – DEFERRED COMPENSATION PLAN

The Town offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 401. The plan, available to all full-time Town employees unless the employee is actively participating in the Town's Maine Public Employee Retirement System defined benefit pension plan, permits them to defer a portion of their salary until retirement. The deferred amount and the vested portion of the employer match is not available to the employee until retirement or death, or in case of other life events as allowed by law.

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits the employee to defer a portion of salary until future years. There is no employer match by the Town. 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.

Funding Policy – Under the defined contribution plan, employees may elect to participate. Participating members are required to contribute 6.5% of their annual covered salary and the Town is required to match 100% of the employee's contribution. The employee's contribution is tax deferred for federal and state taxes until the withdrawal date. The employee's contribution vests 100% with the employee when contributed. The Town's matching contribution vests 100% with the employee at the end of three years of service. The Town expended approximately \$84,815 for the year ended June 30, 2011, and \$99,063 for the year ended June 30, 2010. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

TOWN OF KENNEBUNK, MAINE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 15 – DEFERRED COMPENSATION PLAN (CONTINUED)

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$371,235 for the year ended June 30, 2011, and \$344,903 for the year ended June 30, 2010.

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS

The Town, in accordance with its current health insurance company agreement, provides health and other benefits to eligible retirees and their spouses. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the Town's medical benefits program.

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

The following is the current census of Town benefit participants as of June 30, 2011:

Active members	51
Retirees and spouses	<u>6</u>
Total	<u><u>57</u></u>

**Annual OPEB Cost and Net OPEB Obligations**

The Town of Kennebunk's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Annual required contribution (ARC)	\$ 34,384
Interest on net OPEB obligation	1,375
Adjustment to annual required contribution	<u>(1,988)</u>
Annual OPEB cost	33,771
Contributions made	<u>-</u>
Increase in net OPEB obligation	33,771
Net OPEB obligation, beginning of year	<u>125,004</u>
Net OPEB obligation, end of year	<u><u>\$ 158,775</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2011 is presented below. Data is only presented for the fiscal year ended June 30, 2011, due to this being the year of implementation.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2011	\$ 34,384	\$ -	0.0%	\$ 158,775

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

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

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

An annual healthcare cost blended trend rate of 7.5% is used initially, decreasing at a variable rate per year to an ultimate rate of 4.0% for 2029 and later. The remaining amortization period at June 30, 2010 was 20 years. As of June 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$322,225, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$322,225.

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
6/30/2011	\$ -	\$ 322,225	0.0%	N/A	N/A

These numbers are based on information that was presented on January 1, 2010 for June 30, 2011. The amortization method that was used to calculate the numbers is presented below.

Discount rate	4.00%
Payroll growth assumption	N/A
Accrued liability	\$ 322,225
Value of assets	-
Unfunded liability	\$ 322,225
Normal cost	\$ 15,798
Amortization of unfunded	17,918
Interest	668
Annual required contribution	\$ 34,384

## 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

## TOWN OF KENNEBUNK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS  
 BUDGET AND ACTUAL – GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 7,576,320	\$ 7,576,320	\$ 7,576,320	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	27,490,454	27,490,454	27,619,464	129,010
Excise Taxes	1,715,500	1,715,500	1,792,404	76,904
Intergovernmental Revenues:				
State Revenue Sharing	614,000	614,000	627,490	13,490
Homestead Reimbursement	141,484	141,484	103,649	(37,835)
Local Road Assistance	130,000	130,000	154,948	24,948
Other	51,025	51,025	102,455	51,430
Interest Income	100,000	100,000	171,862	71,862
Charges for Service	1,218,550	1,218,550	1,608,080	389,530
Miscellaneous Revenues	148,903	148,903	157,824	8,921
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	<u>39,186,236</u>	<u>39,186,236</u>	<u>39,914,496</u>	<u>728,260</u>
Charges to Appropriations (Outflows):				
Current:				
General Government	1,750,782	1,862,714	1,689,653	173,061
Public Safety	3,845,595	3,845,595	3,616,487	229,108
Public Works	1,076,015	1,076,015	1,066,554	9,461
Education	19,192,939	19,192,939	19,192,939	-
County Tax	1,160,756	1,160,756	1,160,756	-
Recreation and Culture	1,022,314	1,022,314	1,068,504	(46,190)
Health and Welfare	286,761	291,761	334,553	(42,792)
Employee Benefits	1,521,470	1,547,149	1,482,589	64,560
Agency Requests	30,815	30,815	30,815	-
Unclassified	589,307	705,426	167,329	538,097
Transfers to Other Funds	<u>1,133,162</u>	<u>2,035,262</u>	<u>1,997,348</u>	<u>37,914</u>
Total Charges to Appropriations	<u>31,609,916</u>	<u>32,770,746</u>	<u>31,807,527</u>	<u>963,219</u>
Budgetary Fund Balance, June 30	<u>\$ 7,576,320</u>	<u>\$ 6,415,490</u>	<u>\$ 8,106,969</u>	<u>\$ 1,691,479</u>
Utilization of undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Utilization of designated fund balance	-	1,160,830	-	(1,160,830)
	<u>\$ -</u>	<u>\$ 1,160,830</u>	<u>\$ -</u>	<u>\$ (1,160,830)</u>

See accompanying independent auditors' report.

## Other Supplementary Information

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
General Government -					
General Government expenses	\$ 579,199	\$ 12,755	\$ 591,954	\$ 576,780	\$ 15,174
Selectmen	27,839	-	27,839	25,033	2,806
Town Manager	146,312	-	146,312	144,895	1,417
Town Clerk	98,889	-	98,889	83,187	15,702
Ballot Clerks	38,725	-	38,725	24,392	14,333
Assessors	162,610	2,472	165,082	162,862	2,220
Town Planner	272,834	197	273,031	263,266	9,765
Town Hall	177,721	-	177,721	162,583	15,138
Computer Department	183,366	-	183,366	180,646	2,720
Conservation Commission	3,200	8,027	11,227	89	11,138
Site Plan Review Board	8,600	-	8,600	5,780	2,820
Zoning Board Of Appeals	1,200	-	1,200	1,025	175
Shellfish Committee	300	5,986	6,286	488	5,798
Board Of Assessment Review	1,000	-	1,000	244	756
Dog Advisory Committee	100	-	100	65	35
Historic Preservation Committee	1,700	-	1,700	2,009	(309)
Lower Village Committee	2,900	-	2,900	4,025	(1,125)
Downtown Committee	6,996	1,595	8,591	3,757	4,834
Economic Development Committee	-	19,169	19,169	1,926	17,243
West Kennebunk Village Committee	2,000	3,929	5,929	3,579	2,350
Human Resource Committee	-	7,926	7,926	-	7,926
Energy Efficient Committee	2,300	-	2,300	1,561	739
Festival Committee	4,000	-	4,000	1,627	2,373
Tree Committee	2,000	2,043	4,043	2,280	1,763
Affordable Housing Committee	200	-	200	-	200
Bicentennial Committee	500	2,333	2,833	-	2,833
Open Space Committee	-	4,776	4,776	42	4,734
Community Garden Committee	2,080	-	2,080	2,117	(37)
Heating Assistance	-	40,724	40,724	14,653	26,071
Planning Board	24,211	-	24,211	20,742	3,469
	<u>1,750,782</u>	<u>111,932</u>	<u>1,862,714</u>	<u>1,689,653</u>	<u>173,061</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Public Works -					
Highway	1,076,015	-	1,076,015	1,066,554	9,461
	<u>1,076,015</u>	<u>-</u>	<u>1,076,015</u>	<u>1,066,554</u>	<u>9,461</u>
Education	19,192,939	-	19,192,939	19,192,939	-
County tax	1,160,756	-	1,160,756	1,160,756	-
Recreation and Culture -					
Life Guards	57,434	-	57,434	45,940	11,494
Parks & Recreation	515,515	-	515,515	573,199	(57,684)
Kennebunk Free Library	449,365	-	449,365	449,365	-
	<u>1,022,314</u>	<u>-</u>	<u>1,022,314</u>	<u>1,068,504</u>	<u>(46,190)</u>
Health And Welfare -					
Recycling	207,411	-	207,411	207,411	-
Social Services	79,350	-	79,350	127,142	(47,792)
Hazardous Waste Day	-	5,000	5,000	-	5,000
	<u>286,761</u>	<u>5,000</u>	<u>291,761</u>	<u>334,553</u>	<u>(42,792)</u>
Employee Benefits -					
Health Benefits	899,033	25,679	924,712	891,347	33,365
FICA	368,086	-	368,086	371,235	(3,149)
Retirement	111,611	-	111,611	92,442	19,169
Workers Comp	123,747	-	123,747	112,205	11,542
Unemployment Comp	18,993	-	18,993	15,360	3,633
	<u>1,521,470</u>	<u>25,679</u>	<u>1,547,149</u>	<u>1,482,589</u>	<u>64,560</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Agency requests -					
SMMC Visiting Nurses	5,000	-	5,000	5,000	-
Day One	1,000	-	1,000	1,000	-
York County Child Abuse Council	1,200	-	1,200	1,200	-
York County Community Action	4,900	-	4,900	4,900	-
Counseling Services Inc.	3,300	-	3,300	3,300	-
Caring Unlimited	2,095	-	2,095	2,095	-
Catholic Charities	1,700	-	1,700	1,700	-
So. Maine Area Agency on Aging	2,500	-	2,500	2,500	-
Sexual Assault Response Services	500	-	500	500	-
Senior Center at Lower Village	1,000	-	1,000	1,000	-
American Red Cross	3,000	-	3,000	3,000	-
So. Maine Parent Awareness	1,030	-	1,030	1,030	-
Biddeford Free Clinic	500	-	500	500	-
Home Health Visiting Nurses	3,090	-	3,090	3,090	-
	<u>30,815</u>	<u>-</u>	<u>30,815</u>	<u>30,815</u>	<u>-</u>
Public Safety -					
Police	1,718,072	-	1,718,072	1,616,981	101,091
Ambulance	756,358	-	756,358	701,650	54,708
Communications	405,710	-	405,710	397,357	8,353
Civil Emergency Preparedness	5,188	-	5,188	5,178	10
Hydrants & Street Lights	399,489	-	399,489	398,184	1,305
Fire Department	560,778	-	560,778	497,137	63,641
	<u>3,845,595</u>	<u>-</u>	<u>3,845,595</u>	<u>3,616,487</u>	<u>229,108</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Adjustments	Final Budget	Actual	Balance Positive (Negative)
Unclassified -					
Operational contingency	-	44,119	44,119	6,996	37,123
Harbormaster	12,133	-	12,133	8,466	3,667
Fire/EMS Incentive Plan	-	22,000	22,000	-	22,000
Tree Warden	3,500	-	3,500	3,259	241
Matching Grant Funds	-	50,000	50,000	-	50,000
Memorial Day	800	-	800	800	-
Facilities	101,973	-	101,973	82,738	19,235
Overlay	470,901	-	470,901	65,070	405,831
	<u>589,307</u>	<u>116,119</u>	<u>705,426</u>	<u>167,329</u>	<u>538,097</u>
Totals	<u>\$ 30,476,754</u>	<u>\$ 258,730</u>	<u>\$ 30,735,484</u>	<u>\$ 29,810,179</u>	<u>\$ 925,305</u>

See accompanying independent auditors' report.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ 102,352	\$ 102,352
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	559,920	1,135,360	-	1,695,280
<b>TOTAL ASSETS</b>	<u>\$ 559,920</u>	<u>\$ 1,135,360</u>	<u>\$ 102,352</u>	<u>\$ 1,797,632</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	44,013	79,269	19,033	142,315
<b>TOTAL LIABILITIES</b>	<u>44,013</u>	<u>79,269</u>	<u>19,033</u>	<u>142,315</u>
<b>FUND EQUITY</b>				
Fund balance:				
Nonspendable	-	-	-	-
Restricted	406,571	-	83,319	489,890
Committed	-	794,085	-	794,085
Assigned	153,349	341,275	-	494,624
Unassigned	(44,013)	(79,269)	-	(123,282)
<b>TOTAL FUND EQUITY</b>	<u>515,907</u>	<u>1,056,091</u>	<u>83,319</u>	<u>1,655,317</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 559,920</u>	<u>\$ 1,135,360</u>	<u>\$ 102,352</u>	<u>\$ 1,797,632</u>

See accompanying independent auditors' report.

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES	<u>\$ 176,911</u>	<u>\$ 353,160</u>	<u>\$ 223</u>	<u>\$ 530,294</u>
EXPENDITURES	<u>2,060,935</u>	<u>2,269,463</u>	<u>5,308</u>	<u>4,335,706</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,884,024)</u>	<u>(1,916,303)</u>	<u>(5,085)</u>	<u>(3,805,412)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Operating transfer in	600,425	994,263	-	1,594,688
Operating transfers (out)	<u>(37,914)</u>	<u>(79,156)</u>	<u>-</u>	<u>(117,070)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>562,511</u>	<u>915,107</u>	<u>-</u>	<u>1,477,618</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(1,321,513)</u>	<u>(1,001,196)</u>	<u>(5,085)</u>	<u>(2,327,794)</u>
FUND BALANCES, JULY 1	<u>1,837,420</u>	<u>2,057,287</u>	<u>88,404</u>	<u>3,983,111</u>
FUND BALANCES, JUNE 30	<u><u>\$ 515,907</u></u>	<u><u>\$ 1,056,091</u></u>	<u><u>\$ 83,319</u></u>	<u><u>\$ 1,655,317</u></u>

See accompanying independent auditors' report.

## Special Revenue Funds Description

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	33,430	34,998	84,921	289,470	117,101	-	559,920
<b>TOTAL ASSETS</b>	<b>\$ 33,430</b>	<b>\$ 34,998</b>	<b>\$ 84,921</b>	<b>\$ 289,470</b>	<b>\$ 117,101</b>	<b>\$ -</b>	<b>\$ 559,920</b>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,013	\$ 44,013
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,013</b>	<b>44,013</b>
<b>FUND EQUITY</b>							
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	289,470	117,101	-	406,571
Committed	-	-	-	-	-	-	-
Assigned	33,430	34,998	84,921	-	-	-	153,349
Unassigned	-	-	-	-	-	(44,013)	(44,013)
<b>TOTAL FUND EQUITY</b>	<b>33,430</b>	<b>34,998</b>	<b>84,921</b>	<b>289,470</b>	<b>117,101</b>	<b>(44,013)</b>	<b>515,907</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 33,430</b>	<b>\$ 34,998</b>	<b>\$ 84,921</b>	<b>\$ 289,470</b>	<b>\$ 117,101</b>	<b>\$ -</b>	<b>\$ 559,920</b>

See accompanying independent auditors' report.

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Totals
REVENUES	\$ -	\$ -	\$ 26,911	\$ 150,000	\$ -	\$ -	\$ 176,911
EXPENDITURES	225	-	2,738	2,007,699	6,260	44,013	2,060,935
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(225)	-	24,173	(1,857,699)	(6,260)	(44,013)	(1,884,024)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	-	519,763	80,662	-	600,425
Operating transfers (out)	-	-	-	-	(37,914)	-	(37,914)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	519,763	42,748	-	562,511
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(225)	-	24,173	(1,337,936)	36,488	(44,013)	(1,321,513)
FUND BALANCES, JULY 1	33,655	34,998	60,748	1,627,406	80,613	-	1,837,420
FUND BALANCES, JUNE 30	\$ 33,430	\$ 34,998	\$ 84,921	\$ 289,470	\$ 117,101	\$ (44,013)	\$ 515,907

See accompanying independent auditors' report.

## Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds. The projects also include significant purchases of vehicles and equipment, as well as the servicing of leases and bonds associated with those purchases. Projects are generally segregated by the related Town department managing the project.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2011

	Fire/Ambulance Projects				
	<u>West Kennebunk Fire Station</u>	<u>Dry Hydrants</u>	<u>Fire Trucks Tanker &amp; Ladder</u>	<u>PD Station Ramp &amp; Stairs</u>	<u>Highway Equipment</u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	12,321	9,969	107,019	40,000	-
<b>TOTAL ASSETS</b>	<u>\$ 12,321</u>	<u>\$ 9,969</u>	<u>\$ 107,019</u>	<u>\$ 40,000</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>					
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	107,019	40,000	-
Assigned	12,321	9,969	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<u>12,321</u>	<u>9,969</u>	<u>107,019</u>	<u>40,000</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 12,321</u>	<u>\$ 9,969</u>	<u>\$ 107,019</u>	<u>\$ 40,000</u>	<u>\$ -</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2011

	<u>Town Hall Equipment</u>	<u>Debt Service &amp; Town Hall Lease/Purchase</u>	<u>Town Hall Projects</u>	<u>Oak Bluff Reconstruction USDA Grant</u>	<u>Culverts &amp; Basins Mousam Ridge Drainage</u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	6,851	363,684	90,252	-	10,000
<b>TOTAL ASSETS</b>	<u>\$ 6,851</u>	<u>\$ 363,684</u>	<u>\$ 90,252</u>	<u>\$ -</u>	<u>\$ 10,000</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 44,000	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>	<u>-</u>
<b>FUND EQUITY</b>					
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	6,851	363,684	90,252	-	-
Assigned	-	-	-	-	10,000
Unassigned	-	-	-	(44,000)	-
<b>TOTAL FUND EQUITY</b>	<u>6,851</u>	<u>363,684</u>	<u>90,252</u>	<u>(44,000)</u>	<u>10,000</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 6,851</u>	<u>\$ 363,684</u>	<u>\$ 90,252</u>	<u>\$ -</u>	<u>\$ 10,000</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2011

		<u>Public Works Projects</u>			
	Budget Board	Cable Broadcast Equipment	Bicycle Impact	Parking Lots	High St. Alfred Rd. Port Rd.
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	117,428	-	77,341	6,000	-
<b>TOTAL ASSETS</b>	<u>\$ 117,428</u>	<u>\$ -</u>	<u>\$ 77,341</u>	<u>\$ 6,000</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>					
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	117,428	-	-	-	-
Assigned	-	-	77,341	6,000	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<u>117,428</u>	<u>-</u>	<u>77,341</u>	<u>6,000</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 117,428</u>	<u>\$ -</u>	<u>\$ 77,341</u>	<u>\$ 6,000</u>	<u>\$ -</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2011

	<u>Dorothy Stevens Center</u>	<u>Police Vehicles &amp; Equipment</u>	<u>Park St. &amp; Cousens Sch. Purchase</u>	<u>Energy Efficient Improvements</u>	<u>Fire Ambulance Equipment</u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	258	19,709	63,608	123,153	68,851
<b>TOTAL ASSETS</b>	<u>\$ 258</u>	<u>\$ 19,709</u>	<u>\$ 63,608</u>	<u>\$ 123,153</u>	<u>\$ 68,851</u>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>					
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	68,851
Assigned	258	19,709	63,608	123,153	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<u>258</u>	<u>19,709</u>	<u>63,608</u>	<u>123,153</u>	<u>68,851</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 258</u>	<u>\$ 19,709</u>	<u>\$ 63,608</u>	<u>\$ 123,153</u>	<u>\$ 68,851</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS  
 JUNE 30, 2011

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications Lease/Purchase	Totals
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	12,089	506	6,321	-	1,135,360
<b>TOTAL ASSETS</b>	<b><u>\$ 12,089</u></b>	<b><u>\$ 506</u></b>	<b><u>\$ 6,321</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,135,360</u></b>
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 35,269	\$ 79,269
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>35,269</u></b>	<b><u>79,269</u></b>
<b>FUND EQUITY</b>					
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	794,085
Assigned	12,089	506	6,321	-	341,275
Unassigned	-	-	-	(35,269)	(79,269)
<b>TOTAL FUND EQUITY</b>	<b><u>12,089</u></b>	<b><u>506</u></b>	<b><u>6,321</u></b>	<b><u>(35,269)</u></b>	<b><u>1,056,091</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 12,089</u></b>	<b><u>\$ 506</u></b>	<b><u>\$ 6,321</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,135,360</u></b>

See accompanying independent auditors' report.

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Fire/Ambulance Projects				
	West Kennebunk Fire Station	Dry Hydrants	Fire Trucks Tanker & Ladder	PD Station Ramp & Stairs	Highway Equipment
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	123,400	-	21,840
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(123,400)	-	(21,840)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	125,000	40,000	7,616
Operating transfers (out)	(41,526)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(41,526)	-	125,000	40,000	7,616
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(41,526)	-	1,600	40,000	(14,224)
FUND BALANCES, JULY 1	53,847	9,969	105,419	-	14,224
FUND BALANCES, JUNE 30	\$ 12,321	\$ 9,969	\$ 107,019	\$ 40,000	\$ -

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Hall Projects	Oak Bluff Reconstruction USDA Grant	Culverts & Basins Mousam Ridge Drainage
REVENUES	\$ -	\$ 89,542	\$ -	\$ -	\$ -
EXPENDITURES	43,719	920,196	31,722	44,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,719)	(830,654)	(31,722)	(44,000)	-
OTHER FINANCING SOURCES (USES)					
Operating transfers in	20,500	681,147	10,000	-	-
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,500	681,147	10,000	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(23,219)	(149,507)	(21,722)	(44,000)	-
FUND BALANCES, JULY 1	30,070	513,191	111,974	-	10,000
FUND BALANCES, JUNE 30	\$ 6,851	\$ 363,684	\$ 90,252	\$ (44,000)	\$ 10,000

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Budget Board	Cable Broadcast Equipment	Public Works Projects		
			Bicycle Impact	Parking Lots	High St. Alfred Rd. Port Rd.
REVENUES	\$ -	\$ -	\$ 7,200	\$ -	\$ 17,009
EXPENDITURES	44,370	30,000	-	-	165,509
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,370)	(30,000)	7,200	-	(148,500)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	50,000	30,000	-	-	-
Operating transfers (out)	-	-	-	-	(37,630)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	30,000	-	-	(37,630)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	5,630	-	7,200	-	(186,130)
FUND BALANCES, JULY 1	111,798	-	70,141	6,000	186,130
FUND BALANCES, JUNE 30	\$ 117,428	\$ -	\$ 77,341	\$ 6,000	\$ -

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Dorothy Stevens Center	Police Vehicles & Equipment	Park St. & Cousens Sch. Purchase	Energy Efficient Improvements	Fire Ambulance Equipment
REVENUES	\$ -	\$ -	\$ 91,509	\$ 147,900	\$ -
EXPENDITURES	-	61,338	396,724	24,747	263,638
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(61,338)	(305,215)	123,153	(263,638)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	30,000
Operating transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	30,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	-	(61,338)	(305,215)	123,153	(233,638)
FUND BALANCES, JULY 1	258	81,047	368,823	-	302,489
FUND BALANCES, JUNE 30	<u>\$ 258</u>	<u>\$ 19,709</u>	<u>\$ 63,608</u>	<u>\$ 123,153</u>	<u>\$ 68,851</u>

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Town Hall Computer Hardware & Software	Parks & Recreation Projects	Capital Reserve/Impr.	Communications Lease/Purchase	Totals
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ 353,160
EXPENDITURES	2,805	-	33,686	61,769	2,269,463
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,805)	-	(33,686)	(61,769)	(1,916,303)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	994,263
Operating transfers (out)	-	-	-	-	(79,156)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	915,107
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(2,805)	-	(33,686)	(61,769)	(1,001,196)
FUND BALANCES, JULY 1	14,894	506	40,007	26,500	2,057,287
FUND BALANCES, JUNE 30	\$ 12,089	\$ 506	\$ 6,321	\$ (35,269)	\$ 1,056,091

See accompanying independent auditors' report.

## Permanent Funds

Permanent funds are used to account for assets held by the Town of Kennebunk, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS  
JUNE 30, 2011

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
<b>ASSETS</b>					
Cash	\$ 90,198	\$ 2,543	\$ 3,517	\$ 6,094	\$ 102,352
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 90,198</u>	<u>\$ 2,543</u>	<u>\$ 3,517</u>	<u>\$ 6,094</u>	<u>\$ 102,352</u>
<b>LIABILITIES</b>					
Due to other funds	\$ 16,000	\$ -	\$ -	\$ 3,033	\$ 19,033
<b>TOTAL LIABILITIES</b>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>3,033</u>	<u>19,033</u>
<b>FUND EQUITY</b>					
Fund balance:					
Nonspendable	-	-	-	-	-
Restricted	74,198	2,543	3,517	3,061	83,319
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND EQUITY</b>	<u>74,198</u>	<u>2,543</u>	<u>3,517</u>	<u>3,061</u>	<u>83,319</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 90,198</u>	<u>\$ 2,543</u>	<u>\$ 3,517</u>	<u>\$ 6,094</u>	<u>\$ 102,352</u>

See accompanying independent auditors' report.

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
REVENUES	<u>\$ 200</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 15</u>	<u>\$ 223</u>
EXPENDITURES	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>1,308</u>	<u>5,308</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,800)</u>	<u>4</u>	<u>4</u>	<u>(1,293)</u>	<u>(5,085)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(3,800)</u>	<u>4</u>	<u>4</u>	<u>(1,293)</u>	<u>(5,085)</u>
FUND BALANCES, JULY 1	<u>77,998</u>	<u>2,539</u>	<u>3,513</u>	<u>4,354</u>	<u>88,404</u>
FUND BALANCES, JUNE 30	<u>\$ 74,198</u>	<u>\$ 2,543</u>	<u>\$ 3,517</u>	<u>\$ 3,061</u>	<u>\$ 83,319</u>

See accompanying independent auditors' report.

### General Capital Assets

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION  
JUNE 30, 2011

	Land and Non-depreciable Assets	Buildings Buildings Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Administration	\$ 2,091	\$ 188,234	\$ 770,003	\$ -	\$ 960,328
Police	75,100	1,599,230	1,099,150	-	2,773,480
Fire	97,900	2,216,344	3,564,958	-	5,879,202
Public Works	124,300	358,958	1,750,654	18,433,864	20,667,776
Parks & Recreation	79,100	402,676	487,827	-	969,603
Town Wide	<u>4,086,896</u>	<u>2,747,945</u>	<u>185,379</u>	<u>-</u>	<u>7,020,220</u>
 Total General Capital Assets	 4,465,387	 7,513,387	 7,857,971	 18,433,864	 38,270,609
 Less: Accumulated Depreciation	 <u>-</u>	 <u>(4,586,709)</u>	 <u>(5,627,479)</u>	 <u>(7,233,883)</u>	 <u>(17,448,071)</u>
 Net General Capital Assets	 <u>\$ 4,465,387</u>	 <u>\$ 2,926,678</u>	 <u>\$ 2,230,492</u>	 <u>\$ 11,199,981</u>	 <u>\$ 20,822,538</u>

See accompanying independent auditors' report.

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2011

	General Capital Assets 7/1/10	Additions	Deletions	General Capital Assets 6/30/11
Administration	\$899,104	\$ 61,224	\$ -	\$ 960,328
Police	2,711,848	129,232	(67,600)	2,773,480
Fire	5,884,894	289,823	(295,515)	5,879,202
Public Works	16,414,924	4,394,755	(141,903)	20,667,776
Parks & Recreation	1,012,603	-	(43,000)	969,603
Town Wide	<u>8,578,579</u>	<u>391,681</u>	<u>(1,950,040)</u>	<u>7,020,220</u>
 Total General Capital Assets	 35,501,952	 5,266,715	 (2,498,058)	 38,270,609
 Less: Accumulated Depreciation	 <u>(16,872,528)</u>	 <u>(1,106,318)</u>	 <u>530,775</u>	 <u>(17,448,071)</u>
 Net General Capital Assets	 <u><u>\$18,629,424</u></u>	 <u><u>\$ 4,160,397</u></u>	 <u><u>\$ (1,967,283)</u></u>	 <u><u>\$ 20,822,538</u></u>

See accompanying independent auditors' report.