



In the opinion of Jensen Baird Gardner & Henry, Bond Counsel, (“Bond Counsel”) and assuming compliance with certain tax covenants, under existing statutes, regulations and court decisions, interest on the Bonds (as defined below) is excludable from the gross income of the owners thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and corporations, although Bond Counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, the foreign branch profits tax. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, the interest paid on the Bonds is exempt from income tax within the State of Maine (the “State”) under existing statutes, regulations and judicial decisions. **The Town will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.** See “THE BONDS—TAX MATTERS” and “APPENDIX B” herein.

TOWN OF KENNEBUNK, MAINE
\$5,145,000
2018 GENERAL OBLIGATION BONDS

Dated: Date of Delivery

Due: October 1, as shown below

<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Year of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2018	\$590,000	5.00%	1.65	2023	\$425,000	5.00%	2.07
2019	590,000	5.00	1.77	2024	425,000	5.00	2.18
2020	590,000	5.00	1.87	2025	425,000	5.00	2.27
2021	590,000	5.00	1.93	2026	425,000	5.00	2.35
2022	585,000	5.00	2.00	2027	375,000	5.00	2.41

\$125,000^(†) 3.00% Term Bond due October 1, 2032, @ 100.000 to Yield 3.00%

The Town of Kennebunk, Maine 2018 General Obligation (the “Bonds”) will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See “THE BONDS—BOOK-ENTRY-ONLY SYSTEM” herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on October 1, 2018 and semi-annually on each April 1 and October 1 thereafter until maturity, or redemption prior to maturity.

The legal opinion of Bond Counsel will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the Town of Kennebunk, Maine (the “Town”) and, unless paid from other sources, are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied, without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it (see “THE BONDS—SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy” herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds. See “TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). The Treasurer has certified that the Town has no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, now exist. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in the districts to pay costs of the development projects described in the development program with respect to the districts. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on and before October 1, 2027 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after October 1, 2028 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 1, 2027 as more fully set forth herein (see “THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY” herein). The Term Bond maturing on October 1, 2032 is subject to mandatory redemption or maturity on and after October 1, 2028, as more fully set forth herein (see “THE BONDS—MANDATORY SINKING FUND REDEMPTION” herein).

The Bonds are offered when, as and if issued, subject to the approval of legality by Jensen Baird Gardner & Henry of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about May 30, 2018.

Fidelity Capital Markets

NOTE: ^(†) The Term Bonds are subject to mandatory sinking fund redemption. See “THE BONDS—MANDATORY SINKING FUND REDEMPTION” herein.

No dealer, broker, salesman or other person has been authorized by the Town or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Town and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Town. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Town since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The CUSIP numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. Neither the Town nor the Underwriter makes any representation with respect to the accuracy of such CUSIP numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The Town is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the Town of Kennebunk, Maine with the assistance of Moors & Cabot, Inc., its Municipal Advisor, from the records of the Town and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by the Municipal Advisor, by Jensen Baird Gardner & Henry, Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Municipal Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Treasurer of the Town this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, the Treasurer has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Treasurer and furnished at the closing.

This Official Statement is in a form “deemed final” by the issuer for purposes of Securities and Exchange Commission’s Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Joel E. Downs
Treasurer
Town of Kennebunk, Maine

**OFFICIAL STATEMENT
TOWN OF KENNEBUNK, MAINE
\$5,145,000
2018 GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Kennebunk, Maine (the “Town” or “Kennebunk”) in connection with the sale of its 2018 General Obligation Bonds (the “Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” or the “Securities Depository”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated May 30, 2018 and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months), payable on October 1, 2018, and semi-annually thereafter on April 1 and October 1 of each year until maturity, or redemption prior to maturity. The Bonds will mature as follows:

<u>Amount</u>	<u>October 1,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>October 1,</u>	<u>CUSIP</u>
\$590,000	2018	489278EW7	\$425,000	2023	489278FB2
590,000	2019	489278EX5	425,000	2024	489278FC0
590,000	2020	489278EY3	425,000	2025	489278FD8
590,000	2021	489278EZ0	425,000	2026	489278FE6
585,000	2022	489278FA4	375,000	2027	489278FF3

\$125,000^(†) Term Bond due October 1, 2032 (CUSIP: 489278FG1)

It is expected that the Bonds will be available for delivery at DTC on or about May 30, 2018.

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before October 1, 2027 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after October 1, 2028 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after October 1, 2027, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

NOTE: ^(†) The Term Bond is subject to mandatory sinking fund redemption. See “THE BONDS - MANDATORY SINKING FUND REDEMPTION” herein.

MANDATORY SINKING FUND REDEMPTION

The Term Bond maturing on October 1, 2032 is also subject to mandatory sinking fund redemption or mature on and after October 1, 2028 at a price equal to the principal amount to be redeemed, plus accrued interest to the date of redemption thereof, and shall be redeemed on October 1 in the following years and principal amounts:

<u>Term Bond due 2032</u>	
<u>Year</u>	<u>Amount</u>
2028	\$25,000
2029	25,000
2030	25,000
2031	25,000
2032 ^(*)	25,000

NOTE: ^(*) Year of final maturity.

GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS

Notice of Redemption

In the case of every optional redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at such address as shall appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the Town to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner.

Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The Town shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the Town, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given), the Bonds to be redeemed shall not be deemed to be outstanding.

Cancellation

All Bonds which have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the Town or returned to the Town at its request.

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected when held by a Securities Depository by lot and when not held by a Securities Depository by the Town by lot or in such other manner, as the Town in its discretion may deem appropriate.

RECORD DATE; PAYMENT

The principal of the Bonds is payable upon surrender thereof at the principal Corporate Trust Office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the fifteenth day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person’s address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

The Bonds are being issued pursuant to the approving vote of the voters of the Town at its Town Meetings held on the dates listed below whereby the Town is authorized to issue debt to provide funds to finance the projects (the “Projects”) in the amounts of, and purposes for, as follows:

<u>Purpose</u>	<u>Date of Town Meeting</u>	<u>Question #</u>	<u>Authorized</u>	<u>Financed by the 2018 Bonds</u>
Refunding 2007 Bonds	November 15, 2005		\$1,000,000	\$450,000
2016 CIP				
Vehicles & Equipment	June 14, 2016	3	<u>2,570,000</u>	
Total 2016 CIP			2,570,000	2,570,000
2017 CIP				
Various Infrastructure	June 13, 2017	5	480,000	
Vehicles & Equipment	June 13, 2017	6	770,000	
TIF	June 13, 2017	8	<u>1,375,000</u>	
Total 2017 CIP			2,625,000	<u>2,625,000</u>
The 2018 Bonds				\$5,645,000⁽¹⁾

NOTE: ⁽¹⁾ Par amount of Bonds, issued in the amount of \$5,145,000, plus allocable net Original Issue Premium, in the amount of \$500,000.00, provided Bond Proceeds to provide funds to finance the Projects.

The Refunded Bonds

The Town issued \$1,360,000 2007 General Obligation Bonds, dated April 15, 2007 (the “2007 Bonds”). A portion of the proceeds of the 2007 Bonds, in the amount of \$1,000,000, were used to provide funds to finance a new Fire Station in the West Kennebunk portion of the Town. The proceeds from the remaining 2007 Bonds were used to provide funds to re-finance, on a current basis, the Town’s 1994 General Obligation Bonds, dated November 1, 1994 (the “1994 Bonds”) that were issued to provide funds to finance the Town’s portion of a pledge to the 1994 Library Project. The final maturity of the 1994 Bonds portion of the 2007 Bonds was October 1, 2014. The 1994 Bonds were approved at a Special Town Meeting held on November 2, 1993; the 2007 Bonds were approved at a Special Town Meeting held on November 15, 2005.

The 2007 Bonds due 2017 to the final 2026 maturity are callable, at the option of the Town, on or after October 1, 2016 @ 100% together with interest accrued and unpaid to the redemption date. Economies of scale of issuance costs delayed refunding the 2007 Bonds, to date. However as part of the 2018 Bonds, refunding the 2007 Bonds, on a current basis, now provides significant Present Value (“PV”) savings. The Town will enjoy a 18.3941% PV savings; or \$78,210 in absolute savings. The Town will use a portion of the 2018 Bonds to refinance the remaining 2007 Bonds (the “Refunded Bonds”), as follows:

<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP</u>
October 1, 2018	\$50,000	4.00%	489278CK5
October 1, 2019	50,000	4.50	489278CL3
October 1, 2020	50,000	5.00	489278CM1
October 1, 2021	50,000	5.00	489278CN9
October 1, 2022	50,000	5.00	489278CP4
October 1, 2023	50,000	5.00	489278CQ2
October 1, 2024	50,000	5.00	489278CR0
October 1, 2025	50,000	5.00	489278CS8
October 1, 2026	50,000	5.00	489278CT6

Amortizations of the Projects and the Bonds (\$)

2016 CIP

<u>Oct. 1,</u>	<u>Question 3 (2016)</u>						<u>2016 CIP</u>
	<u>Ambul.</u>	<u>5-Ton Truck</u>	<u>Roads & Paving</u>	<u>Large Bus</u>	<u>Mini-Bus</u>	<u>IT Backup</u>	
2018	40,563	31,344	184,375	16,594	9,219	8,297	290,391
2019	40,563	31,344	184,375	16,594	9,219	8,297	290,391
2020	40,563	31,344	184,375	16,594	9,219	8,297	290,391
2021	40,563	31,344	184,375	16,594	9,219	8,297	290,391
2022	40,535	31,323	184,252	14,740	7,370	7,370	285,591
2023			178,947				178,947
2024			178,947				178,947
2025			178,947				178,947
2026			178,947				178,947
2027			176,471				176,471
Bond Proceeds:	202,785	156,698	1,814,012	81,115	44,245	40,558	2,339,413
Premium:	17,215	13,302	185,988	6,885	3,755	3,442	230,587
Project Proceeds:	220,000	170,000	2,000,000	88,000	48,000	44,000	2,570,000

2017 CIP and the 2018 Bonds

<u>Oct. 1,</u>	<u>Question 5</u>		<u>Question 6</u>		<u>Question 8</u>		<u>2017</u> <u>CIP</u>	<u>2016</u> <u>CIP</u>	<u>Refunded</u> <u>2007</u>	<u>2018</u> <u>Bonds</u>
	<u>Fire</u> <u>Engine</u>	<u>Truck</u>	<u>Roads &</u> <u>Paving</u>	<u>Landing</u>	<u>Route 1 TIF</u> <u>Rt 1 North</u>	<u>Dane St</u>				
2018	50,703	40,563	44,250	58,078	36,875	25,000	255,469	290,391	44,141	590,000
2019	50,703	40,563	44,250	58,078	36,875	25,000	255,469	290,391	44,141	590,000
2020	50,703	40,563	44,250	58,078	36,875	25,000	255,469	290,391	44,141	590,000
2021	50,703	40,563	44,250	58,078	36,875	25,000	255,469	290,391	44,141	590,000
2022	50,669	40,535	44,220	58,039	36,850	25,000	255,315	285,591	44,094	585,000
2023	49,211		42,947	51,000	35,789	25,000	203,947	178,947	42,105	425,000
2024	49,211		42,947	51,000	35,789	25,000	203,947	178,947	42,105	425,000
2025	49,211		42,947	51,000	35,789	25,000	203,947	178,947	42,105	425,000
2026	49,211		42,947	51,000	35,789	25,000	203,947	178,947	42,105	425,000
2027	48,529		40,412	50,294	34,294	25,000	198,529	176,471		375,000
2028						25,000	25,000			25,000
2029						25,000	25,000			25,000
2030						25,000	25,000			25,000
2031						25,000	25,000			25,000
2032						25,000	25,000			25,000
Bonds:	498,853	202,785	433,422	544,646	361,802	375,000	2,416,509	2,339,413	389,078	5,145,000
Premium:	51,147	17,215	46,578	55,354	38,198	0	208,491	230,587	60,922	500,000
Project:	550,000	220,000	480,000	600,000	400,000	375,000	2,625,000	2,570,000	450,000	5,645,000

SOURCE OF PAYMENT AND REMEDIES

General

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State”) have the right to tax their inhabitants to pay municipal indebtedness. The Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, in which case the Town has the power to levy such ad valorem taxes without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENT AND REMEDIES – Limitation on Municipal Property Tax Levy” herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established development districts as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). The Treasurer has certified that no tax base sharing agreement now exists. The Town has established certain tax increment financing districts and elected to retain a portion of the tax increment on the captured assessed value of the property in these districts to pay costs of the development project within the districts. Within the limits established by statute, the Town has the right to designate additional development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

The Town is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject

to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of or judgments against, a municipality is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon. There has been no judicial determination as to whether statutory remedies available against towns are applicable to cities and Bond Counsel expresses no opinion thereon.

Funds to meet Town expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State.

Limitation on Municipal Property Tax Levy

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as the "Property Tax Levy Limit". With certain exceptions, a municipality may not adopt a property tax levy that exceeds its Property Tax Levy Limit from one year to the next by more than a specified growth limitation factor. Therefore, in cases where the amount of the prior year's Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy, the Town may carry-forward that difference in establishing its future years' property tax levy. See "TOWN FINANCES - Property Tax Levy Limit" herein.

The growth limitation factor is the average personal income growth as defined by Title 5, Section 1531 of the Maine Revised Statutes, as amended, plus the property growth factor. The property growth factor is a percentage equivalent to a fraction established by a municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed value of any real or personal property in the municipality that become subject to taxation for the first time, or taxes as a separate parcel for the first time for the most recent property tax year for which information is available, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property. For municipalities that qualify as a result of a relatively larger percentage of personal property, personal property can be incorporated into the property growth factor calculation. In addition, a municipality is required to lower its Property Tax Levy in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

The Town may increase the Property Tax Levy Limit by a majority vote of the Town Meeting on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit. Pursuant to Title 30-A, Section 5721-A(7)(B) of the Maine Revised Statutes, as amended, this action, however, is subject to override by initiative upon a petition signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality submitted within 30 days of the Board's vote.

In lieu of increasing the Property Tax Levy Limit, the Town Meeting may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances include:

- (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
- (2) Unfunded or underfunded state or federal mandates;
- (3) Citizens' initiatives or other referenda;
- (4) Court orders or decrees; or
- (5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

The Town does not expect that the Property Tax Levy Limit will have a material adverse effect on the Town's financial condition or on the ability of the Town to pay the principal of, and premiums, if any, and interest on the Bonds when due.

TAX MATTERS

The Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be rebated to the federal government. Failure of the Town to comply with such requirements may cause interest on the Bonds to be included in the gross income of the holders thereof for purposes of federal income taxation retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs or is ascertained.

The Town will make certain representations with respect to the use of the proceeds of the Bonds and the Projects and will covenant (i) to comply with the provisions and procedures of the Code applicable to the Bonds and (ii) not to take any action or permit any action that would cause the interest paid on the Bonds to be included in gross income for purposes of federal income taxation pursuant to section 103 of the Code.

In the opinion of Bond Counsel and assuming compliance with certain tax covenants, under existing statutes, regulations and court decisions, interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and corporations, although Bond Counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018. Such interest will, however, be taken into account in the computation of certain other taxes that may be imposed with respect to corporations, including, without limitation, the foreign branch profits tax. In rendering its opinion, Bond Counsel will rely upon the Town's representations made with respect to the use of the proceeds of the Bonds and the Projects and the Town's covenant that it will comply with the Code.

Exemption of Interest on the Bonds from Taxation Within the State of Maine

In the opinion of Bond Counsel, interest paid on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. See "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

Designated as Qualified Tax-Exempt Obligations

The Town *will designate* the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Original Issue Discount

Certain maturities of the Bonds (the “Discount Bonds”) may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Pursuant to Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations.

Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the “IRS”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

Changes in Tax Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

Extent of Opinion

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code, (b) interest on the Bonds not constituting an item of tax preference pursuant to Section 57 of the Code, although Bond Counsel observes that the federal alternative minimum tax on corporations is repealed for taxable years beginning on or after January 1, 2018 and therefore interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income only for taxable years that began prior to January 1, 2018, and (c) the exemption of interest on the Bonds from taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing

corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC’s records. The ownership interest of each actual purchaser of each security deposited with DTC (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC’s records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners. The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATINGS

The Bonds are rated “Aa1” by Moody’s Investors Service (“Moody’s”) and “AAA” by Standard & Poor’s, Global (“S&P”). The Town has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody’s or S&P at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody’s or S&P should be contacted directly for its rating on the Bonds and its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Except as set forth in the Continuing Disclosure Agreement set forth in APPENDIX C and referred to under “THE BONDS – CONTINUING DISCLOSURE” herein, the Town has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in, or withdrawal of, any rating of the Bonds or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

In order to assist the underwriter in complying with the Securities Exchange Commission’s Rule 15c2-12 (the “Rule”) the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. The covenants will be contained in a “Continuing Disclosure Certificate” (the “Certificate”), the proposed form of which is provided in APPENDIX C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

Prior Small Issuer Exemption under a Limited Continuing Disclosure Obligation

Section 15(c)(2)-12(d)(2)(i) of the Rule initially promulgated effective July 3, 1995, *exempted issuers with no more than \$10,000,000 in aggregate amount of outstanding municipal securities from being an “obligated person” (i.e., being required to submit annual financial filings, on a timely basis) and, pursuant to Section 15c2-12(d)(2)(ii)(A), be required to provide financial filing(s) only “upon request to any person or at least annually to the State Depository, if any”* there being no State Depository in Maine (a “Limited Continuing Disclosure Obligation”).

On December 5, 2008, the SEC adopted amendments to the Rule, effective July 1, 2009 (the “2009 Amendments”). Thus, under the amended Rule: if an issuer (or obligated person) customarily prepares and makes available financial information and operating data, then that issuer (or obligated person) for bonds issued after July 1, 2009 the issuer (or obligated person) must file the information with the MSRB, in the electronic form prescribed by the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (“EMMA”).

The Town’s Limited Continuing Disclosure Obligation

Prior to the effective date of the 2009 Amendments, the Town had no more than \$10,000,000 in aggregate amount of outstanding municipal securities and was, therefore, exempted from being an “obligated person” pursuant to the Rule. Therefore, prior debt was issued under Small Issuer Exemption disclosure requirements of Rule. In so doing, the Town’s undertakings were, appropriately, in “Limited Continuing Disclosure Certificates” (i.e., to provide financial information and operating data relating to the Rule *only upon request.*) That notwithstanding, the Town filed annual financial filings from time-to-time as “voluntary continuing disclosure documents” as defined by the Rule its issues. The Town’s bonds issued prior to the effective date of the 2009 Amendments were comprised of:

<u>Amount</u>	<u>Issue</u>	<u>Issued Date</u>
\$2,305,000	2003 General Obligation Bonds	January 30, 2003
\$995,000	2004 General Obligation Bonds	April 15, 2004
\$1,360,000	2007 General Obligation Bonds	April 19, 2007

The Town’s Continuing Disclosure Obligation

However, upon issuance of the Town’s \$6,252,000 2010 General Obligation Bonds, on February 1, 2010, after the effective date of the 2009 Amendments, the Town became obligated to provide certain financial information and operating data relating to the Rule by not later than 270 days after the end of each fiscal year. The Town inadvertently continued to consider itself under the Limited Continuing Disclosure obligation and, while voluntary filings were made each year, the filings for the fiscal periods 2010, 2011, 2012 and 2013 were “late filings”, with an Event Filing in this regard posted on November 30, 2014.

On July 9, 2013, the Town adopted a Post Issuance Compliance Policy, which, in Section 3, formalized that “The Town will comply with any applicable continuing disclosure requirements of [the Rule] ... including ...” the language that comprises Sections 1 and 2 of the Certificate provided in APPENDIX C.

The following list displays various financial filings by the Town:

<u>Financial Statements</u> <u>FY ended June 30,</u>	<u>Date</u> <u>Filed</u>	<u>Days after</u> <u>Fiscal Period end</u>
June 30, 2017	March 26, 2018	269
June 30, 2016	March 24, 2017	267
June 30, 2015	January 22, 2016	206
June 30, 2014	March 25, 2015	268
June 30, 2013	March 31, 2014	274 ⁽¹⁾
June 30, 2012	May 13, 2013	317 ⁽²⁾
June 30, 2011	May 4, 2012	309 ⁽²⁾
June 30, 2010	May 24, 2011	328 ⁽²⁾
June 30, 2009	January 22, 2010 ⁽³⁾	206

NOTE: ⁽¹⁾ For fiscal period 2013, the Town inadvertently considered March 31 as the final filing date instead of the required 270 days, and made a “late filing notification” accordingly.

⁽²⁾ The Town inadvertently continued to consider itself under the Limited Continuing Disclosure obligation and, while voluntary filings were made each year, the filings for the fiscal periods 2010, 2011 and 2012 were “late filings” with event notification, accordingly..

⁽³⁾ Pursuant to the Rule, and the Town’s undertakings, the respective annual financial filing was voluntary filings, and the Town was in compliance with the Rule. The Town has instituted procedures for timely filings as part of its recently adopted Post-Issuance Compliance Policy.

MUNICIPAL ADVISOR

Moors & Cabot, Inc. is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board and has acted as Municipal Advisor to the Town with respect to the issuance of the Bonds pursuant to MSRB Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid on, or participate in an underwriting syndicate for the public distribution of, the Bonds.

STATUTORY REFERENCES

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

CONDITIONS PRECEDENT TO DELIVERY

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

No Litigation

Upon delivery of the Bonds, the Town shall deliver or cause to be delivered a certificate of the Treasurer, and attested to by the Town Clerk dated the date of delivery of the Bonds, to the effect that there is no litigation pending or, to the knowledge of such official, threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the Town, nor the title of any of said officers to their respective offices, is being contested.

Approval of Legality

The legality of the Bonds will be approved by Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds in substantially the form attached to this Official Statement as APPENDIX B will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon, and do not assume responsibility for, the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

Certificate With Respect to Official Statement

At the time of the original delivery of, and payment for, the Bonds, the Town will deliver a certificate of the Treasurer to the effect that he has examined this Official Statement and the financial and other data contained therein and that, to the best of his knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe that such information is materially inaccurate or misleading.

Certification of the Bonds

The Bonds will be certified as to their genuineness by U.S. Bank, National Association, Boston, Massachusetts, which certificate will appear on the Bonds.

Certificate With Respect to Treasurer

At the time of the original delivery of and payment for the Bonds, the Town will deliver a certificate of the Treasurer of the Town which certifies that no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, now exist.

TOWN OF KENNEBUNK

GENERAL

The Town of Kennebunk is located on the coast of the State of Maine in the southeastern section of the County of York, the State's southernmost county. The Town is approximately 24 miles southwest of Portland, being Maine's largest city. The Town's north and northeast border is formed by the Kennebunk River, which separates the Town from the towns of Arundel and Kennebunkport, respectively. The southern border is formed by the Branch Brook and is contiguous to the Town of Wells. The towns of Alfred, Lyman and Sanford form Kennebunk's northwest border. The Mousam River flows through the center of Kennebunk. The principal settlements of the Town include: Alewife, Kennebunk, Kennebunk Beach, Kennebunk Landing, the Lower Village and West Kennebunk. Access to Kennebunk is provided by Exit 25 of the Maine Turnpike (U.S. Interstate Route 95), U.S. Route 1 and State Routes 9, 9A, 35 and 99, all of which intersect the Town from various directions. The name Kennebunk is apparently derived from the Indian "the long cut bank", denoting the importance of the cut bank to the Indians, rather than its height or length, as distinguishing it from other beaches.



The area embracing Kennebunk was first settled around 1650, included as part of the Town of Wells. Wells, named from Wells in Somersetshire, England (the county being the home of the explorer Sir Ferdinando Georges from whom the land was conveyed) was incorporated on August 30, 1653 as the third town established in the District of Maine, then being part of the Commonwealth of Massachusetts. In 1717 the name "Kennebunk" was applied to the area between the Kennebunk and Mousam rivers, with the first permanent settlement established in 1718. In 1730 shipbuilding had begun along the Mousam River. Small mills were developed to manufacture shoes, twine and lumber at the Mousam Village around 1736, which shifted the village center inland from the Kennebunk Landing area. Following the Revolutionary War the Kennebunk Village, formerly Mousam Village, emerged as the commercial center of the Town. On June 24, 1820 Kennebunk set off from Wells, incorporating as the Town of Kennebunk.

Today, the Kennebunks (which include the towns of Kennebunk and Kennebunkport) are distinguished by beautiful beaches covered with fine, clean sand, picturesque rocky coastlines and snug harbors. The Town is noted for its magnificent shade trees, its stately business district and many well-tended 18th and 19th century houses. In addition to various light industrial and commercial enterprises, several shops and art galleries allow the Town to enjoy tourism as an important economic resource. The Town is located at the base of a geographic triangle which points are comprised of the Portland metropolitan/Saco-Biddeford area to the north, Portsmouth-Kittery (to Boston) at its south, and the Sanford area to its west. This has led to residential development in the Town due to its accessibility to these three labor markets. Conversely, business based in the Portland and Portsmouth areas have established branch offices in Kennebunk to better penetrate the York County markets.

A suburban coastal community with primarily single family, owner occupied dwellings, the land area of the Town includes large tracts of farm and forest lands, open space and coastal areas, as well as residential developments and is comprised of residential, local business, industrial, commercial and resource protection zones, totaling 35.05 square miles.

GOVERNMENT

There are two basic forms of local government in Maine: the “Direct” form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the “Representational” form, in which an elected council serves as the legislative body. There are five basic variations of these two forms. Variations of the Direct form are: *Selectmen/Town Meeting* form of government, the most common in Maine currently used by 169 municipalities in the state; *Selectmen/Town Meeting/ Manager*, the second most common form of local government in Maine currently used by 141 towns; *Council/Town Meeting/Manager* (18 towns) variation of the town meeting form of government, where the legislative functions of government are shared between the town meeting and an elected council and *Selectmen/Town Meeting Administrative Assistant* or *Administrator* (a combined 80 towns). Variations of the Representational form are: *Council/Mayor/Administrator* (three cities), *Council/Mayor/Manager* (18 cities) and *Council/Manager* (26 towns).

The Town operates under a charter originally adopted on November 6, 1984, revised effective July 1, 2009 and amended, most recently on November 4, 2014 (the “Charter”) and, pursuant to Title 30-A, Chapter 123, Section 2631 of Maine Revised Statutes, as amended, the Town has adopted its form of government through the State’s Statutory Town Manager Plan and operates as a *Town Meeting/Selectmen/Manager* form.

Under the Charter and pursuant to Title 30-A, Chapter 121 and Chapter 123, of Maine Revised Statutes, as amended, through a Town Meeting the Town enacts, amends, or repeals rules, ordinances and resolutions relating to the Town’s property and affairs, elects a seven-member Board for three-year staggered terms, elects the Town Clerk and quasi-municipal or district officials, votes articles proposed under referendum power and approves the Annual Budget. As a Board, the Selectmen are the chief executive officers of the Town and the Town Manager is the chief administrator of the Town.

MUNICIPAL SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, maintenance of highways, streets and sidewalks, parks, recreation and coastal areas.

Water service is provided by the Kennebunk, Kennebunkport & Wells Water District. Sewer service is provided by the Kennebunk Sewer District. Electric service is provided by the Kennebunk Light & Power District for portions of the Town (Central Maine Power Company, a subsidiary of Avangrid [NYSX: AGR], a distribution utility serves other portions of the Town not served by the Kennebunk Light & Power District). The above districts are each individual, wholly separate, quasi-municipal entities whose operation and obligations are not part of the Town.

Public education is provided for grades Kindergarten (“K”) through 12 through the Town’s affiliation with Regional School Unit 21 (“RSU 21”). See also “TOWN OF KENNEBUNK - PUBLIC EDUCATION” and “INDEBTEDNESS - OVERLAPPING DEBT” sections herein.

Public Safety

The Police Department is staffed by 20 full-time officers, two full-time and one part-time secretarial/clerical staff and approximately 15 part-time employees. The compliment of full-time officers includes a Police Chief, one Deputy Chief, one Lieutenant, four Sergeants, one Detective, one School Resource Officer and 11 Patrol Officers. The Police Department maintains nine front-line vehicles, all of which are in excellent repair.

The Town is divided into three fire districts, each primarily covered by one of the Town’s four stations. The Central Fire Station is located in the Town Hall in Kennebunk’s Downtown; Washington Hose Company is in the Lower Village; West Kennebunk Fire Company is in West Kennebunk and a sub-station is located near the Town of Sanford’s line in West Kennebunk. Emergency medical services (“EMS”) are provided under the direction of the Fire Chief, utilizing per-diem on-call, and full-time personnel. The Fire Department is operated by eight full-time employees: a Fire Chief, one EMS Division Chief, Four Captains and two secretarial/clerical employees. Part-time, per-diem and on-call staff includes: three District Chiefs, two Captains, four Lieutenants and approximately 70 firefighters and EMS personnel.

The Fire Department maintains. EMS provided to the Town generates over transport-user fees. EMS currently maintains three active ambulances, with a fourth fully equipped ambulance held as a reserve.

The Town’s communications, dispatch and E-911 services for the Police and Fire Departments are provided by the Sanford Communications Center (“SCC”) operated by the City of Sanford, contiguous the Town. The SCC is a 24/7 operation which provides dispatch services to many communities in York County, as well as for the County Sheriff’s Department. The Town is charged an annual fee by Sanford based on a contractual formula.

Public Services

The Highway Department provides for highway maintenance of 112 center-line miles of roads, 33 miles of sidewalks and administers the Town’s solid waste and recycling program. The Parks Department maintains the Town’s parks and beaches. The department is staffed by a Director, 15 full-time employees, one secretarial/clerical part-time employee and five part-time employees.

The Town ceased using its landfill in 1992 and, in 1994, closed the site in conformance with State of Maine Department of Environmental Protection (the “DEP”) procedures. Residents of the Town dispose of their solid waste through curbside pick-up with the refuse taken to a transfer station located in Westbrook, Maine under a 10-year contract, entered into in 2013, with Pine Tree Waste, Inc. and Casella Waste Systems, Inc. [CWST-NASDAQ]. To dispose of its residential solid waste the Town pays a tipping fee to Pine Tree/Casella, adjusted annually based upon a contractual formula; currently the tipping fee is \$75.50/ton of solid waste disposed. The term of the disposal contract is from January 1, 2013 through June 30, 2025.

Labor Relations

The Town employs approximately 74 full-time and approximately 230 part-time employees. Town employees not included in the below table are not represented by unions. The contracts for the various bargaining units who are represented by a union are effective and expire as follows:

<u>Union</u> ⁽¹⁾	<u>Unit</u>	<u>Date of Contract</u>	<u>Expiration Date</u>
MAP	Police	July 1, 2015	June 30, 2018
Teamsters Local 340	Highway	July 1, 2015	June 30, 2018

Note: ⁽¹⁾ “MAP” indicates the Maine Association of Police; and “Teamsters” indicates the International Brotherhood of Teamsters, as separate bargaining units.

KENNEBUNK FREE LIBRARY

The Kennebunk Free Library began in 1881 as a Reading Room in Cobby's Store. On April 29, 1882 it officially opened as the Library with 500 volumes in the Ross-Sargent Block. Bequests from Andrew Walker, Mrs. Hartley Lord and George Parsons enabled the Library to expand. In October of 1888, the Library again moved, to Walker Hall, before moving to its present site on Main Street, in a Georgian Revival structure built by the Parsons family. The Children's Room, a young adult reading room and a Librarian's work room were added in 1958 to comprise a 4,200 square foot building. In 1995 the Library was expanded to a 12,050 square foot facility.

The Library is governed by an all-volunteer 15-member Board of Trustees, selected by the present Board members at their annual meetings, and is operated by a library director, an assistant director/adult services librarian and a youth services librarian. The Library's current collection is approximately 44,000 items (books, videos, audio books, magazines). In 2017, the Library circulated over 106,000 items with over 7,000 users. The Library is a non-profit institution, not a department of the Town. However, the Library receives a major portion of its operating budget from the Town, at the Town's discretion, from year to year, since 1899. The Town budgeted \$564,896, or 74.5% of the Library's operating revenue for the fiscal year ended June 30, 2018.

PUBLIC EDUCATION

Regional School Unit No. 21 (the "RSU") became effective on July 1, 2009. The RSU's territory comprises the towns of Arundel, Kennebunk, and Kennebunkport (the "Member Municipalities"). RSU 21 serves the educational needs for grades Kindergarten ("K") through 12 for all of the residents of the Member Municipalities. The RSU's administrative offices are in Kennebunk. Under the School Consolidation Act of 2007, the RSU operates pursuant to Title 20-A, Chapter 103-A of the Maine Revised Statutes, as amended.

The RSU was reorganized from the Arundel School Department, a municipal school unit, and the former Maine School Administrative District No. 71 ("MSAD 71"), which comprised the towns of Kennebunk and Kennebunkport. As of October 1, 2006, the Member Municipalities had individual enrollments of 251 in Arundel and 2,363 in MSAD71, each being lower than the 2,500 resident students' threshold directed by the School Consolidation Act of 2007 (the "Act"). The Member Municipalities submitted a *Regional School Unit Reorganization Plan* (the "Reorganization Plan") on October 10, 2008, as amended and supplemented and accepted by the Commissioner of Education on December 1, 2008. By ratification of the Reorganization Plan at referendum elections held in the Member Municipalities on November 4, 2008, school administrative units of the Member Municipalities were reorganized as Regional School Unit No. 21, effective July 1, 2009.

The RSU is governed by a Board of Directors (the "School Board"), which comprises twelve Directors who are elected for three-year staggered terms. The Directors' votes are weighted as follows:

<u>Municipality</u>	<u>Population (2006 Est. Census)</u>	<u>No. of Directors</u>	<u>Votes/Director</u>	<u>No. of Votes</u>
Arundel	4,068	3	69	207
Kennebunk	11,505	6	98	588
Kennebunkport	<u>4,021</u>	<u>3</u>	68	<u>204</u>
	19,594	12		999

The RSU's Schools

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>Capacity</u>	<u>Enrollment</u>
Kennebunk Elementary	Kennebunk	K-3	612	409
Mildred L Day	Arundel	K-5	297	235
Kennebunkport Consolidated	Kennebunkport	K-5	225	174
Sea Road School	Kennebunk	4-5	362	264
Middle School of the Kennebunks	Kennebunk	6-8	680	546
Kennebunk High School	Kennebunk	9-12	799	712

The Member Municipalities Assessments

<u>FY end</u> <u>June 30,</u>	<u>Arundel</u>		<u>Kennebunk</u>		<u>Kennebunkport</u>		<u>RSU 21</u> <u>Assessment</u>
	<u>Assessment</u>	<u>%</u>	<u>Assessment</u>	<u>%</u>	<u>Assessment</u>	<u>%</u>	
2012	\$3,918,960	13.27%	\$19,503,442	66.05%	\$6,107,648	20.68%	\$29,530,051
2013	4,109,823	13.55	19,544,108	64.44	6,677,507	22.02	30,331,438
2014	4,071,486	12.62	20,660,409	64.06	7,521,509	23.32	32,253,404
2015	4,126,255	12.58	20,829,596	63.52	7,837,533	23.90	32,793,384
2016	4,307,675	12.66	21,698,081	63.78	8,015,486	23.56	34,021,242
2017	4,529,366	12.48	22,708,581	62.57	9,055,448	24.95	36,293,395
2018	4,778,572	12.35	23,965,655	61.95	9,939,712	25.69	38,683,939

The RSU's Enrollments

<u>Oct. 1,</u>	<u>Arundel</u>		<u>Kennebunk</u>		<u>Kennebunkport</u>		<u>Total Resident Enrollment</u>	
	<u>Students</u>	<u>%</u>	<u>Students</u>	<u>%</u>	<u>Students</u>	<u>%</u>	<u>Students</u>	<u>%</u>
2017	380	16.00%	1,626	68.43%	370	15.57%	2,376	100.00%
2016	288	12.85	1,555	69.42	397	17.72	2,240	100.00
2015	324	14.29	1,571	69.30	372	16.41	2,267	100.00
2014	312	13.41	1,615	69.43	399	17.15	2,326	100.00
2013	313	13.22	1,646	69.51	409	17.27	2,368	100.00
2012	313	13.20	1,640	69.14	419	17.66	2,372	100.00
2011	308	13.07	1,625	68.97	423	17.95	2,356	100.00
2010	321	13.30	1,665	68.97	428	17.73	2,414	100.00
2009	317	12.75	1,727	69.47	442	17.78	2,486	100.00

NOTE: For years 2008 and prior, the Member Municipalities were not consolidated into RSU21, but were individual SAUs. FY 2006 to 2008 totals may include enrollment at non-resident SAU schools.

Resident Enrollment is based on where the students live. They are counts of students who reside in each school district and are educated at public expense. Public school district resident counts include: (1) resident students from the local school unit attending schools in the local school unit, plus (2) resident students from the local unit who are tuitioned to other public school units or private schools and who are paid for with public funds.

Attending Enrollment is an attending student count, or a head count of students, based on where the students are educated. Public school district attending counts include: (1) students from the local school district attending schools in the local school district, plus (2) students from outside the school district who are tuitioned from other school districts.

Enrollment Trends

Oct. 1,	RSU 21 Grades				Attending Enrollment
	K - 5	6 - 8	9 - 12	Non-Resident	
2017	1,071	540	707	21	2,339
2016	1,046	559	664	21	2,290
2015	1,054	511	672	21	2,258
2014	1,123	521	682	14	2,340
2013	1,180	517	671	5	2,373
2012	1,170	505	697	1	2,373
2011	1,144	500	712	5	2,361
2010	1,170	508	736	4	2,418
2009	1,162	526	798	6	2,492

Technical Education

Title 20-A, Chapter 313 of the Maine Revised Statutes, as amended, provides for “applied technology education” or a course or program of education which is designed to create or improve job-related skills that are part of a secondary school curriculum. The programs may be offered via an applied technology center (a “Center”) or an applied technology region (a “Region”). A Center is comprised of a single school administrative unit and its obligations are those of the unit. As Centers, the Portland Arts & Technology High School (“PATHS”) is owned, operated and maintained by the Department of Education of the City of Portland; the Biddeford Regional Center of Technology (“BRCT”) is owned, operated and maintained by the Department of Education of the City of Biddeford; the Sanford Regional Technical Center (“SRTC”) is owned, operated and maintained by the Department of Education of the City of Sanford. The law regarding the funding of PATHS, BRCT and SRTC was changed by Chapter 226 of the Private and Special Laws of Maine (1999) such that a sending SAU no longer pays per student tuition to Portland, Biddeford or Sanford but pays for attendance through a cost sharing agreement. State subsidy for PATHS, BRCT or SRTC no longer goes to Portland, Biddeford or Sanford but each SAU receives subsidy for Career Technical Education based on their costs for student enrollment the Center. The RSU currently sends 22 students to PATHS, 6 students to BRCT and 15 students to SRTC.

BUILDING PERMITS

Fiscal Year Ended June 30,	Commercial		Residential		Total	
	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost
2017	167	\$7,423,915	418	\$20,854,934	585	\$28,278,849
2016	195	44,410,905	370	23,706,571	565	68,117,476
2015	119	6,632,868	432	21,691,928	551	28,324,796
2014	221	2,612,550	391	18,608,385	612	21,220,935
2013	193	3,296,267	311	22,791,353	504	26,087,620
2012	237	46,144,062	402	24,674,584	639	70,818,646
2011	152	3,861,200	412	17,592,841	564	24,454,041
2010	182	4,144,062	419	18,330,806	601	22,474,868
2009	180	8,732,861	435	23,625,470	615	32,358,331
2008	119	6,871,227	483	24,229,907	602	31,101,134

RETAIL TRADE

**Retail Sales by Product Group and Consumer Sales
(\$/000)**

	Business/ Operating	Building Supply	Food Store	General Mdse.	Other Retail	Auto/ Trans.	Rest. & Lodging	Group Total	Consumer Sales
2017	7,947	23,419	29,009	5,815	16,611	6,023	60,338	46,403	141,215
2016	9,303	21,748	27,869	4,462	16,435	5,129	58,682	45,530	134,325
2015	8,215	19,240	21,089	4,146	15,729	4,749	53,899	127,068	118,852
2014	8,238	19,610	19,800	4,263	15,808	3,881	49,570	121,169	112,931
2013	7,871	20,245	18,943	3,338	15,734	2,988	48,042	117,161	109,290
2012	6,152	17,752	18,354	3,287	15,378	3,385	44,469	108,777	102,625
2011	5,876	15,991	16,426	3,462	14,977	2,856	42,879	102,466	96,590
2010	5,575	18,267	14,785	2,999	14,607	2,590	40,543	99,366	93,791
2009	4,980	18,844	14,860	2,533	13,262	2,578	38,677	95,733	90,753
2008	4,882	24,255	15,131	3,511	12,589	2,900	38,857	102,124	97,242

SOURCE: State of Maine, Department of Taxation, Sales Tax Section.

EMPLOYMENT

Representative Employer	Type of Business	Approximate Number of Employees
RSU 21	School Administrative Unit	475
Corning	Medical Lab Equipment Manufacturer	360
Kennebunk Savings Bank	Bank & Insurance	289
Home Instead Care Services	Home Care Services	170
Sunrise Senior Living	Assisted Living Facility	150
Southern Maine Medical / PrimeCare	Health Care	150
Town of Kennebunk	Town Government	130
RiverRidge Center	Brain Injury Rehab Center	122
Kennebunk Ctr for Health & Rehab	Assisted Living Facility & Rehabilitation	110
HMS Host	Turnpike Service	100
Northeast Coatings	Surface Coatings	97
The Hissong Group	Construction & Property Management	94
Plixer	Software	85
Hannaford	Food & Pharmacy	60
Atria	Assisted Living Facility	50
Downeast Energy	Petroleum Distributor	50
Garrett Pillsbury	Plumbing, Heating & Petroleum Dist.	45
KKW Water District	Water Utility	41
Tom's of Maine	Consumer Products	40
Bergen & Parkinson	Law Firm	37

Commuter Trends

People who work in Kennebunk, and live in:	Number of Workers	% Kennebunk Workforce
Kennebunk	1,664	31.73%
Sanford	454	8.66
Arundel	311	5.93
Biddeford	288	5.49
Wells	277	5.28
Waterboro	272	5.19
Lyman	225	4.29
Saco	207	3.95
Kennebunkport	183	3.49
Old Orchard Beach	106	2.02
South Portland	95	1.81
Shapleigh	95	1.81
Berwick	86	1.64
North Berwick	86	1.64
Portland	82	1.56
Buxton	71	1.35
Dayton	65	1.24
Scarborough	60	1.14
York	49	0.93
Kittery	44	0.84
All other	<u>525</u>	<u>10.01</u>
Total Workforce	5,245	100.00%

People who live in Kennebunk, and work in:	Number of Workers	% Kennebunk Workers
Kennebunk	1,664	32.56%
Portland	546	10.68
Biddeford	384	7.51
Kennebunkport	289	5.65
Sanford	179	3.50
Saco	175	3.42
Wells	165	3.23
Westbrook	122	2.39
Portsmouth NH	122	2.39
South Portland	107	2.09
Kittery	90	1.76
Waterboro	87	1.70
Scarborough	79	1.55
Arundel	75	1.47
York	74	1.45
Bath	62	1.21
Buxton	61	1.19
North Berwick	59	1.15
Lyman	31	0.61
Durham NH	29	0.57
All other	<u>711</u>	<u>13.92</u>
Total Workers	5,111	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2010 data.



ECONOMIC CHARACTERISTICS

Population	% Change			
	Town of <u>Kennebunk</u>	<u>Town</u>	<u>State</u>	<u>USA</u>
1960	4,551	6.5%	6.1%	18.5%
1970	5,646	14.1	2.4	13.4
1980	6,621	17.3	13.4	11.4
1990	8,004	20.9	9.2	9.8
2000	10,476	30.9	9.2	9.8
2010	10,798	3.1	4.2	8.9

Population Characteristics	<u>Town of Kennebunk</u>	<u>York County</u>	<u>State of Maine</u>	<u>USA</u>
Median age (years)	48.2	43.0	42.7	37.2
% school age	16.9%	16.1%	18.2%	20.4%
% working age	57.3%	59.8%	63.4%	62.9%
% 65 and over	21.9%	15.4%	15.9%	13.0%
Persons/household	2.27	2.40	2.32	2.58

Income	<u>Town of Kennebunk</u>	<u>York County</u>	<u>State of Maine</u>	<u>USA</u>
Median family income	\$85,476	\$65,077	\$58,185	\$62,982
% below poverty level	2.4%	8.5%	12.6%	13.8%
Per capita income	\$37,725	\$27,137	\$25,385	\$27,334

Housing	<u>Town of Kennebunk</u>	<u>York County</u>	<u>State of Maine</u>	<u>USA</u>
% owner occupied	93.6%	75.2%	73.1%	66.6%
% Built before 1939	25.8%	23.7%	28.1%	14.1%
% Built since 2000	13.7%	11.5%	8.9%	12.8%
Owner occupied med. value	\$298,300	\$233,300	\$176,200	\$188,400
Median gross rent	\$960	\$814	\$707	\$841
Occupied housing units	4,589	80,299	551,125	-

SOURCE: 2010 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	<u>Town of Kennebunk</u>	<u>York County</u>	<u>State of Maine</u>	<u>USA</u>
2017	3.1%	2.9%	3.3%	4.4%
2016	3.5	3.4	3.9	4.9
2015	4.0	3.9	4.4	5.3
2014	5.2	5.3	5.7	6.2
2013	6.5	6.2	6.7	7.4
2012	6.5	6.6	7.3	8.1
2011	6.6	6.8	7.5	8.9
2010	6.7	7.6	7.9	9.6
2009	7.0	7.6	8.0	9.3
2008	4.4	4.9	5.4	5.8

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

TOWN FINANCES

BUDGETARY PROCESS

Article V of the Charter provides for a Budget Process. The fiscal year (or “budget year”) of the Town begins on the first day of July and ends on the thirtieth day of June of the next year. A seven-member Budget Board, appointed by the Board of Selectman, reviews and recommends to the Town Meeting annual and long-range budget proposals, which articles are included in the warrant issued for the Annual Town Meeting. Not later than 120 days prior to the Annual Town Meeting, the Town Manager submits a proposed budget for the next budget year to the Board of Selectmen and to the Budget Board (the “proposed budget”). The Board of Selectmen reviews the proposed budget and prepare a final budget for submission to the Annual Town Meeting (the “final budget”). The Budget Board reviews the final budget and makes its recommendations to the Annual Town Meeting. The Board of Selectmen hold at least two public informational meetings on the budget the first held no less than 70 days and no more than 90 days before the Annual Town Meeting and the second no less than seven days and no more than 20 days, before the Annual Town Meeting. The Annual Town Meeting, in its vote of each article, approves or declines the items which form the Town’s budget. Pursuant to State law, if the Appropriation Resolve increases the property tax levy from the prior year by more than a specified Growth Limitation factor then the excess of the appropriation must be approved by a majority of the Town Meeting voters. The school budget is subject to referendum by the voters of the RSU through a Budget Validation process. Upon adoption of the budget, a property tax levy is then established and filed with the Town Assessor. Each year the Budget Board appoints one of its members to serve as its formal liaison with the Trustees of the Kennebunk Free Library and a different member as its formal liaison with the Board of RSU 21.

Budgets for Fiscal Year Ending June 30,

REVENUES:	2014	2015	2016	2017	2018
	\$29,645,59	\$30,236,11	\$31,267,37		\$34,320,20
Property taxes	2	1	7	\$32,775,484	8
Excise taxes	1,714,500	1,814,500	1,914,500	1,987,500	2,187,500
Intergovernmental	700,000	890,296	953,604	1,010,887	1,107,777
Interest	97,500	70,000	75,000	85,000	120,000
Charges for services	1,574,000	1,712,750	1,725,750	1,761,100	1,834,600
Misc.	152,913	154,066	99,000	90,759	170,000
TOTAL REVENUES	33,884,505	34,877,723	36,035,231	37,710,730	39,740,085
EXPENDITURES:					
General government	1,827,797	1,932,389	1,993,671	2,103,003	2,044,200
Public safety	3,943,260	4,029,088	4,090,386	4,243,635	4,402,576
Public works	1,147,023	1,164,881	1,238,867	1,303,272	1,357,698
Education	20,660,409	20,829,596	21,698,081	22,708,581	23,965,655
County Tax	1,272,817	1,281,995	1,312,679	1,347,775	1,382,926
Recreation & culture	1,202,270	1,331,448	1,364,338	1,415,207	1,464,426
Health & welfare	302,235	287,296	344,855	389,974	355,666
Employee benefits	1,599,207	1,712,761	1,835,900	1,969,033	2,090,110
Agency requests	32,115	32,115	32,100	32,100	33,100
Unclassified	542,724	730,249	491,861	594,841	517,927
TIF improvements	0	0	0	0	0
TOTAL EXPENDITURES	32,529,857	33,331,818	34,402,738	36,107,421	37,614,284
GROSS EXCESS REVENUES	1,354,648	1,545,905	1,632,493	1,603,309	2,125,801
OTHER FINANCING:					
Designated surplus	0	0		0	0
Undesignated surplus	792,193	850,000	1,390,113	1,176,637	996,000
Transfers in	4,000	4,000	4,000	4,000	4,000
Transfers out	(2,150,841)	(2,399,905)	(3,026,606)	(2,783,946)	(3,125,801)
TOTAL OTHER	(1,354,648)	(1,545,905)	(1,632,496)	(1,609,309)	(2,125,801)
NET EXCESS REVENUES	\$0	\$0	\$0	\$0	\$0

CAPITAL IMPROVEMENT PLAN

The Town has a Capital Improvement Program (“CIP”). The CIP includes a list of all capital improvements proposed within the next five succeeding fiscal years as an inventory of possible capital projects, some of which may ultimately be financed through the issuance of indebtedness. The issuance of debt, however, is subject to the prior review and recommendation of the Board of Selectman to the Town Meeting for voter approval. Traditionally, the Town sets aside reserves each year to provide funds which are ultimately used to finance the acquisition of various capital improvements. Other capital improvements are typically financed from appropriations from the Town’s current funds, for the respective fiscal year, or from federal or State grants, to the extent available. No official action has been taken by the Town at this time to authorize bonding for future projects in the CIP. The following displays the next ten years of the Town’s current Capital Improvement Plan:

Capital Improvement Plan

<u>Project</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Police Vech	\$51,000	\$114,000	\$84,000	\$94,000	\$114,000	\$42,000	\$84,000	\$114,000	\$126,000
Police Equip	110,600	14,600	15,300	13,900	59,400	36,100	44,100	20,000	5,000
Fire Vech & Equip	100,300	665,800	17,000	1,021,600	14,000	655,000	47,500	27,000	149,600
EMS Vech & Equip	0	283,000	18,000	317,000	37,800	301,000	0	266,000	56,600
EMA Equip (generators)	120,000	0	0	0	0	90,000	0	0	0
Public Ser Vech & Equip	686,000	324,500	260,000	361,000	210,000	412,000	133,800	320,000	8,450
Recreation Vech	0	0	0	0	0	0	0	0	50,000
Recreation Fac	0	400,000	35,000	60,000	25,000	40,000	25,000	70,000	140,000
Gen Govt Fac	284,500	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other Miscellaneous	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Sub-Total Vech & Equip	1,377,400	1,876,900	504,300	1,942,500	535,200	1,651,100	409,400	892,000	610,650
Roads & Sidewalks	1,600,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total	\$2,977,400	\$2,876,900	\$1,504,300	\$2,942,500	\$1,535,200	\$2,651,100	\$1,409,400	\$1,892,000	\$1,610,650

<u>Project</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2032</u>	<u>15 Year Total</u>	<u>15 Year Average</u>
Police Vech	\$84,000	\$0	\$42,000	\$84,000	\$114,000	\$124,000	\$1,271,000	\$84,733
Police Equip	22,600	23,800	30,000	17,500	17,500	17,500	447,900	29,860
Fire Vech & Equip	614,500	167,200	63,400	82,500	60,000	494,000	4,179,400	278,627
EMS Vech & Equip	0	285,800	70,000	248,000	16,000	250,800	2,150,000	143,333
EMA Equip (generators)	0	0	40,000	10,000	0	0	260,000	17,333
Public Ser Vech & Equip	225,000	640,000	270,000	170,000	205,000	119,500	4,345,250	289,683
Recreation Vech	85,000	85,000	0	0	120,000	0	340,000	22,667
Recreation Fac	45,000	0	40,000	0	0	0	880,000	58,667
Gen Govt Fac	50,000	50,000	50,000	50,000	50,000	50,000	984,500	65,633
Other Miscellaneous	25,000	25,000	25,000	25,000	25,000	25,000	375,000	25,000
Sub-Total Vech & Equip	1,151,100	1,276,800	630,400	687,000	607,500	1,080,800	15,233,050	1,015,537
Roads & Sidewalks	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	15,600,000	1,040,000
Total	\$2,151,100	\$2,276,800	\$1,630,400	\$1,687,000	\$1,607,500	\$2,080,800	\$30,833,050	\$2,055,537

NOTE: See “INDEBTEDNESS - FUTURE FINANCING” herein.

PROPERTY TAX LEVY LIMIT

As previous discussed, unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended the Town is limited to an increase in the Town’s property tax levy from one year to the next to an amount not more than its Property Tax Levy Limit (see “THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy” herein). The Property Tax Limit for subsequent fiscal years is the Property Tax Levy Limit for the

preceding year multiplied by the Growth Limitation Factor. Therefore, in cases where the amount of the prior year's Property Tax Levy Limit exceeds the amount of the Town's actual property tax levy ("Property Tax Levy"), the Town may carry-forward that difference in establishing its future years' property tax levy. The following table displays the Town's limitation on Municipal Property Tax Levy:

Fiscal year:	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>
State Personal Income Factor:	1.05%	1.09%	0.86%	0.75%	1.03%
Local Property Growth Factor:	<u>0.80</u>	<u>2.53</u>	<u>2.04</u>	<u>2.67</u>	<u>2.84</u>
Growth Limitation Factor:	1.85%	3.62%	2.90%	3.42%	3.87%
Property Tax Levy Limit:	\$6,892,197	\$7,141,695	\$7,348,804	\$7,577,302	\$7,934,058
Property Tax Levy:	<u>6,313,472</u>	<u>6,584,061</u>	<u>6,870,620</u>	<u>7,163,063</u>	<u>7,319,507</u>
Over/(below) Prop Tax Levy Limit:	(\$578,725)	(\$557,634)	(\$478,184)	(\$414,239)	(\$614,551)

FUND BALANCE POLICY

On July 9, 2013 the Town established, and follows, a formal policy that recognizes the importance of maintaining an appropriate level of unrestricted fund balance in order to comply with Governmental Accounting Standards Board ("GASB") Statement 54 ("GASB 54"). The purpose of the policy is to establish a target level of fund balance for the General Fund and to establish a process and criteria for the continued evaluation of that target level as conditions warrant. After evaluating the Town's operating characteristics, property tax base, reliability of non-property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town establishes goals regarding to the unrestricted fund balances of the General Fund of the Town.

In its policy the Town recognizes the importance of maintaining an appropriate level of Unassigned Fund Balance and has established goals regarding the Unassigned Fund Balance of the General Fund for the Town. The level of fund balance that the Town strives to maintain as unassigned is an amount equal to 16.7% of the Town's General Fund Budget (i.e., an amount equal to two (2) months) operating expenses from the then current operating budget. Once the Town achieves its goal of an appropriate level of Undesignated Fund Balance, any excess funds may be utilized for other municipal fiscal purposes, including, without limitation, additional capital improvement needs or tax rate stabilization or reduction purposes. The following displays the Town's respective General Fund Balances for its five most recent audited fiscal years:

	<u>Fiscal Year Ended June 30,</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assigned and Unassigned General Fund Balance	\$7,576,962	\$8,254,400	\$7,857,723	\$5,455,629	\$8,751,126
Total Revenues (Current Year)	33,365,015	35,121,495	35,361,083	36,944,282	38,644,618
Fund Balance as % Revenues	22.71%	23.50%	22.22%	22.89%	22.65%
Unassigned General Fund Balance	\$7,444,341	\$8,154,810	\$7,724,589	\$8,245,414	\$8,587,397
Budgeted Revenue	32,031,797	34,269,730	34,877,723	36,035,230	37,728,971
Fund Bal as % Budgeted Revenue	23.24%	23.80%	22.15%	22.88%	22.76%

INVESTMENT POLICY

The Town established, and follows, a formal Investment Policy since December 30, 2002. Pursuant to its policy and applicable Maine law [Title 30-A, Section 5706 et seq. of the Maine Revised Statutes, as amended (the "Act")], all investments of the Town must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and

maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements with which a fund is charged, that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town's investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in direct obligations of the United States government and its agencies. The Town is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, and Article III, Section 3.07 of the Charter provide for independent annual audits of the Town's accounts and establishes procedures for such audits. The Town of Kennebunk, in conformance with this statute and its Charter, currently engages the services of RHR Smith & Company ("RHR Smith"), Certified Public Accountants. The Town's fiscal year 2017 Annual Report, audited by RHR Smith, is presented as APPENDIX A to this Official Statement. The Town has not requested the consent of RHR Smith for the incorporation of the Financial Statements included in APPENDIX A, nor has it been received.

FUNDS

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The Town has the following fund types:

Governmental Funds are used to account for most governmental functions of the Town. Governmental Funds include the following fund types:

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.

Special Revenue Funds account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting governments' programs.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board of Selectmen has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary Funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's Fiduciary Funds include the following types:

Private Purpose Trust Funds are used to report any trust arrangements under which principal and income benefit individuals, private organizations, and other governments and that are not accounted for in other fiduciary funds.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

TOWN OF KENNEBUNK
COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of June 30,)

	2017	2016	2015	2014	2013
ASSETS					
Cash	\$13,814,702	\$13,730,476	\$11,215,048	\$13,624,352	\$4,976,032
Investments	1,675,202	1,664,799	1,654,915	1,644,405	4,887,361
Accounts receivable:					
Taxes	722,788	717,802	885,827	698,098	764,121
Liens	177,456	196,210	186,235	152,393	205,061
Other	146,677	274,047	165,585	156,911	87,400
Tax acquired property	72,594	295,962	266,473	248,736	231,483
Prepaid	339,338	0	0	0	0
Due from other funds	717,912	218,675	768,160	451,986	1,824,110
TOTAL ASSETS	17,666,669	17,097,971	15,142,243	16,976,881	12,975,568
LIABILITIES					
Accounts payable	689,656	421,513	882,567	831,827	230,510
Accrued payroll	414,066	280,469	214,564	458,696	356,426
Other liabilities	496,801	595,508	786,053	663,616	658,118
Due to other funds	4,805,143	5,006,761	2,518,901	4,552,021	2,038,535
TOTAL LIABILITIES	6,405,666	6,304,251	4,402,085	6,506,160	3,283,589
DEFERRED					
Deferred Revenue	252,270	228,519	210,946	196,030	241,159
Deferred Taxes	811,783	839,988	896,070	773,222	802,349
TOTAL DEFERRED	1,064,053	1,068,507	1,107,016	969,252	1,043,508
FUND EQUITY					
Non-spendable	339,338	295,962	266,473	248,736	231,483
Restricted	0	0	0	0	0
Committed	1,106,486	673,349	1,508,946	998,333	840,026
Assigned	163,729	210,215	133,134	99,590	132,621
Unassigned	8,587,397	8,545,687	7,724,589	8,154,810	7,444,341
TOTAL FUND EQUITY	10,196,950	9,725,213	9,633,142	9,501,469	8,648,471
TOTAL LIABILITIES AND FUND EQUITY	\$17,666,669	\$17,097,971	\$15,142,243	\$16,976,881	\$12,975,568

Prepared from Audited Financial Statements

TOWN OF KENNEBUNK
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND
(For the Years Ended June 30,)

	2017	2016	2015	2014	2013
REVENUES					
Taxes:					
Property	\$32,720,039	\$31,329,155	\$30,068,996	\$29,744,800	\$28,201,193
Excise taxes	2,482,680	2,311,889	2,165,766	2,056,887	1,903,217
Intergovernmental	1,082,979	973,288	977,984	996,149	1,266,571
Charges for service	2,094,279	2,067,053	1,900,783	2,040,856	1,659,327
Miscellaneous	264,641	236,170	247,554	282,803	334,707
TOTAL REVENUES	38,644,618	36,917,555	35,361,083	35,121,495	33,365,015
EXPENDITURES					
General government	2,008,444	1,946,233	1,888,089	1,790,963	1,686,967
Public safety	4,106,933	3,939,144	3,913,171	3,827,191	3,719,964
Public works	1,392,079	1,135,193	1,314,450	1,182,428	1,161,262
Education	22,708,581	21,698,081	20,829,596	20,660,409	19,544,108
County tax	1,347,775	1,312,678	1,281,995	1,272,817	1,152,525
Recreation and culture	1,409,622	1,412,686	1,386,126	1,321,385	1,211,130
Health and welfare	336,913	333,348	287,885	272,622	278,106
Employee benefits	1,961,045	1,825,977	1,710,335	1,582,080	1,518,584
Agency request	32,100	30,900	30,585	32,115	32,115
Unclassified	127,357	206,552	129,187	112,495	102,289
TOTAL EXPENDITURES	35,430,849	33,840,792	32,771,419	32,054,505	30,407,050
EXCESS OF REVENUES OVER EXPENDITURES	3,213,769	3,076,763	2,589,664	3,066,990	2,957,965
OTHER FINANCING SOURCES:					
Operating transfers	(2,742,032)	(2,984,692)	(2,457,991)	(2,213,992)	(2,539,270)
TOTAL OTHER FINANCING	(2,742,032)	(2,984,692)	(2,457,991)	(2,213,992)	(2,539,270)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	471,737	92,071	131,673	852,998	418,695
FUND BALANCE, JULY 1	9,725,213	9,633,142	9,501,469	8,648,471	8,229,776
FUND BALANCE, JUNE 30	\$10,196,950	\$9,725,213	\$9,633,142	\$9,501,469	\$8,648,471

Prepared from Audited Financial Statements

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town Assessor, with assessed values as of April 1 of each year, after which time the tax bills are due in two installments. For fiscal year 2017/2018 the tax due dates are October 6, 2017 and April 6, 2018. All taxes paid after the due dates are subject to interest, established under Title 39, Section 186 of the Maine Revised Statutes, as amended, currently at the rate of 7.0% per annum.

Real Estate Taxes

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town.

Business Personal Property Taxes

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, various types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: Office furniture; Lamps and lighting fixtures used to provide general purpose office or worker lighting; Property owned or used by public utilities and persons providing certain television/telecommunications services; Telecommunications personal property subject to the tax imposed by section 457 of Title 36; Gambling machines or devices and associated equipment; Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of three formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula any year in which the alternative reimbursement formula provides a higher level of reimbursement than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".

3. Municipal Retention TIF Districts – Certain TIF districts that were enacted prior to April 1, 2008 entitle a municipality to receive reimbursement at a rate of up to 100% for exempt business equipment that is TIF exempt business equipment as defined in Title 36, Section 691(1)(G) of the Maine Revised Statutes, as amended. The increased reimbursement percentage is based on the tax increment percentage allocated to the municipality, as provided in Title 36, Section 694(2)(C) of the Maine Revised Statutes, as amended.

For the purposes of identifying the municipality’s valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality’s local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district.

The value of all property made exempt by this law in the Town will also be considered part of that municipality’s equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district. The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State’s General Fund, rather than as an annual General Fund appropriation.

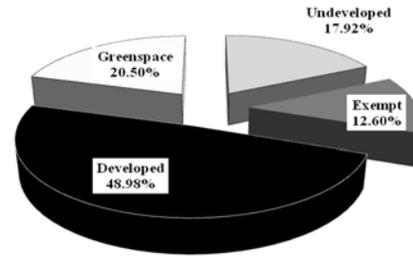
Tax Levy and Collections

Fiscal Yr. End June 30,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (after Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy a/o 08/31/17
2018	\$2,380,350	\$2,073,728	\$16.55	\$34,320	----- In Process -----		
2017	2,316,900	2,061,351	15.90	32,775	\$32,086	97.89%	99.0%
2016	2,245,800	2,043,619	15.30	31,267	30,567	97.85	99.5
2015	2,159,200	2,029,269	14.90	30,236	29,337	97.03	99.8
2014	2,085,300	1,991,757	14.95	29,777	29,067	97.62	99.8
2013	2,097,550	1,944,205	14.40	27,997	27,257	97.36	99.9
2012	2,128,300	1,936,881	14.40	27,891	27,085	97.11	99.9
2011	2,126,200	1,922,409	14.30	27,490	26,816	97.55	99.9
2010	2,288,950	1,897,950	13.95	26,476	25,781	97.37	99.8
2009	2,360,650	1,886,460	13.85	26,135	25,360	97.43	99.9
2008	2,326,650	1,866,643	12.85	23,986	23,290	97.10	99.9

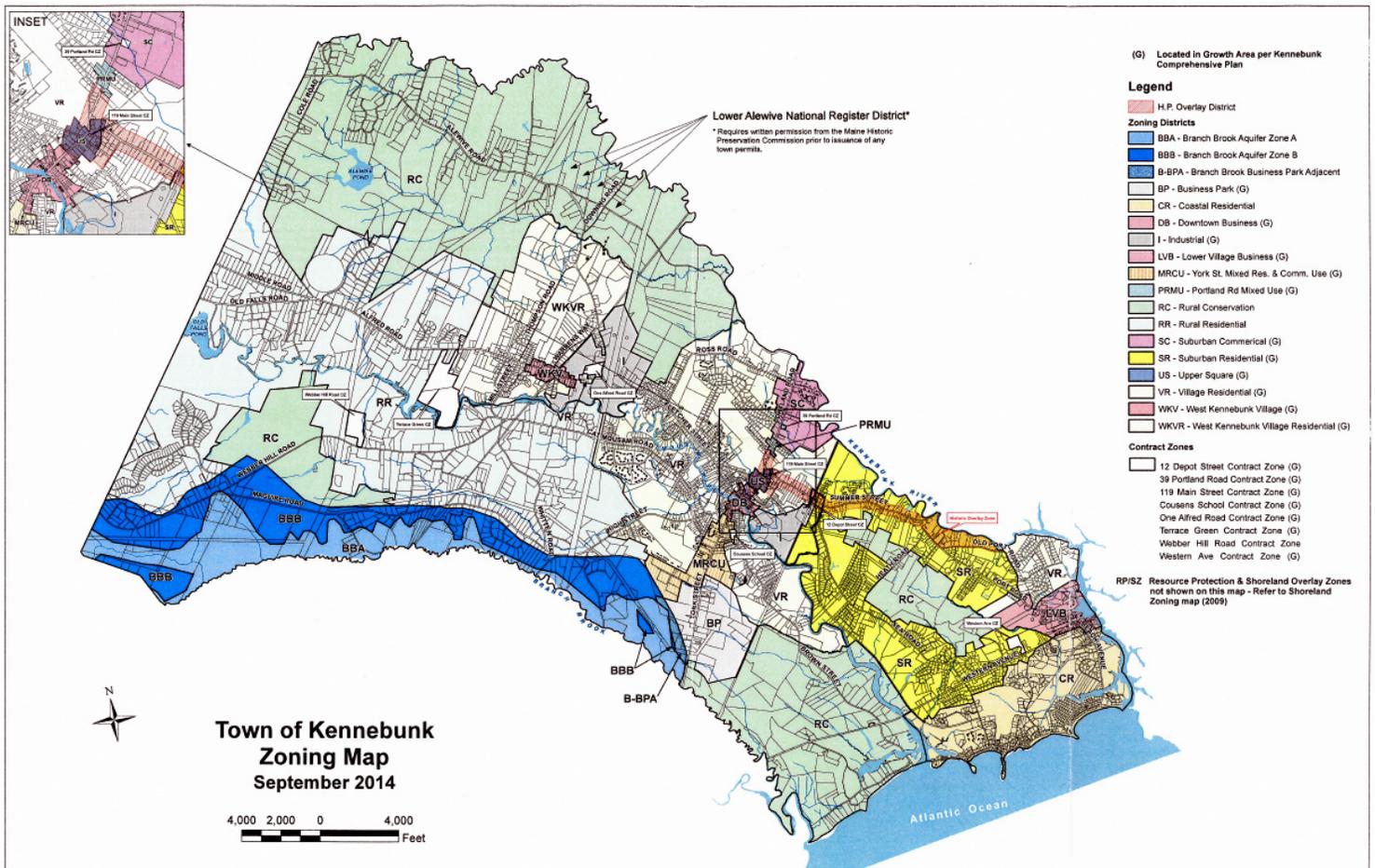
CURRENT TAX BASE AND TAX BASE GROWTH

The Town's land area is comprised of 35.05 square miles or 22,432 acres. Including approximately 8.82 square miles of water, the Town's consolidated area is 43.87 square miles. The below table and chart displays the composition of land area available for tax base, and the potential for future tax base by the conversion of land from undeveloped to developed.

<u>By Land Area (acres)</u>	<u>Acres</u>	<u>% Total</u>
Undeveloped ⁽¹⁾	4,019	17.92%
Exempt	<u>2,827</u>	<u>12.60</u>
Sub-total	6,846	30.52%
Developed	10,988	48.98%
Greenspace ⁽²⁾	<u>4,598</u>	<u>20.50</u>
Total Town	22,432	100.00%



NOTE: ⁽¹⁾ May include Town-owned property that may be sold for development; or an undetermined amount of land that cannot be developed. ⁽²⁾ Includes Resource Protection; Parks & Open Space; and Stream Protection, which land is not currently viewed as developable by the Town.



LARGEST TAXPAYERS

		As of April 1, 2017 (\$)				
<u>Taxpayer</u>	<u>Business</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Assessed Total</u>	<u>Property Tax</u>	<u>% of Levy</u>
Central Maine Power Co	Electric Utility	\$49,656,600	\$10,300	\$49,666,900	\$821,987	2.40%
Corning Inc	Lab Eq Manf	10,009,400	10,043,200	20,052,600	331,871	0.97
Shape Drive Medical Ctr LLC	Medical Fac	19,464,400	0	19,464,400	322,136	0.94
Sunrise Kennebunk Sr Lvg LLC	Ass'td Living Fac	17,855,500	0	17,855,500	295,509	0.86
Kennebunk Savings Bank	Bank & Insur	12,893,900	2,701,700	15,595,600	258,107	0.75
Maritimes & Northeast Pipeline	Natural Gas Pipe	8,000,000	0	8,000,000	132,400	0.39
VTR Kennebunk LLC	Ass'td Living Fac	7,604,400	0	7,604,400	125,853	0.37
Farley, William F	Residence	5,575,900	0	5,575,900	92,281	0.27
HMS Host Family Restaurant	Turnpike Ser Ctr	4,645,800	851,300	5,497,100	90,977	0.27
Hannaford	Grocery	3,714,400	1,566,000	5,280,400	87,391	0.25
Top Ten Taxpayers				\$154,592,800	\$2,558,512	7.45%

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enables a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) for a period of up to 30 years and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of all TIF districts and the aggregate original assessed value of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any each such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, Subsection 3.

The increase in assessed value captured by the municipality is excluded from the municipality’s equalized just value for each year’s State valuation filed with the Secretary of State in accordance with Title 36, Sections 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality’s share of State educational aid, State municipal revenue sharing, the county tax or the 15% debt limitation for the municipality pursuant to Title 30-A, Section 5702 of the Maine Revised Statutes, as amended.

The Town has designated various tax increment financing districts and may consider proposals for other districts on an ongoing basis. All districts will be evaluated based upon the Town’s comprehensive plan for economic development, which includes tax increment financing as one of its aspects. In no event will the Town’s districts exceed the statutory limitation of total area and aggregate equalized value within all districts, determined as of their date of designation, as set out above.

REVENUES FROM THE STATE

The State provides revenue to the Town in a number of areas including aid to the Town in a number of areas including education and road maintenance, reimbursement for general assistance, homestead exemption and BETE and revenue sharing. The amount of revenue in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State disbursements are governed by laws that may be changed by the State Legislature are subject to appropriation by the State Legislature in its budgetary process.

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. The following table displays revenue received by the Town from the State for the last five audited fiscal periods. Revenues received by the Town from the State in future years could, however, be less than any of the amounts set forth in the following table (see “TOWN FINANCES – REVENUES FROM THE STATE - The 2014/2015 Biennium State Budget” herein). The following table displays state aid received by the Town for the last five audited fiscal periods:

Yr. end June 30,	Revenue Sharing	Road Assistance	Reimbursements				Other State	Total
			Homestead Exemption	BETE	Veterans	General Assistance		
2017	\$383,951	\$149,156	\$220,879	\$232,355	\$11,515	\$11,819	\$73,304	\$1,082,979
2016	427,435	149,764	160,112	241,115	11,087	13,334	0	1,002,847
2015	407,584	148,236	166,423	219,575	10,741	6,212	19,213	977,984
2014	446,653	169,772	157,389	216,157	11,383	6,563	0	1,007,917
2013	665,810	166,689	171,448	214,664	10,987	17,978	18,995	1,266,571

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes, as amended, “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.”

Title 30-A, Section 5703 of the Maine Revised Statutes, as amended, provides that the limitations on municipal debt contained in Section 5702 do not apply "... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, Chapter 110, Subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt."

On January 1, 2018 the Town's equalized state valuation ("equalized State Valuation") was \$2,380,350,000. The 15% debt limit is \$357,052,500. As of June 30, 2017 the Town's long-term debt was \$10,330,000 or 0.43% of the equalized State Valuation. The Town will certify on the date of issue of the Bonds that the Town has not exceeded the foregoing debt limits and that issuance of the Bonds will not cause the Town to exceed such debt limits.

DEBT SUMMARY

The Town's general obligation bonds payable at June 30, 2017 (audited) and projected for June 30, 2018 (unaudited) are comprised of the following individual issues:

<u>Year Issued</u>	<u>Purpose</u>	<u>Amount Issued</u>	<u>Date of Final Maturity</u>	<u>Balance on June 30, 2017</u>	<u>Paid or Ref'd'd</u>	<u>Balance on June 30, 2018</u>
2007	Various CIP	1,360,000	10/1/2026	\$500,000	(500,000)	\$0
2010	Various CIP	6,252,000	10/1/2029	3,590,000	(380,000)	3,210,000
2013	Various CIP	5,244,000	10/1/2028	3,520,000	(520,000)	3,000,000
2016	Various CIP	3,049,000	10/1/2030	2,720,000	(330,000)	2,390,000
				10,330,000	(1,730,000)	8,600,000
2018	Various CIP	4,755,922,000	10/1/2032	0	0	4,755,922,000
2018	Refunding	389,078	10/1/2026			389,078
				\$10,330,000	(\$1,730,00)	\$13,745,000

DEBT RATIOS

<u>Fiscal Yr. End June 30,</u>	<u>Population</u>	<u>Equalized State Val. (000)</u>	<u>Assessed Valuation (000)</u>	<u>Total Debt</u>	<u>Debt as % Eq. Val.</u>	<u>Per Capita Debt</u>
2017	10,798	\$2,316,900	\$2,061,351	\$10,330,000	0.45%	\$956.66
2016	10,798	2,245,800	2,043,619	11,609,000	0.52	1,075.11
2015	10,798	2,259,200	2,029,269	9,535,000	0.42	883.03
2014	10,798	2,085,300	1,991,757	10,764,000	0.52	996.85
2013	10,798	2,097,550	1,944,205	6,685,000	0.32	619.10
2012	10,798	2,128,300	1,936,881	7,445,000	0.35	689.48
2011	10,798	2,126,200	1,922,409	8,200,000	0.39	759.40
2010	10,798	2,288,950	1,897,950	8,957,000	0.39	829.51
2009	10,476	2,360,650	1,886,460	3,075,000	0.13	293.53
2008	10,476	2,326,650	1,866,643	3,445,000	0.15	328.85

PROJECTED PRINCIPAL PAYMENTS, BY ISSUE

FY End June 30,	2007	2010	2013	2016	2018	Total Debt
2018	\$50,000	\$380,000	\$520,000	\$330,000	\$0	\$1,280,000
2019	50,000	380,000	455,000	330,000	590,000	1,755,000
2020	50,000	380,000	360,000	330,000	590,000	1,660,000
2021	50,000	370,000	360,000	330,000	590,000	1,650,000
2022	50,000	370,000	360,000	290,000	590,000	1,610,000
2023	50,000	370,000	300,000	230,000	585,000	1,485,000
2024	50,000	370,000	300,000	230,000	425,000	1,325,000
2025	50,000	370,000	175,000	150,000	425,000	1,120,000
2026	50,000	120,000	175,000	150,000	425,000	870,000
2027	50,000	120,000	175,000	70,000	425,000	790,000
2028		120,000	170,000	70,000	375,000	735,000
2029		120,000	170,000	70,000	25,000	385,000
2030		120,000		70,000	25,000	215,000
2031				70,000	25,000	95,000
2032					25,000	25,000
2033					25,000	25,000
6/30/2017	50,000	3,590,000	3,520,000	2,720,000	5,145,000	15,025,000
paid	(50,000)	(380,000)	(520,000)	(330,000)	(590,000)	(1,280,000)
6/30/2018	\$0	\$3,210,000	\$3,000,000	\$2,390,000	\$4,555,000	\$13,745,000

NOTE: Shaded items are expected to be refunded from a portion of the proceeds of the 2018 Bonds.

PROJECTED DEBT SERVICE REQUIREMENTS

Fiscal Yr. End June 30,	Prior Debt				Projected Debt (This Issue)			Projected Total Debt Service
	Principal	Interest	(less Ref'd'd)	Total Debt	Principal	Interest	Total Debt	
2018	\$1,280,000	\$293,724	\$0	\$1,573,724	\$0	\$0	\$0	\$1,573,724
2019	1,215,000	251,874	(70,750)	1,396,124	\$590,000	198,249	788,249	2,184,373
2020	1,120,000	215,749	(68,625)	1,267,124	590,000	210,500	800,500	2,067,624
2021	1,110,000	185,024	(66,250)	1,228,774	590,000	181,000	771,000	1,999,774
2022	1,070,000	155,871	(63,750)	1,162,121	590,000	151,500	741,500	1,903,621
2023	950,000	127,606	(61,250)	1,016,356	585,000	122,125	707,125	1,723,481
2024	950,000	98,850	(58,750)	990,100	425,000	96,875	521,875	1,511,975
2025	745,000	72,706	(56,250)	761,456	425,000	75,625	500,625	1,262,081
2026	495,000	53,231	(53,750)	494,481	425,000	54,375	479,375	973,856
2027	415,000	38,522	(51,250)	402,272	425,000	33,125	458,125	860,397
2028	360,000	25,575	0	385,575	375,000	13,125	388,125	773,700
2029	360,000	13,744	0	373,744	25,000	3,375	28,375	402,119
2030	190,000	4,675	0	194,675	25,000	2,625	27,625	222,300
2031	70,000	788	0	70,788	25,000	1,875	26,875	97,663
2032	0	0	0	0	25,000	1,125	26,125	26,125
2033	0	0	0	0	25,000	375	25,375	25,375
TOTAL	\$10,330,000	\$1,537,938	(\$550,625)	\$11,317,313	\$5,145,000	\$1,145,874	\$6,290,874	\$17,608,187

DEBT SERVICE COMPONENT OF OPERATING EXPENSES

	Audited				Budgeted
	2014	2015	2016	2017	2018
Total Current Year Debt Service:	\$1,202,982	\$1,069,507	\$795,354	\$1,096,038	\$1,058,771
(less TIF Funds):	<u>260,610</u>	<u>484,490</u>	<u>474,809</u>	<u>528,897</u>	<u>672,039</u>
Tax-backed Debt:	1,463,592	1,553,997	1,270,163	1,624,934	1,730,810
Budgeted Operating Expense:	\$33,518,096	\$34,325,416	\$35,110,955	\$37,055,782	\$38,191,966
Debt Ser as % Oper. Expense:	4.37%	4.53%	3.62%	4.39%	4.53%

OVERLAPPING DEBT

County of York

The Town is subject to an annual assessment of its proportional share of the County of York’s (the “County”) expenses, including debt repayment, as determined by the percentage of the Town’s equalized State Valuation to the County’s equalized State Valuation. At January 1, 2018 the Town’s equalized State Valuation of \$2,380,350,000 was 7.51% of the County’s equalized State Valuation of \$31,714,050,000. The Town’s share of the County’s debt as of June 30, 2017 is 7.51%, or \$380,158, of the County’s \$5,064,946 projected long-term debt outstanding. This share of debt represents approximately 0.016% of debt as a percentage of the Town’s 2018 equalized State Valuation; and \$35.21 of the Town’s per capita debt.

RSU 21

The Town is responsible for its proportionate share of the former MSAD No. 71’s portion of RSU 21’s long-term debt and its proportionate share of RSU 21’s direct long-term debt. The debt service is included in RSU 21’s annual assessment to the Town. For the fiscal year ending June 30, 2018 the Town was assessed for \$23,965,655 of its portion of RSU 21’s 2017/2018 total municipal assessments of \$38,683,939 (or 61.95%). As of June 30, 2017, the RSU’s total long-term debt outstanding was \$65,101,203 and the Town’s share of debt was \$33,402,958, or 51.34% of the RSU’s debt. This represents approximately 1.40% of debt as a percentage of the Town’s 2018 equalized State Valuation; and \$3,095.29 per capita debt.

CONTINGENT DEBT

The Town does not have any obligations for which it is responsible for on a contingent basis.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Kennebunk	\$10,330,000			\$10,330,000
County of York		\$380,158		380,158
RSU 21		33,402,958		33,402,958
Total A/O June 30, 2017	\$10,330,000	\$33,783,116	\$0	\$44,113,116
Debt as % Eq State Valuation	0.43%	1.42%	0.00%	1.85%
Per Capita Debt	\$956.66	\$3,128.65	\$0.00	\$4,085.30

FUTURE FINANCING

The Town Manager develops a formal Capital Improvement Program that is submitted to the Town's Board of Selectmen (see "TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM" herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in the CIP, and is be an indication of future projects that may be financed through the issuance of debt. Through its Town Meeting's the Town's voters must approve orders issuing debt. Other than the Bonds of this financing the Town has no authorized but un-issued debt that it expects to finance through bond issues over the next year.

Authorized but Unissued

At June 13, 2017 Annual Town Meeting, the voters of the Town approved Article 7, Referendum Question 5, which authorized bonds, in the amount not to exceed \$2,686,000, to provide funds to finance the construction, replacement and repair of the Town Garage, and the Solid Waste Transfer and Recycling Facility (the "Projects"). The Town intends to finance the Projects in calendar year 2019.

2018 CIP Projects

While not yet authorized, the voters at the June 12, 2018 Town Meeting will be asked to consider approval of Bonds to provide funds to finance the following projects (the "2018 CIP Projects"):

<u>Article</u>	<u>Question</u>	<u>Project</u>	<u>Amount to be Considered</u>
5	3	Public Service tractors (snow blower/mower) and debris vacuum	\$372,000
6	4	Road, sidewalk and/or seawall paving, repair or replacement	1,290,500
7	5	Road and sidewalk paving	<u>1,078,400</u>
2018 CIP			\$2,740,900

Should the 2018 Projects, if any, be approved by the voters than the Town does not expect to issue Bonds until on or after calendar year 2019.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN

Plan Description

The Town is a "participating local district" pursuant to Regular Plan AC and Special Plan 2C of the Consolidated Plan for Participating Local Districts ("CPPLD") and contributes to Maine Public Employees Retirement System's ("MainePERS") successor to the Maine State Retirement System ("MSRS"), a cost-sharing multiple-employer defined benefit pension plan. MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS. MainePERS is established and administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The CPPLD provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the MainePERS, PO Box 349, Augusta, ME 04333-0039 or by calling (800) 451-9800.

Benefits Provided

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's Police Department employees are part of the CPPLD's Special Plan 2C and are required to contribute 8.0% of their annual salary, while all other eligible employees are part of the Regular Plan AC and are also required to contribute 8.0% of their annual salary. The Town is required to contribute 9.1% of the Special Plan 2C members' covered payroll and 9.5% of the Regular Plan AC members' covered payroll during the year. The contribution requirements of plan members and the Town are established and may be amended by the MainePERS advisory group. The Town's contribution to the MainePERS CPLD for the year ended June 30, 2017 was \$207,672.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a liability of \$2,035,581 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2016, the Town's proportion was 0.38311%, which was a decrease of 0.038888% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized total pension expense of \$130,808. As of June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience:	\$24,676	\$130,926
Changes of Assumptions:	218,220	-
Net difference between projected and actual earnings on pension investments:	752,214	313,061
Changes in proportion and differences between contributions and proportionate share of contributions:	34,967	101,939
The Town's contributions subsequent to the measurement date:	207,672	-
Total:	<u>\$1,237,749</u>	<u>\$545,926</u>

\$207,672 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>PLD Plan</u>
2017	\$88,234
2018	60,966
2019	217,630
2020	117,320

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation, methodology and assumptions are detailed in "APPENDIX A - TOWN OF KENNEBUNK, MAINE, ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017", pages 46 et seq, herein.

B. DEFINED CONTRIBUTION PLAN

The Town offers its employees a defined contribution plan in accordance with Section 401 of the Internal Revenue Code, as amended, through the International City Management Association Retirement Corporation (ICMA-RC). The plan, available to all full-time Town employees unless the employee is actively participating in MainePERS's defined benefit pension plan, permits the employee to defer a portion of salary until retirement.

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the Board of Selectmen. Under the 401 plan, 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. For the year ended June 30, 2017, employee contributions totaled \$94,152, and the Town recognized pension expense of \$59,125.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions after completion of 3 years of creditable service with the Town. Non-vested Town contributions are forfeited upon termination of employment. Such forfeitures may be used to cover a portion of the pension plan's administrative expenses, as well as the Town's matching contribution for the 401 plan.

C. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all 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 may contribute up to federal statutory limits of their annual covered salary. 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 employees' contributions for the plan for the years ended June 30, 2017 and 2016 were: \$108,858 and \$143,485 respectively.

D. OTHER RETIREMENT

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$410,870, \$390,113, and \$380,919, for the years ended June 30, 2017, 2016 and 2015, respectively.

E. OTHER POST-EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB 45") addresses the reporting and disclosure requirements for other post-employment benefits ("OPEB"). GASB 45 was implemented, as required, by the Town for the year ended June 30, 2009. GASB 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as Maine PERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. The Town does not supplement the cost of this coverage directly, but recognizes the liability for inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of January 1, 2017, the date of the most recent Actuarial Valuation Report, there were three retirees and 52 employees.

Benefits provided – The Town provides medical and prescription drug coverage to retirees and their eligible spouses and dependents. Pre-Medicare retirees are offered the same plans that are available to the active employees. The plans are provided through the Health Trust, and include the Comprehensive Point of Service Plan C and the PPO 500 Value Plan.

Funding policy – Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligations - The Town’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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town’s annual OPEB cost for the fiscal year ended June 30, 2017 including the amount actually contributed to the plan and the change in the Town’s net OPEB obligation using the level of funding amortization method is as follows:

Normal Cost:	\$19,349
Amortization of UUAL:	17,972
Interest:	<u>739</u>
Annual Required Contribution (“ARC”):	38,060
Interest on net OPEB Obligation:	11,446
Adjustment to ARC:	<u>(16,548)</u>
Annual OPEB Cost:	32,958
Contributions Made:	<u>(5,577)</u>
Increase in Net OPEB:	27,381
Net OPEB – beginning of year:	<u>286,142</u>
Net OPEB – end of year:	\$313,523

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2017, June 30, 2016, June 30, 2015, June 30, 2014, June 30, 2013 and June 30, 2012 are as follows:

FY ending	Annual OPEB Cost (“AOC”)	Actual Contribution	% of OAC Contributed	Net OPEB Obligation
06/30/2012	\$33,771	\$0	\$0	\$192,546
06/30/2013	26,088	0	0	216,634
06/30/2014	25,658	0	0	240,292
06/30/2015	27,200	0	0	263,271
06/30/2016	26,790	0	0	286,142
06/30/2017	32,958	0	0	313,523

The Town does not believe that its OPEB liabilities, as determined pursuant to GASB 45, have a material impact on its current financial condition or operations. The Town has monitored and will continue to monitor its OPEB liabilities as determined pursuant to GASB 45. The Town does not, however, offer any assurance as to the impact, if any, of future OPEB liabilities, as determined pursuant to GASB 45, on the Town’s future financial condition or operations. For additional information about the Town’s OPEB liabilities, see “Other Post-Employment Benefits” in Notes to Basic Financial Statements in APPENDIX A hereto.

ENVIRONMENTAL MATTERS

Securities and Exchange Commission Regulation 229.103 (the “Regulation”) requires that issuers subject to the disclosure requirements of the Securities Exchange Act of 1934 disclose, among other things, any material pending legal proceedings, including without limitation, legal proceedings involving environmental issues. The Regulation states that no information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of the current assets of the issuer, and, if a governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the issuer reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. Although the Town, as an issuer of municipal securities, is not subject to the provisions of the Regulation or the Securities Exchange Act of 1934, the Town is voluntarily making the following disclosure with respect to environmental liabilities:

The Town is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the Town’s financial condition or ability to pay debt service on the Bonds as and when due.

LITIGATION

In the opinion of Town officials there is no litigation pending against the Town which, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the Town’s financial position or its ability to meet its debt service obligations.

APPENDIX A

**TOWN OF KENNEBUNK, MAINE
ANNUAL FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULES
FOR THE
YEAR ENDED JUNE 30, 2017**

(With Report of Independent Auditors' Thereon)

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Audited Financial Statements

Town of Kennebunk, Maine

June 30, 2017



Proven Expertise and Integrity

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TOWN OF KENNEBUNK, MAINE

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JUNE 30, 2017

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Proven Expertise and Integrity
INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Kennebunk
Kennebunk, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and schedule of funding progress on pages 4 through 13 and 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunk, Maine's basic financial statements. The Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, on our consideration of the Town of Kennebunk, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kennebunk, Maine's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 14, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(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, 2017. 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 Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

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

Both of the above mentioned financial statements have separate columns for the two different types of town activities. The types of activities presented for the Town of 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-As-You-Throw (PAYT) 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 two categories: governmental funds, and proprietary funds.

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

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

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The Town of Kennebunk presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund and the roads and paving capital 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 funds, the Pay-As-You-Throw trash 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.

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, Notes to Required Supplementary Information and a Schedule of Funding Progress for Retiree Healthcare Plan.

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total governmental net position increased by \$269,265 from \$25,574,510 to \$25,843,775. The Town's total business-type net position increased by \$24,356 from a deficit of \$79,965 to a deficit of \$55,609.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for governmental activities to a balance of \$11,626,418 at the end of this year. Unrestricted net position for business-type activities increased to a deficit balance of \$57,602.

On June 13, 2017, the voters at the Town's Annual Town Meeting passed a referendum question that will, as of July 1, 2017, transfer \$80,000 from the unassigned general fund balance to the Pay-As-You-Throw Trash Program which will reduce the above business-type activities deficit from \$57,602 to a positive fund balance of \$22,398.

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

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Assets				
Current assets	\$ 17,118,967	\$ 17,083,757	\$ (55,609)	\$ (79,965)
Capital assets	22,939,668	23,579,917	-	-
Total assets	<u>40,058,635</u>	<u>40,663,674</u>	<u>(55,609)</u>	<u>(79,965)</u>
Deferred outflows of resources				
Deferred outflows related to pensions	1,237,749	823,599	-	-
Total deferred outflows of resources	<u>1,237,749</u>	<u>823,599</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	3,255,309	3,031,553	-	-
Long-term debt outstanding	11,399,104	11,962,513	-	-
Total liabilities	<u>14,654,413</u>	<u>14,994,066</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Deferred revenue	252,270	228,519	-	-
Deferred inflows related to pensions	545,926	690,178	-	-
Total deferred inflows of resources	<u>798,196</u>	<u>918,697</u>	<u>-</u>	<u>-</u>
Net position				
Net investment in capital assets	12,609,668	11,970,917	-	-
Restricted	1,607,689	1,227,137	1,993	1,651
Unrestricted (deficit)	11,626,418	12,376,456	(57,602)	(81,616)
Total net position	<u>\$ 25,843,775</u>	<u>\$ 25,574,510</u>	<u>\$ (55,609)</u>	<u>\$ (79,965)</u>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 2,111,829	\$ 2,079,163	\$ 446,347	\$ 480,875
Operating grants and contributions	149,156	149,764	-	-
Capital grants and contributions	178,608	-	-	-
<i>General Revenues:</i>				
Taxes	35,174,514	33,584,962	-	-
Grants and contributions not restricted to specific programs	933,823	823,524	-	-
Miscellaneous	436,678	443,385	-	-
Bond premium	-	144,703	-	-
Total revenues	<u>38,984,608</u>	<u>37,225,501</u>	<u>446,347</u>	<u>480,875</u>
Expenses				
General government	2,530,712	2,497,901	-	-
Public safety	4,643,360	4,474,056	-	-
Recreation and culture	1,514,250	1,461,017	-	-
Health and welfare	336,913	333,348	508,991	575,712
Public works	2,729,722	2,411,027	-	-
Education	22,708,581	21,698,081	-	-
County tax	1,347,775	1,312,678	-	-
Employee benefits	2,119,234	2,050,882	-	-
Agency requests	32,100	30,900	-	-
Interest on long-term debt	345,933	291,895	-	-
Unclassified	127,357	206,552	-	-
Unallocated depreciation (Note 4)	192,406	190,542	-	-
Total expenses	<u>38,628,343</u>	<u>36,958,879</u>	<u>508,991</u>	<u>575,712</u>
Transfers	<u>(87,000)</u>	<u>(58,613)</u>	<u>87,000</u>	<u>58,613</u>
Change in net position	269,265	208,009	24,356	(36,224)
Net position - July 1	<u>25,574,510</u>	<u>25,366,501</u>	<u>(79,965)</u>	<u>(43,741)</u>
Net position - June 30	<u>\$ 25,843,775</u>	<u>\$ 25,574,510</u>	<u>\$ (55,609)</u>	<u>\$ (79,965)</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 4.66%, while total expenses increased by 4.52%. The main increase in revenues was in taxes and the largest increases in expenses were in education and public works.

Proprietary fund revenues and expenses were consistent with the previous year with minor net decreases in both revenues and expenses.

Financial Analysis of the Town's Fund Statements

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

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

	<u>2017</u>	<u>2016</u>
Major Funds:		
General fund:		
Nonspendable	\$ 339,338	\$ 295,962
Committed	1,106,486	1,000,349
Assigned	163,729	210,215
Unassigned	<u>8,587,397</u>	<u>8,218,687</u>
Subtotal General Fund	<u>10,196,950</u>	<u>9,725,213</u>
Roads & paving capital fund		
Committed	1,146,574	1,188,372
Unassigned	(259,904)	-
Total Major Funds	<u><u>\$ 11,083,620</u></u>	<u><u>\$ 10,913,585</u></u>
Nonmajor Funds:		
Special revenue funds:		
Restricted	\$ 1,239,095	\$ 887,430
Assigned	144,395	131,581
Unassigned	(55,872)	(74,290)
Capital projects funds:		
Restricted	310,530	277,980
Committed	1,962,556	2,405,191
Assigned	-	34,313
Unassigned	(287,997)	-
Permanent funds:		
Restricted	<u>58,064</u>	<u>61,727</u>
Total Nonmajor Funds	<u><u>\$ 3,370,771</u></u>	<u><u>\$ 3,723,932</u></u>

The general fund total fund balance increased by \$471,737 from the prior fiscal year while the roads and paving capital fund decreased by \$301,702. The nonmajor governmental fund balances also decreased, by \$353,161 from the prior fiscal year. The roads and paving capital fund balance, and various non-major capital projects fund balances will be replenished when bonds totaling \$5,195,000 are issued during May 2018. Please refer to Note 23 of the Notes to the Financial Statements for more detailed information.

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-As-You-Throw (PAYT) trash program had an operating loss for the current year of \$62,986. The electrical inspection program realized operating income for

the current year of \$342. The Town is reviewing the PAYT program for future periods. The current year deficit was a result mostly of increased tipping fees charged contractually by Casella Waste Systems, Inc., as well as increased curbside collections fees charged contractually by Pine Tree Waste, Inc. (Pine Tree Waste, Inc. is a subsidiary of Casella Waste Systems, Inc.) The Town is also considering increasing PAYT bag pricing to residents and program users.

At the June 2017 annual town meeting, the Town authorized funds to be transferred from the general fund balance to the Pay-As-You-Throw trash program proprietary fund to eliminate the June 30, 2017 deficit of \$57,602.

Budgetary Highlights

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

The general fund actual revenues exceeded the budget by \$933,888. This was a result of nearly all revenue categories being receipted in excess of the budgeted amounts with the exception of property taxes and the homestead reimbursement.

The general fund actual expenditures were under budget by \$714,486. All expenditure categories were under budget with the exception of public works.

The overage in public works was primarily due to higher than anticipated costs in winter road maintenance. At the June 2017 annual town meeting, the Town authorized funds to be transferred from the general fund balance to fully cover the overage.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the net book value of capital assets recorded by the Town decreased by \$640,249. This decrease was the result of current year additions of \$1,465,918, offset by current year depreciation of \$2,106,167. Refer to Note 4 of Notes to Financial Statements for more detailed information.

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

	2017	2016
Land and improvements	\$ 3,382,032	\$ 3,453,381
Buildings and building improvements	2,795,621	3,098,486
Furniture and fixtures	19,242	25,868
Machinery, equipment and vehicles	3,535,390	3,304,200
Art work and historical treasures	41,000	41,000
Construction in progress	7,688	7,688
Infrastructure	13,158,695	13,649,294
Total	\$ 22,939,668	\$ 23,579,917

Long-Term Debt Activity

At June 30, 2017, the Town had \$10,330,000 in bonds outstanding versus \$11,609,000 last year. Other obligations include accrued vacation and sick time, pension benefit obligations and net pension liability. Refer to Note 5 of Notes to Financial Statements for more detailed information. In addition, on June 14, 2016 and June 13, 2017, the voters at the Town's Annual Town Meeting passed referendum questions authorizing the Town to issue \$7,881,000 in new bonds. Please refer to Note 23 of the Notes to the Financial Statements for more detailed information.

Economic Factors and Next Year's Budgets and Rates

The local economy and housing market continues to improve. For fiscal year 2018 the Town's net municipal budget increased by 3.2% due increased debt service payments, an overall 1.5% wage increase as well as various contractual obligation increases. The Town's assessment for public education by Regional School Unit No. 21 (RSU 21), of which the town is a member municipality, increased 5.5% for fiscal year 2018; a significant portion of the increase was the debt service to renovate, equip and construct additions and/or new school facilities at the Mildred L. Day School in Arundel, the Kennebunkport Consolidated School in Kennebunkport, and the Kennebunk High School in Kennebunk.

For fiscal year 2017, the Town's tax mil rate was \$15.90; for fiscal year 2018, the rate will be \$16.55, a 4.1% increase.

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 POSITION

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,826,967	\$ -	\$ 13,826,967
Investments	1,731,187	-	1,731,187
Accounts receivable (net of allowance for uncollectibles):			
Taxes	722,788	-	722,788
Liens	177,456	-	177,456
Other	146,677	46,351	193,028
Due from other governments	72,594	-	72,594
Tax acquired property	339,338	-	339,338
Internal balances	101,960	(101,960)	-
Total current assets	<u>17,118,967</u>	<u>(55,609)</u>	<u>17,063,358</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	2,527,336	-	2,527,336
Depreciable assets, net of accumulated depreciation	<u>20,412,332</u>	<u>-</u>	<u>20,412,332</u>
Total noncurrent assets	<u>22,939,668</u>	<u>-</u>	<u>22,939,668</u>
TOTAL ASSETS	<u>40,058,635</u>	<u>(55,609)</u>	<u>40,003,026</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>1,237,749</u>	<u>-</u>	<u>1,237,749</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,237,749</u>	<u>-</u>	<u>1,237,749</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 41,296,384</u>	<u>\$ (55,609)</u>	<u>\$ 41,240,775</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 689,656	\$ -	\$ 689,656
Accrued payroll	414,066	-	414,066
Other liabilities	496,801	-	496,801
Current portion of long-term obligations	<u>1,654,786</u>	<u>-</u>	<u>1,654,786</u>
Total current liabilities	<u>3,255,309</u>	<u>-</u>	<u>3,255,309</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	9,050,000	-	9,050,000
Pension benefit obligations	313,523	-	313,523
Net pension liability	<u>2,035,581</u>	<u>-</u>	<u>2,035,581</u>
Total noncurrent liabilities	<u>11,399,104</u>	<u>-</u>	<u>11,399,104</u>
TOTAL LIABILITIES	<u>14,654,413</u>	<u>-</u>	<u>14,654,413</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	252,270	-	252,270
Deferred inflows related to pensions	<u>545,926</u>	<u>-</u>	<u>545,926</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>798,196</u>	<u>-</u>	<u>798,196</u>
NET POSITION			
Net investment in capital assets	12,609,668	-	12,609,668
Restricted	1,607,689	1,993	1,609,682
Unrestricted (deficit)	<u>11,626,418</u>	<u>(57,602)</u>	<u>11,568,816</u>
TOTAL NET POSITION	<u>25,843,775</u>	<u>(55,609)</u>	<u>25,788,166</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 41,296,384</u>	<u>\$ (55,609)</u>	<u>\$ 41,240,775</u>

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 2,530,712	\$ 325,687	\$ -	\$ -	\$ (2,205,025)	\$ -	\$ (2,205,025)
Public safety	4,643,360	933,208	-	-	(3,710,152)	-	(3,710,152)
Recreation and culture	1,514,250	835,384	-	-	(678,866)	-	(678,866)
Health and welfare	336,913	-	-	-	(336,913)	-	(336,913)
Public works	2,729,722	17,550	149,156	178,608	(2,384,408)	-	(2,384,408)
Education	22,708,581	-	-	-	(22,708,581)	-	(22,708,581)
County tax	1,347,775	-	-	-	(1,347,775)	-	(1,347,775)
Employee benefits	2,119,234	-	-	-	(2,119,234)	-	(2,119,234)
Agency requests	32,100	-	-	-	(32,100)	-	(32,100)
Interest on long-term debt	345,933	-	-	-	(345,933)	-	(345,933)
Unclassified	127,357	-	-	-	(127,357)	-	(127,357)
Unallocated depreciation (Note 4)*	192,406	-	-	-	(192,406)	-	(192,406)
Total governmental activities	38,628,343	2,111,829	149,156	178,608	(36,188,750)	-	(36,188,750)
Business-type activities:							
Pay-As-You-Throw Trash Program	480,930	417,944	-	-	-	(62,986)	(62,986)
Electrical Inspection Program	28,061	28,403	-	-	-	342	342
Total business-type activities	508,991	446,347	-	-	-	(62,644)	(62,644)
Total government	\$ 39,137,334	\$ 2,558,176	\$ 149,156	\$ 178,608	(36,188,750)	(62,644)	(36,251,394)

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

STATEMENT B (CONTINUED)
TOWN OF KENNEBUNK, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(36,188,750)</u>	<u>(62,644)</u>	<u>(36,251,394)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purposes	32,691,834	-	32,691,834
Excise taxes	2,482,680	-	2,482,680
Grants and contributions not restricted to specific programs	933,823	-	933,823
Miscellaneous	436,678	-	436,678
Transfers	<u>(87,000)</u>	<u>87,000</u>	<u>-</u>
Total general revenues and transfers	<u>36,458,015</u>	<u>87,000</u>	<u>36,545,015</u>
Change in net position	269,265	24,356	293,621
NET POSITION - JULY 1	<u>25,574,510</u>	<u>(79,965)</u>	<u>25,494,545</u>
NET POSITION - JUNE 30	<u>\$ 25,843,775</u>	<u>\$ (55,609)</u>	<u>25,788,166</u>

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

STATEMENT C

TOWN OF KENNEBUNK, MAINE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Roads & Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,814,702	\$ -	\$ 12,265	\$ 13,826,967
Investments	1,675,202	-	55,985	1,731,187
Accounts receivables (net of allowance for uncollectibles):				
Taxes	722,788	-	-	722,788
Liens	177,456	-	-	177,456
Other	146,677	-	-	146,677
Due from other governments	72,594	-	-	72,594
Tax acquired property	339,338	-	-	339,338
Due from other funds	717,912	1,146,574	3,656,576	5,521,062
TOTAL ASSETS	\$ 17,666,669	\$ 1,146,574	\$ 3,724,826	\$ 22,538,069
LIABILITIES				
Accounts payable	\$ 689,656	\$ -	\$ -	\$ 689,656
Accrued payroll	414,066	-	-	414,066
Other liabilities	496,801	-	-	496,801
Due to other funds	4,805,143	259,904	354,055	5,419,102
TOTAL LIABILITIES	6,405,666	259,904	354,055	7,019,625
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	252,270	-	-	252,270
Deferred tax revenue	811,783	-	-	811,783
TOTAL DEFERRED INFLOWS OF RESOURCES	1,064,053	-	-	1,064,053
FUND BALANCES (DEFICITS)				
Nonspendable	339,338	-	-	339,338
Restricted	-	-	1,607,689	1,607,689
Committed	1,106,486	1,146,574	1,962,556	4,215,616
Assigned	163,729	-	144,395	308,124
Unassigned	8,587,397	(259,904)	(343,869)	7,983,624
TOTAL FUND BALANCES (DEFICITS)	10,196,950	886,670	3,370,771	14,454,391
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 17,666,669	\$ 1,146,574	\$ 3,724,826	\$ 22,538,069

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 POSITION
JUNE 30, 2017

	Total Governmental Funds
Total Fund Balances	\$ 14,454,391
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	22,939,668
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	811,783
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	1,237,749
Long-term liabilities shown below, are not due and payable in the current period and therefore are not reported in the funds shown above:	
Bonds payable	(10,330,000)
Accrued compensated absences	(374,786)
Pension benefit obligations	(313,523)
Net pension liability	(2,035,581)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(545,926)
Net position of governmental activities	\$ 25,843,775

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Roads & Paving Capital Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property taxes	\$ 32,720,039	\$ -	\$ -	\$ 32,720,039
Excise taxes	2,482,680	-	-	2,482,680
Intergovernmental revenues	1,082,979	178,608	-	1,261,587
Charges for services	2,094,279	-	17,550	2,111,829
Miscellaneous revenues	264,641	-	172,037	436,678
TOTAL REVENUES	38,644,618	178,608	189,587	39,012,813
EXPENDITURES				
Current:				
General government	2,008,444	-	390,554	2,398,998
Public safety	4,106,933	-	7,572	4,114,505
Public works	1,392,079	110,563	24,009	1,526,651
Education	22,708,581	-	-	22,708,581
County tax	1,347,775	-	-	1,347,775
Recreation and culture	1,409,622	-	54,545	1,464,167
Health and welfare	336,913	-	-	336,913
Employee benefits	1,961,045	-	-	1,961,045
Agency request	32,100	-	-	32,100
Unclassified	127,357	-	-	127,357
Capital outlay	-	514,747	951,167	1,465,914
Debt service:				
Principal	-	-	1,279,000	1,279,000
Interest	-	-	345,933	345,933
TOTAL EXPENDITURES	35,430,849	625,310	3,052,780	39,108,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,213,769	(446,702)	(2,863,193)	(96,126)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	145,000	2,607,159	2,756,159
Transfers (out)	(2,746,032)	-	(97,127)	(2,843,159)
TOTAL OTHER FINANCING SOURCES (USES)	(2,742,032)	145,000	2,510,032	(87,000)
NET CHANGE IN FUND BALANCES	471,737	(301,702)	(353,161)	(183,126)
FUND BALANCES - JULY 1	9,725,213	1,188,372	3,723,932	14,637,517
FUND BALANCES - JUNE 30	\$ 10,196,950	\$ 886,670	\$ 3,370,771	\$ 14,454,391

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, 2017

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (183,126)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	1,465,918
Depreciation expense	<u>(2,106,167)</u>
	<u>(640,249)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>414,150</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>1,279,000</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>144,252</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	34
Pension benefit obligations	(27,381)
Net pension liability	<u>(689,210)</u>
	<u>(716,557)</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>(28,205)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 269,265</u></u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectibles)	46,351	-	46,351
Due from other funds	-	1,993	1,993
TOTAL ASSETS	<u>\$ 46,351</u>	<u>\$ 1,993</u>	<u>\$ 48,344</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	103,953	-	103,953
TOTAL LIABILITIES	<u>103,953</u>	<u>-</u>	<u>103,953</u>
NET POSITION			
Restricted	-	1,993	1,993
Unrestricted (deficit)	(57,602)	-	(57,602)
TOTAL NET POSITION	<u>(57,602)</u>	<u>1,993</u>	<u>(55,609)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 46,351</u>	<u>\$ 1,993</u>	<u>\$ 48,344</u>

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

TOWN OF KENNEBUNK, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds		Total
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	
OPERATING REVENUES			
Charges for services	\$ 417,944	\$ 28,403	\$ 446,347
TOTAL OPERATING REVENUES	<u>417,944</u>	<u>28,403</u>	<u>446,347</u>
OPERATING EXPENSES			
Program supplies	480,930	28,061	508,991
TOTAL OPERATING EXPENSES	<u>480,930</u>	<u>28,061</u>	<u>508,991</u>
OPERATING INCOME (LOSS)	<u>(62,986)</u>	<u>342</u>	<u>(62,644)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers in	87,000	-	87,000
Transfers (out)	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>87,000</u>	<u>-</u>	<u>87,000</u>
CHANGE IN NET POSITION	24,014	342	24,356
NET POSITION - JULY 1	<u>(81,616)</u>	<u>1,651</u>	<u>(79,965)</u>
NET POSITION - JUNE 30	<u><u>\$ (57,602)</u></u>	<u><u>\$ 1,993</u></u>	<u><u>\$ (55,609)</u></u>

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

STATEMENT I

TOWN OF KENNEBUNK, MAINE

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Pay-As-You- Throw Trash Program	Electrical Inspection Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 428,192	\$ 28,403	\$ 456,595
Internal activity - receipts (payments) from/to other funds	(34,262)	(342)	(34,604)
Payments to suppliers	(480,930)	(28,061)	(508,991)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(87,000)	-	(87,000)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from general fund	87,000	-	87,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	87,000	-	87,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS - JULY 1	-	-	-
CASH AND CASH EQUIVALENTS - JUNE 30	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (62,986)	\$ 342	\$ (62,644)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	10,248	-	10,248
(Increase) decrease in due from other funds	-	(342)	(342)
Increase (decrease) in due to other funds	(34,262)	-	(34,262)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (87,000)	\$ -	\$ (87,000)

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Kennebunk, Maine 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).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined that this Statement is not applicable.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined that this Statement is not applicable.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Pay-As-You-Throw (PAYT) trash program 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 Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Roads & Paving Capital Fund is used to account for financial resources to be used for the acquisition, construction or improvement of roads.

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Proprietary Funds

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

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

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

Basis of Accounting

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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.

Deposits and Investments

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. 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, Maine has a formal investment policy, and also follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies, ambulance and pay-as-you-throw trash program receivables. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$265,622 for the year ended June 30, 2017. The allowance for uncollectible accounts for ambulance receivables is estimated to be \$128,932 as of June 30, 2017.

Interfund Receivables and Payables

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

Transactions Between Funds

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

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

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

proprietary funds 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, 2017, the Town's liability for compensated absences is \$374,786.

Pensions

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

Net Position

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

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

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 23, 2016 on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due on in two installments on October 7, 2016 and April 7, 2017. Interest on unpaid taxes commenced on October 8, 2016 and April 8, 2017, 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 \$412,451 for the year ended June 30, 2017.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Non-operating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does not have a policy specifically covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are members of the F.D.I.C. as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. As of June 30, 2017, the Town reported deposits of \$13,826,967 with a bank balance of \$13,922,150. Of the Town's bank balances, \$530,039 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$6,186 was collateralized with securities held by the financial institution in the Town's name and \$13,385,925 was collateralized with irrevocable stand-by letters of credit.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 707,115
Savings accounts	36,225
Money market accounts	13,178,810
	\$ 13,922,150

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a specific policy for custodial credit risk for investments.

Of the Town's investment in certificates of deposits totaling \$1,731,187, \$469,961 was fully covered by federal depository insurance and was not exposed to custodial credit risk, \$295,140 was collateralized with securities held by the financial institution in the Town's name and \$966,086 was collateralized with an irrevocable stand-by letter of credit.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2017, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>Not Applicable</u>
Governmental Funds:				
Certificates of deposit	\$ 1,731,187	\$ 1,731,187	\$ -	\$ -
Total - Governmental Funds	<u>\$ 1,731,187</u>	<u>\$ 1,731,187</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General fund	\$ 717,912	\$ 4,805,143
Roads & paving capital fund	1,146,574	259,904
Enterprise funds	1,993	103,953
Nonmajor special revenue funds	1,383,490	55,872
Nonmajor capital projects funds	2,273,086	287,997
Nonmajor permanent funds	-	10,186
Totals	<u>\$ 5,523,055</u>	<u>\$ 5,523,055</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 2,478,648	\$ -	\$ -	\$ 2,478,648
Art works & historical treasures	41,000	-	-	41,000
Construction in progress	7,688	-	-	7,688
	<u>2,527,336</u>	<u>-</u>	<u>-</u>	<u>2,527,336</u>
Depreciated assets:				
Land improvements	1,631,142	-	-	1,631,142
Buildings	1,465,055	-	-	1,465,055
Building improvements	7,153,796	-	-	7,153,796
Furniture & fixtures	255,248	-	-	255,248
Machinery & equipment	4,583,657	247,114	-	4,830,771
Vehicles	6,565,281	704,054	-	7,269,335
Infrastructure:				
Bridges	49,837	6,360	-	56,197
Drainage system	517,983	5,313	-	523,296
Roads	21,016,185	503,077	-	21,519,262
Sewer lines	316,306	-	-	316,306
Sidewalks	2,405,089	-	-	2,405,089
	<u>45,959,579</u>	<u>1,465,918</u>	<u>-</u>	<u>47,425,497</u>
Less: accumulated depreciation	<u>(24,906,998)</u>	<u>(2,106,167)</u>	<u>-</u>	<u>(27,013,165)</u>
	<u>21,052,581</u>	<u>(640,249)</u>	<u>-</u>	<u>20,412,332</u>
Net capital assets	<u>\$ 23,579,917</u>	<u>\$ (640,249)</u>	<u>\$ -</u>	<u>\$ 22,939,668</u>
<u>Current year depreciation</u>				
Administration				\$ 115,199
Police				203,281
Fire				314,469
Public works				1,230,729
Recreation and culture				50,083
Town-wide				192,406
Total depreciation expense				<u>\$ 2,106,167</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2017:

	Balance, 7/1/16	Additions	Deletions	Balance, 6/30/17	Current Portion
<u>Governmental Activities</u>					
Bonds payable	\$ 11,609,000	\$ -	\$ (1,279,000)	\$ 10,330,000	\$ 1,280,000
Accrued compensated absences	374,820	27,624	(27,658)	374,786	374,786
Pension benefit obligations	286,142	49,506	(22,125)	313,523	-
Net pension liability	1,346,371	885,545	(196,335)	2,035,581	-
	<u>\$ 13,616,333</u>	<u>\$ 962,675</u>	<u>\$ (1,525,118)</u>	<u>\$ 13,053,890</u>	<u>\$ 1,654,786</u>

The following is a summary of the outstanding bonds payable:

	Governmental Activities
\$1,360,000, 2007 General Obligation bond due in annual principal installments varying from \$95,000 to \$50,000. The interest rate varies from 4.00% to 5.00% per annum. Maturity in October of 2026.	\$ 500,000
\$6,252,000, 2010 General Obligation bond due in annual installments and semi-annual interest installments through October of 2029. The interest rate varies from 1.50% to 4.00% per annum. Annual principal installments vary from \$120,000 to \$382,000.	3,590,000
\$5,244,000, 2013 General Obligation bond due in annual installments and semi-annual interest installments through October of 2028. The interest rate varies from 2.00% to 4.00% per annum. Annual principal installments vary from \$170,000 to \$659,000.	3,520,000
\$3,049,000, 2016 General Obligation bond due in annual installments and semi-annual interest installments through October of 2030. The interest rate varies from 2.00% to 5.00% per annum. Annual principal installments vary from \$70,000 to \$330,000.	<u>2,720,000</u>
	<u>\$ 10,330,000</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

Year	Governmental Activities		
	Principal	Interest	Total Debt Service
2018	\$ 1,280,000	\$ 293,724	\$ 1,573,724
2019	1,215,000	251,874	1,466,874
2020	1,120,000	215,749	1,335,749
2021	1,110,000	185,024	1,295,024
2022	1,070,000	155,871	1,225,871
2023-2027	3,555,000	374,115	3,929,115
2028-2032	980,000	61,581	1,041,581
	\$ 10,330,000	\$ 1,537,938	\$ 11,867,938

NOTE 6 - EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the Town had no overspent appropriations.

NOTE 7 - NONSPENDABLE FUND BALANCE

At June 30, 2017, the Town had the following nonspendable fund balance:

General fund:	
Tax acquired property	\$ 339,338

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2017, the Town had the following restricted fund balances:

Nonmajor special revenue funds (See Schedule D)	\$ 1,239,095
Nonmajor capital projects funds (See Schedule F)	310,530
Nonmajor permanent funds (See Schedule H)	58,064
	\$ 1,607,689

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - COMMITTED FUND BALANCES

At June 30, 2017, the Town has the following committed fund balances:

General fund:	
Matching grant funds	\$ 41,200
Bicentennial celebration	5,069
Capital assets/projects	316,000
Pay-As-You-Throw Trash Program deficit reduction	80,000
Future years' debt service	500,000
Debt service during 2017	100,000
Emergency spending reserve	64,217
Roads & paving capital fund	1,146,574
Nonmajor capital projects funds (See Schedule F)	1,962,556
	<u>\$ 4,215,616</u>

NOTE 10 - ASSIGNED FUND BALANCES

At June 30, 2017, the Town had the following assigned fund balances:

General fund:	
Heating assistance	\$ 27,123
Conservation commission	6,229
West Kennebunk Village committee	3,893
Bus revenues	33,054
Energy efficiency	955
Tree committee	6,761
Community garden	4,574
General government training	6,230
Computer training	15,356
Community development training	9,555
Lower Village	7,986
Property tax assistance	19,372
Donations	9,267
Operational contingency	13,374
Nonmajor special revenue funds (See Schedule D)	144,395
	<u>\$ 308,124</u>

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town either carries commercial insurance or participates in a self-insured risk pool sponsored by the Maine Municipal Association. The Maine Municipal Association Group Risk Pool is a state chartered pool established exclusively for Maine municipalities. The pool provides certain property, liability, fidelity and vehicle coverage. If the assets of the pool are at any time actuarially determined to be insufficient to enable the pool to discharge its legal obligations, other obligations, and actuarially sound reserves, the pool has the power to make up the deficiency by the levy of a prorated assessment. There have been no deficiencies during the past three years and management believes that no deficiency exists at June 30, 2017.

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, coverage for claims in excess of \$1,000,000.

The Town is also a member of the Maine Municipal Association – Unemployment Compensation Group Fund (“MMA UC Fund”). The MMA UC Fund was created to assist in meeting members’ obligations under the Employment Security Act in an efficient and cost effective manner. The Fund is composed of individual municipalities and other public and related non-profit entities that are individually self-insured but administered as a group. Within the Fund, each member has a separate account. As such, the Town makes quarterly payments into their account, based on rates developed by MMA’s consulting actuary. Claims, if any, are paid out of the Town’s own account. The Maine Department of Labor classifies MMA’s UC Fund members as Direct Reimbursement Employers. In other words, the Fund reimburses the Maine DOL on the Town’s behalf only when the Town has unemployment claims from present or former employees.

Occasionally, the Town may have layoffs or resignations or even a part-time employee losing a primary job, that lead to larger claims payments than anticipated. When claims exceed the balance of the Town’s account, the UC Fund continues to pay the Town’s claims with no regard for the negative balance. Repayment of a negative balance is spread out over a period of years to avoid a financial hardship to the Town.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2017. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 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, 2017, the Town's share was approximately:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 5,064,946	7.52%	\$ 380,884
RSU No. 21	65,101,203	51.34%	33,422,958
			<u>\$ 33,803,842</u>

NOTE 13 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's police department employees are part of the PLD's special plan "2C" and are required to contribute 8.0% of their annual salary, while all other employees are part of the PLD's plan "AC" and are required to contribute 8.0% of their annual salary. The Town was required to contribute at the actuarially determined rates of 9.1% for special plan "2C" members' covered payroll and 9.5% for plan "AC" members' covered payroll during the year. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2017 was \$207,672.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a liability of \$2,035,581 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2016, the Town's proportion was

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

0.38311%, which was a decrease of 0.038888% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized total pension expense of \$130,808. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,676	\$ 130,926
Changes of assumptions	218,220	-
Net difference between projected and actual earnings on pension plan investments	752,214	313,061
Changes in proportion and differences between contributions and proportionate share of contributions	34,967	101,939
Contributions subsequent to the measurement date	207,672	-
Total	\$ 1,237,749	\$ 545,926

\$207,672 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Year ended June 30:	
2017	\$ 88,234
2018	60,966
2019	217,630
2020	117,320
2021	-
Thereafter	-

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

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

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

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

Asset Valuation Method

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

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually; 7.125% was used for the period ended June 30, 2015.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year.

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mortality Rates - For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 2.20%; 2.55% was used for the period ended June 30, 2015.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2016 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
Town's proportionate share of the net pension liability	\$ 2,682,369	\$ 2,035,581	\$ 79,762

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2016 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2016, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings on Pension Plan Investments

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

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

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

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

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2016 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

NOTE 14 - DEFINED CONTRIBUTION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –
RETIREMENT CORPORATION

Plan Description

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 Maine Public Employees Retirement System defined benefit pension plan, permits them to defer a portion of their

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - DEFINED CONTRIBUTION PLAN (CONTINUED)

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 plan is administered by the International City Management Association - Retirement Corporation.

Funding Policy

Plan provisions and contribution requirements are established and may be amended by the Board of Selectmen. Under the 401 plan, 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. For the year ended June 30, 2017, employee contributions totaled \$94,152, and the Town recognized pension expense of \$59,125.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions after completion of 3 years of creditable service with the Town. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures may be used to cover a portion of the pension plan's administrative expenses, as well as the Town's matching contribution for the 401 plan.

NOTE 15 - DEFERRED COMPENSATION PLAN

INTERNATIONAL CITY MANAGEMENT ASSOCIATION –
RETIREMENT CORPORATION

Plan Description

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.

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 - DEFERRED COMPENSATION PLAN (CONTINUED)

Funding Policy

Under the defined contribution plan, employees may elect to participate. Participating members may contribute up to federal statutory limits of their annual covered salary. 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 employees' contributions for the plan for the years ended June 30, 2017 and 2016 were: \$108,858 and \$143,485 respectively.

Additionally, the Town participates in the Social Security Retirement Program. The Town's contribution to Social Security was approximately \$410,870, \$390,113, and \$380,919, for the years ended June 30, 2017, 2016 and 2015, respectively.

NOTE 16 - CONTINGENCIES

With regard to litigation, the Town is currently in litigation for a multi-count complaint, in which the Plaintiff is seeking, in three separate counts, declaratory relief to the effect the Plaintiff may use its river-front property for commercial purposes. At this time, no claim for monetary damages has been made. In the opinion of Legal Counsel for the Town, the likely outcome on this claim is unknown at this time. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

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

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

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS

The Town is a member of the Maine Municipal Employees Health Trust (the "Health Trust"). In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as Maine PERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage. The Town does not supplement the cost of this coverage directly, but recognizes the liability for inclusion of

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of January 1, 2017, the date of the most recent Actuarial Valuation Report, there were three retirees and fifty-two employees.

Benefits provided – The Town provides medical and prescription drug coverage to retirees and their eligible spouses and dependents. Pre-Medicare retirees are offered the same plans that are available to the active employees. The plans are provided through the Health Trust, and include the Comprehensive Point of Service Plan C and the PPO 500 Value Plan.

Funding policy – Retirees contribute all of the premiums as determined by the Town, but the remainder of the costs as derived from the implicit subsidy are paid by the Town on a pay-as-you-go basis.

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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years.

The Town’s annual OPEB cost for the fiscal year ended June 30, 2017 including the amount actually contributed to the plan and the change in the Town’s net OPEB obligation using the level of funding amortization method is as follows:

Normal cost	\$	19,349
Amortization of unfunded liability		17,972
Interest		739
Annual required contribution		38,060
Interest on net OPEB obligation		11,446
Adjustment to annual required contribution		(16,548)
Annual OPEB cost		32,958
Contributions made		(5,577)
Increase in net OPEB obligation		27,381
Net OPEB obligation, beginning of year		286,142
Net OPEB obligation, end of year	\$	313,523

TOWN OF KENNEBUNK, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2017, June 30, 2016, June 30, 2015, June 30, 2014, June 30, 2013 and June 30, 2012 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 33,771	\$ -	0.0%	\$ 192,546
6/30/2013	\$ 26,088	\$ -	0.0%	\$ 216,634
6/30/2014	\$ 25,658	\$ -	0.0%	\$ 240,292
6/30/2015	\$ 27,200	\$ -	0.0%	\$ 263,271
6/30/2016	\$ 26,790	\$ -	0.0%	\$ 286,142
6/30/2017	\$ 32,958	\$ -	0.0%	\$ 313,523

The funded status of the plan as of June 30, 2017, was as follows:

Actuarial Accrued Liability	\$ 313,523
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 313,523</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll of Active Plan Members (Estimated)	\$ 3,244,274
UAAL as a percentage of Covered Payroll	10.0%

Methods of Assumptions - The Entry Age Normal Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for the Plan. An open 30-year amortization period was used. The amortization method is a level dollar amortization method. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information of the latest actuarial valuation is as follows:

TOWN OF KENNEBUNK, MAINE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Valuation Date	1/1/2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Open
Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	4.00%
Rate of Salary Increases	2.75%
Ultimate Rate of Medical Inflation	4.00%

The required schedule of funding progress, presented as required supplementary information, 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.

NOTE 18 - DEFICIT FUND BALANCES/NET POSITION

At June 30, 2017, the Town has the following funds with deficit fund balances or net position:

Deficit Fund Balance:

Lower Village TIF	\$ 55,872
Public Works Equipment	129,845
Signs	2,810
Town Hall Computer Hardware & Software	13,798
Parks and Recreation Projects	141,544
	<u>\$ 343,869</u>

Deficit Net Position:

Pay-As-You-Throw Trash Program	<u>\$ 57,602</u>
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NOTE 19 - TAX INCREMENT FINANCING DISTRICTS

The Town of Kennebunk has established three tax increment financing districts (TIFs) in accordance with M.R.S.A. Title 30-A, §5221-§5235 for a variety of economic development purposes, including business retention and expansion and public infrastructure improvement. The TIF districts were formed locally, as the Town defined the districts and chose how much of the new taxes would go to what public and private

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 19 - TAX INCREMENT FINANCING DISTRICTS (CONTINUED)

projects over what period of time, subject to the approval of the Board of Selectmen, the voters at various Town Meetings, and ultimately by the Commissioner of the Maine Department of Economic and Community Development.

Any portion of the new property taxes generated by a specific project or projects and a specific property or properties within the defined geographic districts can be “captured” and utilized to pay for the Town’s bonded indebtedness associated with a new public infrastructure investment as well operating expenses incurred for the benefit of economic development in the Town, or returned to the developer in the form of a credit enhancement agreement for defined periods of up to 30 years. The Town of Kennebunk accounts for all the activity of the TIF districts including captured taxes and expenditures for approved purposes in separate special revenue TIF funds. The Town has chosen to disclose information about its tax abatement (credit enhancement) agreements individually and negotiates property tax abatement agreements on an individual basis. For 2017, there was one agreement in place. The following is a brief description of and total amount of taxes abated for each tax increment financing district:

TIF District	Original Assessed Value	Current Assessed Value at 4/1/2016 for 6/30/2017	Total Captured Assessed Value at 4/1/2016 for 6/30/2017	Property Captured by TIF	New Taxes	Taxes Abated
Route 1 (expires 3/29/2036)	\$27,581,200	\$73,753,800	\$46,172,600	100% Real Property	\$734,144	\$45,542
West Kennebunk	\$4,978,400	\$14,061,100	\$9,082,700	100% Real Property	\$144,415	\$0
West Kennebunk - Utility Corridor	\$10,641,700	\$40,538,430	\$9,865,921	33% Real Property	\$156,868	\$0
Total West Kennebunk (expires 3/29/2036)	\$15,620,100	\$54,599,530	\$18,948,621		\$301,283	\$0
Lower Village (expires 3/30/2040)	\$4,599,600	\$11,403,772	\$6,804,172	100% Real Property	\$108,186	\$0

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

NOTE 20 - COLLATERALIZATION

At June 30, 2017, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at Camden National Bank. This letter of credit, which expires at the close

TOWN OF KENNEBUNK, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 20 – COLLATERALIZATION (CONTINUED)

of business on December 8, 2017, authorizes one draw only up to the amount of \$1,000,000. There were no draws for the year ended June 30, 2017.

At June 30, 2017, the Town has an outstanding irrevocable standby letter of credit issued by the Federal Home Loan Bank of Boston serving as collateral for its deposits held at People’s United Bank. This letter of credit, which expires at the close of business on September 20, authorizes one draw only up to the amount of \$16,500,000. There were no draws for the year ended June 30, 2017.

At June 30, 2017, the Town has a third party securities pledge issued by the Federal Reserve Bank of Boston serving as collateral for its deposits held at Kennebunk Savings Bank that exceed FDIC insurance limits. Securities pledged by the Kennebunk Savings Bank in the Town’s name total \$302,349 at June 30, 2017. The third party securities pledge expires at the close of business on July 1, 2021.

NOTE 21 – RELATED PARTY TRANSACTIONS

One of the Town’s Selectmen owns a business that provides television broadcasting services for Board meetings. The Town requests contract proposals for these services periodically. The Selectman recuses himself from this contract award process. During the fiscal year ended June 30, 2017, payments to this vendor for television broadcasting services totaled \$15,382.

NOTE 22 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 23 - EVENT SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITORS’ REPORT

At the June 14, 2016 and June 13, 2017 referendum elections, voters approved issuing general obligation municipal bonds totaling \$7,881,000, for various projects, vehicles, and equipment. Included in the \$7,881,000 are bonds totaling \$2,686,000 for the reconstruction and other work to be done on the Town Garage and the Solid Waste Transfer and Recycling Facility. This project is being delayed for further evaluation and analysis. Therefore, the Town expects to issue bonds totaling \$5,195,000 during May 2018.

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
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information
- Schedule of Funding Progress for Retiree Healthcare Plan

TOWN OF KENNEBUNK, MAINE

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 9,725,213	\$ 9,725,213	\$ 9,725,213	\$ -
Resources (Inflows):				
Taxes:				
Property Taxes	32,775,484	32,775,484	32,720,039	(55,445)
Excise Taxes	1,987,500	1,987,500	2,482,680	495,180
Intergovernmental Revenues:				
State Revenue Sharing	376,000	376,000	383,951	7,951
Homestead Reimbursement	244,701	244,701	220,879	(23,822)
Local Road Assistance	145,000	145,000	149,156	4,156
Other	245,186	245,186	328,993	83,807
Interest Income	40,000	40,000	94,770	54,770
Interest on Taxes/Lien Costs	45,000	45,000	66,520	21,520
Charges for Services	1,761,100	1,761,100	2,094,279	333,179
Miscellaneous Revenues	105,000	90,759	103,351	12,592
Transfers from Other Funds	4,000	4,000	4,000	-
Amounts Available for Appropriation	<u>47,454,184</u>	<u>47,439,943</u>	<u>48,373,831</u>	<u>933,888</u>
Charges to Appropriations (Outflows):				
General Government	2,029,099	2,103,003	2,008,444	94,559
Public Safety	4,234,685	4,243,635	4,106,933	136,702
Public Works	1,303,272	1,303,272	1,392,079	(88,807)
Education	22,708,581	22,708,581	22,708,581	-
County Tax	1,347,775	1,347,775	1,347,775	-
Recreation and Culture	1,415,207	1,415,207	1,409,622	5,585
Health and Welfare	347,385	389,974	336,913	53,061
Employee Benefits	1,969,033	1,969,033	1,961,045	7,988
Agency Requests	32,100	32,100	32,100	-
Unclassified	538,221	594,841	127,357	467,484
Transfers to Other Funds	1,803,613	2,783,946	2,746,032	37,914
Total Charges to Appropriations	<u>37,728,971</u>	<u>38,891,367</u>	<u>38,176,881</u>	<u>714,486</u>
Budgetary Fund Balance, June 30	<u>\$ 9,725,213</u>	<u>\$ 8,548,576</u>	<u>\$ 10,196,950</u>	<u>\$ 1,648,374</u>
Utilization of Committed Fund Balance	\$ -	\$ 1,000,349	\$ -	\$ (1,000,349)
Utilization of Assigned Fund Balance	-	176,288	-	(176,288)
	<u>\$ -</u>	<u>\$ 1,176,637</u>	<u>\$ -</u>	<u>\$ (1,176,637)</u>

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

TOWN OF KENNEBUNK, MAINE

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

<u>PLD Plan:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.38%	0.42%	0.40%	0.40%
Proportionate share of the net pension liability	\$ 2,035,581	\$ 1,346,371	\$ 615,939	\$ 1,223,496
Covered-employee payroll	\$ 2,033,359	\$ 2,161,447	\$ 1,869,664	\$ 1,768,346
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.11%	62.29%	32.94%	69.19%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.27%	94.10%	87.50%

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

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan:</u>				
Contractually required contribution	\$ 207,672	\$ 179,773	\$ 172,498	\$ 138,759
Contributions in relation to the contractually required contribution	<u>(207,672)</u>	<u>(179,773)</u>	<u>(172,498)</u>	<u>(138,759)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,221,570	\$ 2,033,359	\$ 2,161,447	\$ 1,869,664
Contributions as a percentage of covered- employee payroll	9.35%	8.84%	7.98%	7.42%

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

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

TOWN OF KENNEBUNK, MAINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Maine Public Employees Retirement System (MainePERS)

Changes of Assumptions

There was a change in the investment rate of return assumption this year from 7.125% to 6.875%. Annual salary increases, including inflation, changed from 3.50% - 9.50% to 2.75% - 9.00%, for the PLD Consolidated Plan. There was also a change in the cost of living benefit increase from 2.55% to 2.20%. Finally, the mortality rates for active members, nondisabled retirees and recipients of disability benefits, were determined using the RP2014 Total Dataset Healthy Annuitant Mortality Table and the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, compared to the RP2000 Tables projected forward and the Revenue Ruling 96-7 Disabled Mortality Table used in the prior year.

Maine Municipal Employees Health Trust – Other Post-Employment Benefits

Changes of Assumptions:

Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTHCARE PLAN
FOR THE YEARS ENDED JUNE 30,

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial (UAL) Liability (AAL) (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 463,005	0.0%	\$ 2,904,791	15.9%
6/30/2010	\$ -	\$ 463,005	0.0%	\$ 3,056,808	15.1%
6/30/2011	\$ -	\$ 322,225	0.0%	\$ 3,218,664	10.0%
6/30/2012	\$ -	\$ 322,225	0.0%	\$ 3,159,958	10.2%
6/30/2013	\$ -	\$ 277,670	0.0%	\$ 2,934,139	9.5%
6/30/2014	\$ -	\$ 277,670	0.0%	\$ 2,976,194	9.3%
6/30/2015	\$ -	\$ 258,827	0.0%	\$ 3,065,480	8.4%
6/30/2016	\$ -	\$ 258,827	0.0%	\$ 3,149,781	8.2%
6/30/2017	\$ -	\$ 323,199	0.0%	\$ 3,244,274	10.0%

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

Other Supplementary Information

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

- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects 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, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
General Government -					
General Government Expenses	\$ 630,534	\$ 6,131	\$ 636,665	\$ 632,573	\$ 4,092
Selectmen	30,928	-	30,928	26,647	4,281
Town Manager	243,855	-	243,855	243,378	477
Town Clerk	103,769	-	103,769	94,598	9,171
Ballot Clerks	35,000	-	35,000	31,432	3,568
Assessors	182,847	11,989	194,836	192,083	2,753
Community Development	350,196	8,730	358,926	342,824	16,102
Town Hall	169,101	-	169,101	166,238	2,863
Computer Department	238,171	13,690	251,861	236,794	15,067
Conservation Commission	-	7,799	7,799	1,570	6,229
Site Plan Review Board	6,023	-	6,023	4,553	1,470
Zoning Board of Appeals	1,200	-	1,200	583	617
Board of Assessment Review	1,000	-	1,000	1,338	(338)
Dog Advisory Committee	200	-	200	-	200
Historic Preservation Committee	4,700	-	4,700	5,608	(908)
Lower Village Committee	2,500	6,986	9,486	1,500	7,986
Downtown Committee	-	3,332	3,332	-	3,332
Economic Development Committee	-	-	-	-	-
West Kennebunk Village Committee	2,000	2,791	4,791	2,909	1,882
Energy Efficiency Committee	2,100	767	2,867	1,912	955
Tree Committee	2,000	4,761	6,761	-	6,761
Affordable Housing Committee	200	-	200	-	200
Bicentennial Committee	500	5,069	5,569	-	5,569
Community Garden Committee	4,000	1,859	5,859	6,013	(154)
Planning Board	18,275	-	18,275	15,891	2,384
	<u>2,029,099</u>	<u>73,904</u>	<u>2,103,003</u>	<u>2,008,444</u>	<u>94,559</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Public Works -					
Highway	1,303,272	-	1,303,272	1,392,079	(88,807)
	<u>1,303,272</u>	<u>-</u>	<u>1,303,272</u>	<u>1,392,079</u>	<u>(88,807)</u>
Education	<u>22,708,581</u>	<u>-</u>	<u>22,708,581</u>	<u>22,708,581</u>	<u>-</u>
County Tax	<u>1,347,775</u>	<u>-</u>	<u>1,347,775</u>	<u>1,347,775</u>	<u>-</u>
Recreation and Culture -					
Life Guards	48,634	-	48,634	32,861	15,773
Parks	45,000	-	45,000	57,684	(12,684)
Recreation	767,754	-	767,754	765,258	2,496
Kennebunk Free Library	553,819	-	553,819	553,819	-
	<u>1,415,207</u>	<u>-</u>	<u>1,415,207</u>	<u>1,409,622</u>	<u>5,585</u>
Health and Welfare -					
Recycling	291,615	-	291,615	291,615	-
Solid Waste	9,000	9,000	18,000	10,406	7,594
Social Services	46,770	33,589	80,359	34,892	45,467
	<u>347,385</u>	<u>42,589</u>	<u>389,974</u>	<u>336,913</u>	<u>53,061</u>
Employee Benefits -					
Health Benefits	1,028,708	-	1,028,708	1,012,553	16,155
FICA	411,243	-	411,243	410,870	373
Retirement	294,635	-	294,635	308,307	(13,672)
Workers Comp	215,618	-	215,618	211,893	3,725
Unemployment Comp	18,829	-	18,829	17,422	1,407
	<u>1,969,033</u>	<u>-</u>	<u>1,969,033</u>	<u>1,961,045</u>	<u>7,988</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Agency Requests -					
Biddeford Free Clinic	-	-	-	1,000	(1,000)
Day One	1,000	-	1,000	-	1,000
York County Child Abuse Council	1,700	-	1,700	1,700	-
York County Community Action	3,000	-	3,000	3,000	-
Counseling Services, Inc.	1,000	-	1,000	1,000	-
Caring Unlimited	2,000	-	2,000	2,000	-
Catholic Charities	1,000	-	1,000	1,000	-
So. Maine Area Agency on Aging	1,500	-	1,500	1,500	-
Sexual Assault Response Services	500	-	500	500	-
Senior Center at Lower Village	1,500	-	1,500	1,500	-
American Red Cross	500	-	500	500	-
Home Health Visiting Nurses	5,000	-	5,000	5,000	-
Community Outreach Services	7,000	-	7,000	7,000	-
Community Harvest	6,400	-	6,400	6,400	-
	<u>32,100</u>	<u>-</u>	<u>32,100</u>	<u>32,100</u>	<u>-</u>
Public Safety -					
Police	1,829,500	8,950	1,838,450	1,788,732	49,718
Ambulance	891,967	-	891,967	857,933	34,034
Communications	294,212	-	294,212	291,576	2,636
Civil Emergency Preparedness	6,448	-	6,448	5,239	1,209
Hydrants & Street Lights	460,751	-	460,751	436,946	23,805
Fire Department	751,807	-	751,807	726,507	25,300
	<u>4,234,685</u>	<u>8,950</u>	<u>4,243,635</u>	<u>4,106,933</u>	<u>136,702</u>

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Unclassified -					
Operational Contingency	-	15,420	15,420	2,045	13,375
Historian	500	-	500	-	500
Harbormaster	16,524	-	16,524	16,524	-
Tree Warden	5,000	-	5,000	5,372	(372)
Matching Grant Funds	-	41,200	41,200	771	40,429
Memorial Day	800	-	800	-	800
Stevens Comm	-	-	-	13	(13)
Facilities	102,946	-	102,946	102,632	314
Overlay	412,451	-	412,451	-	412,451
	<u>538,221</u>	<u>56,620</u>	<u>594,841</u>	<u>127,357</u>	<u>467,484</u>
Transfers to Other Funds -					
Special Revenue Funds	1,143,613	-	1,143,613	1,105,699	37,914
Capital Projects Funds	660,000	893,333	1,553,333	1,553,333	-
Proprietary Funds	-	87,000	87,000	87,000	-
	<u>1,803,613</u>	<u>980,333</u>	<u>2,783,946</u>	<u>2,746,032</u>	<u>37,914</u>
Totals	<u>\$ 37,728,971</u>	<u>\$ 1,162,396</u>	<u>\$ 38,891,367</u>	<u>\$ 38,176,881</u>	<u>\$ 714,486</u>

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

SCHEDULE B

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 12,265	\$ 12,265
Investments	-	-	55,985	55,985
Due from other funds	1,383,490	2,273,086	-	3,656,576
TOTAL ASSETS	<u>\$ 1,383,490</u>	<u>\$ 2,273,086</u>	<u>\$ 68,250</u>	<u>\$ 3,724,826</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	55,872	287,997	10,186	354,055
TOTAL LIABILITIES	<u>55,872</u>	<u>287,997</u>	<u>10,186</u>	<u>354,055</u>
FUND BALANCES (DEFICITS)				
Nonspendable	-	-	-	-
Restricted	1,239,095	310,530	58,064	1,607,689
Committed	-	1,962,556	-	1,962,556
Assigned	144,395	-	-	144,395
Unassigned	(55,872)	(287,997)	-	(343,869)
TOTAL FUND BALANCES (DEFICITS)	<u>1,327,618</u>	<u>1,985,089</u>	<u>58,064</u>	<u>3,370,771</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 1,383,490</u>	<u>\$ 2,273,086</u>	<u>\$ 68,250</u>	<u>\$ 3,724,826</u>

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

SCHEDULE C

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Charges for services	\$ -	\$ 17,550	\$ -	\$ 17,550
Interest income	-	-	337	337
Other	144,098	27,602	-	171,700
TOTAL REVENUES	<u>144,098</u>	<u>45,152</u>	<u>337</u>	<u>189,587</u>
EXPENDITURES				
Administration	290,934	99,620	-	390,554
Public works	20,342	3,667	-	24,009
Public safety	-	7,572	-	7,572
Recreation	-	54,545	-	54,545
Debt service:				
Principal	404,125	874,875	-	1,279,000
Interest	124,770	221,163	-	345,933
Capital outlay	61,729	889,438	-	951,167
TOTAL EXPENDITURES	<u>901,900</u>	<u>2,150,880</u>	<u>-</u>	<u>3,052,780</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(757,802)</u>	<u>(2,105,728)</u>	<u>337</u>	<u>(2,863,193)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,178,613	1,428,546	-	2,607,159
Transfers (out)	(37,914)	(55,213)	(4,000)	(97,127)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,140,699</u>	<u>1,373,333</u>	<u>(4,000)</u>	<u>2,510,032</u>
NET CHANGE IN FUND BALANCES	382,897	(732,395)	(3,663)	(353,161)
FUND BALANCES, JULY 1	<u>944,721</u>	<u>2,717,484</u>	<u>61,727</u>	<u>3,723,932</u>
FUND BALANCES, JUNE 30	<u>\$ 1,327,618</u>	<u>\$ 1,985,089</u>	<u>\$ 58,064</u>	<u>\$ 3,370,771</u>

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

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than 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, 2017

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	3,430	33,198	107,767	938,135	300,960	-	1,383,490
TOTAL ASSETS	<u>\$ 3,430</u>	<u>\$ 33,198</u>	<u>\$ 107,767</u>	<u>\$ 938,135</u>	<u>\$ 300,960</u>	<u>\$ -</u>	<u>\$ 1,383,490</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	55,872	55,872
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,872</u>	<u>55,872</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	938,135	300,960	-	1,239,095
Committed	-	-	-	-	-	-	-
Assigned	3,430	33,198	107,767	-	-	-	144,395
Unassigned	-	-	-	-	-	(55,872)	(55,872)
TOTAL FUND BALANCES (DEFICITS)	<u>3,430</u>	<u>33,198</u>	<u>107,767</u>	<u>938,135</u>	<u>300,960</u>	<u>(55,872)</u>	<u>1,327,618</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 3,430</u>	<u>\$ 33,198</u>	<u>\$ 107,767</u>	<u>\$ 938,135</u>	<u>\$ 300,960</u>	<u>\$ -</u>	<u>\$ 1,383,490</u>

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

SCHEDULE E

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Conservation Land Purchase	Building Revenues	Harbor- master	Route 1 TIF	West Kennebunk TIF	Lower Village TIF	Total
REVENUES							
Other	\$ -	\$ -	\$ 12,814	\$ 131,284	\$ -	\$ -	\$ 144,098
TOTAL REVENUES	-	-	12,814	131,284	-	-	144,098
EXPENDITURES							
Administration	-	-	-	255,440	-	35,494	290,934
Public works	-	-	-	-	18,842	1,500	20,342
Debt service:							
Principal	-	-	-	249,925	115,322	38,878	404,125
Interest	-	-	-	95,877	14,997	13,896	124,770
Capital outlay	-	-	-	-	61,729	-	61,729
TOTAL EXPENDITURES	-	-	-	601,242	210,890	89,768	901,900
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	-	-	12,814	(469,958)	(210,890)	(89,768)	(757,802)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	769,144	301,283	108,186	1,178,613
Transfers (out)	-	-	-	-	(37,914)	-	(37,914)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	769,144	263,369	108,186	1,140,699
NET CHANGE IN FUND BALANCES (DEFICITS)	-	-	12,814	299,186	52,479	18,418	382,897
FUND BALANCES (DEFICITS), JULY 1	3,430	33,198	94,953	638,949	248,481	(74,290)	944,721
FUND BALANCES (DEFICITS), JUNE 30	\$ 3,430	\$ 33,198	\$ 107,767	\$ 938,135	\$ 300,960	\$ (55,872)	\$ 1,327,618

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust 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 PROJECTS FUNDS
JUNE 30, 2017

	Fire/Ambulance Projects		Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Town Hall Roof Repair	Signs
	West Kennebunk Fire Station	Dry Hydrants					
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	31,926	9,969	258	-	10,275	-	-
TOTAL ASSETS	\$ 31,926	\$ 9,969	\$ 258	\$ -	\$ 10,275	\$ -	\$ -
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ 129,845	\$ -	\$ -	\$ 2,810
TOTAL LIABILITIES	-	-	-	129,845	-	-	2,810
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	31,926	9,969	258	-	10,275	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(129,845)	-	-	(2,810)
TOTAL FUND BALANCES (DEFICITS)	31,926	9,969	258	(129,845)	10,275	-	(2,810)
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 31,926	\$ 9,969	\$ 258	\$ -	\$ 10,275	\$ -	\$ -

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Skateboard Park	Park St. & Cousens Sch. Purchase	Ordinance Rewrites & Codification, Comp Plan & Public Safety Building Study	Storage Area at Town Garage
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	41,385	846,282	48,900	97,050	384,932	77,200	15,231
TOTAL ASSETS	<u>\$ 41,385</u>	<u>\$ 846,282</u>	<u>\$ 48,900</u>	<u>\$ 97,050</u>	<u>\$ 384,932</u>	<u>\$ 77,200</u>	<u>\$ 15,231</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	97,050	-	-	-
Committed	41,385	846,282	48,900	-	384,932	77,200	15,231
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>41,385</u>	<u>846,282</u>	<u>48,900</u>	<u>97,050</u>	<u>384,932</u>	<u>77,200</u>	<u>15,231</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 41,385</u>	<u>\$ 846,282</u>	<u>\$ 48,900</u>	<u>\$ 97,050</u>	<u>\$ 384,932</u>	<u>\$ 77,200</u>	<u>\$ 15,231</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Budget Board	Public Works Projects		West Kennebunk Field	Town Garage & Transfer Station	Fire Ambulance Equipment	HVAC Systems & Insulation
		Bicycle Impact	Parking Lots				
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	147,443	182,581	14,746	30,899	71,333	53,326	42,068
TOTAL ASSETS	<u>\$ 147,443</u>	<u>\$ 182,581</u>	<u>\$ 14,746</u>	<u>\$ 30,899</u>	<u>\$ 71,333</u>	<u>\$ 53,326</u>	<u>\$ 42,068</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	182,581	-	30,899	-	-	-
Committed	147,443	-	14,746	-	71,333	53,326	42,068
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>147,443</u>	<u>182,581</u>	<u>14,746</u>	<u>30,899</u>	<u>71,333</u>	<u>53,326</u>	<u>42,068</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 147,443</u>	<u>\$ 182,581</u>	<u>\$ 14,746</u>	<u>\$ 30,899</u>	<u>\$ 71,333</u>	<u>\$ 53,326</u>	<u>\$ 42,068</u>

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Town Hall Computer Hardware & Software	Land - Municipal Employee Parking	Parks & Recreation Projects	Capital Reserve/Impr.	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	100,000	-	67,282	2,273,086
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 67,282</u>	<u>\$ 2,273,086</u>
LIABILITIES					
Due to other funds	\$ 13,798	\$ -	\$ 141,544	\$ -	\$ 287,997
TOTAL LIABILITIES	<u>13,798</u>	<u>-</u>	<u>141,544</u>	<u>-</u>	<u>287,997</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	310,530
Committed	-	100,000	-	67,282	1,962,556
Assigned	-	-	-	-	-
Unassigned	(13,798)	-	(141,544)	-	(287,997)
TOTAL FUND BALANCES (DEFICITS)	<u>(13,798)</u>	<u>100,000</u>	<u>(141,544)</u>	<u>67,282</u>	<u>1,985,089</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 67,282</u>	<u>\$ 2,273,086</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Fire/Ambulance Projects		Dorothy Stevens Center	Public Works Equipment	Police Vehicles & Equipment	Town Hall Roof Repair	Signs
	West Kennebunk Fire Station	Dry Hydrants					
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-	-
EXPENDITURES							
Administration	-	-	-	-	-	1,927	27,728
Public works	-	-	-	-	-	-	-
Public safety	-	-	-	-	7,572	-	-
Recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	509,965	97,763	-	-
TOTAL EXPENDITURES	-	-	-	509,965	105,335	1,927	27,728
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(509,965)	(105,335)	(1,927)	(27,728)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	68,000	112,080	-	-
Transfers (out)	-	-	-	(20,213)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	47,787	112,080	-	-
NET CHANGE IN FUND BALANCES	-	-	-	(462,178)	6,745	(1,927)	(27,728)
FUND BALANCES (DEFICITS), JULY 1	31,926	9,969	258	332,333	3,530	1,927	24,918
FUND BALANCES (DEFICITS), JUNE 30	\$ 31,926	\$ 9,969	\$ 258	\$ (129,845)	\$ 10,275	\$ -	\$ (2,810)

SCHEDULE G (CONTINUED)

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Town Hall Equipment	Debt Service & Town Hall Lease/Purchase	Town Projects	Skateboard Park	Park St. & Cousens Sch. Purchase	Ordinance Rewrites & Codification, Comp Plan & Public Safety Building Study	Storage Area at Town Garage
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	27,602	-	-	-	-	-
TOTAL REVENUES	-	27,602	-	-	-	-	-
EXPENDITURES							
Administration	14,319	-	-	-	-	12,500	-
Public works	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	874,875	-	-	-	-	-
Interest	-	221,163	-	-	-	-	-
Capital outlay	8,542	-	-	-	-	-	-
TOTAL EXPENDITURES	22,861	1,096,038	-	-	-	12,500	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,861)	(1,068,436)	-	-	-	(12,500)	-
OTHER FINANCING SOURCES (USES)							
Transfers in	55,000	1,026,253	-	-	-	-	-
Transfers (out)	-	-	(35,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	55,000	1,026,253	(35,000)	-	-	-	-
NET CHANGE IN FUND BALANCES	32,139	(42,183)	(35,000)	-	-	(12,500)	-
FUND BALANCES (DEFICITS), JULY 1	9,246	888,465	83,900	97,050	384,932	89,700	15,231
FUND BALANCES (DEFICITS), JUNE 30	\$ 41,385	\$ 846,282	\$ 48,900	\$ 97,050	\$ 384,932	\$ 77,200	\$ 15,231

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget Board	Public Works Projects		West Kennebunk Field	Town Garage & Transfer Station	Fire Ambulance Equipment	HVAC Systems & Insulation
		Bicycle Impact	Parking Lots				
REVENUES							
Charges for services	\$ -	\$ 17,550	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-	-	-
TOTAL REVENUES	-	17,550	-	-	-	-	-
EXPENDITURES							
Administration	39,996	-	-	-	-	-	3,150
Public works	-	-	-	-	3,667	-	-
Public safety	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	26,010	-
TOTAL EXPENDITURES	39,996	-	-	-	3,667	26,010	3,150
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,996)	17,550	-	-	(3,667)	(26,010)	(3,150)
OTHER FINANCING SOURCES (USES)							
Transfers in	50,000	-	9,000	15,000	-	28,000	10,000
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	-	9,000	15,000	-	28,000	10,000
NET CHANGE IN FUND BALANCES	10,004	17,550	9,000	15,000	(3,667)	1,990	6,850
FUND BALANCES (DEFICITS), JULY 1	137,439	165,031	5,746	15,899	75,000	51,336	35,218
FUND BALANCES (DEFICITS), JUNE 30	\$ 147,443	\$ 182,581	\$ 14,746	\$ 30,899	\$ 71,333	\$ 53,326	\$ 42,068

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Town Hall Computer Hardware & Software	Land - Municipal Employee Parking	Parks & Recreation Projects	Capital Reserve/Impr.	Total
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 17,550
Other	-	-	-	-	27,602
TOTAL REVENUES	-	-	-	-	45,152
EXPENDITURES					
Administration	-	-	-	-	99,620
Public works	-	-	-	-	3,667
Public safety	-	-	-	-	7,572
Recreation	-	-	54,545	-	54,545
Debt service:					
Principal	-	-	-	-	874,875
Interest	-	-	-	-	221,163
Capital outlay	58,111	-	159,954	29,093	889,438
TOTAL EXPENDITURES	58,111	-	214,499	29,093	2,150,880
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(58,111)	-	(214,499)	(29,093)	(2,105,728)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,000	-	20,213	25,000	1,428,546
Transfers (out)	-	-	-	-	(55,213)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	-	20,213	25,000	1,373,333
NET CHANGE IN FUND BALANCES	(48,111)	-	(194,286)	(4,093)	(732,395)
FUND BALANCES (DEFICITS), JULY 1	34,313	100,000	52,742	71,375	2,717,484
FUND BALANCES (DEFICITS), JUNE 30	\$ (13,798)	\$ 100,000	\$ (141,544)	\$ 67,282	\$ 1,985,089

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

Permanent Funds

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

TOWN OF KENNEBUNK, MAINE

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2017

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,551	\$ 3,528	\$ 6,186	\$ 12,265
Investments	55,985	-	-	-	55,985
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 55,985</u>	<u>\$ 2,551</u>	<u>\$ 3,528</u>	<u>\$ 6,186</u>	<u>\$ 68,250</u>
LIABILITIES					
Due to other funds	\$ 4,000	\$ -	\$ -	\$ 6,186	\$ 10,186
TOTAL LIABILITIES	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>6,186</u>	<u>10,186</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	51,985	2,551	3,528	-	58,064
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>51,985</u>	<u>2,551</u>	<u>3,528</u>	<u>-</u>	<u>58,064</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 55,985</u>	<u>\$ 2,551</u>	<u>\$ 3,528</u>	<u>\$ 6,186</u>	<u>\$ 68,250</u>

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

TOWN OF KENNEBUNK, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Littlefield Educational Trust	Cemetery Trust		Martha Bragdon Trust	Total
		Monument Lot	Centennial Lot		
REVENUES					
Interest income	\$ 335	\$ 1	\$ 1	\$ -	\$ 337
TOTAL REVENUES	<u>335</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>337</u>
EXPENDITURES					
Other	-	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>335</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>337</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	(4,000)	-	-	-	(4,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
NET CHANGE IN FUND BALANCES	(3,665)	1	1	-	(3,663)
FUND BALANCES, JULY 1	<u>55,650</u>	<u>2,550</u>	<u>3,527</u>	<u>-</u>	<u>61,727</u>
FUND BALANCES, JUNE 30	<u>\$ 51,985</u>	<u>\$ 2,551</u>	<u>\$ 3,528</u>	<u>\$ -</u>	<u>\$ 58,064</u>

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

General Capital Assets

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2017

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Administration	\$ 2,091	\$ 701,019	\$ 1,051,636	\$ -	\$ 1,754,746
Police	75,100	1,650,222	1,800,185	-	3,525,507
Fire	97,900	2,244,199	4,428,639	-	6,770,738
Public Works	124,300	396,316	3,892,238	23,729,269	28,142,123
Recreation and Culture	79,100	406,385	924,300	-	1,409,785
Town-wide	<u>2,148,845</u>	<u>4,851,852</u>	<u>258,356</u>	<u>1,090,881</u>	<u>8,349,934</u>
Total General Capital Assets	2,527,336	10,249,993	12,355,354	24,820,150	49,952,833
Less: Accumulated Depreciation	<u>-</u>	<u>(6,550,988)</u>	<u>(8,800,722)</u>	<u>(11,661,455)</u>	<u>(27,013,165)</u>
Net General Capital Assets	<u>\$ 2,527,336</u>	<u>\$ 3,699,005</u>	<u>\$ 3,554,632</u>	<u>\$ 13,158,695</u>	<u>\$ 22,939,668</u>

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

TOWN OF KENNEBUNK, MAINE

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

	General Capital Assets 7/1/16	Additions	Deletions	General Capital Assets 6/30/17
Administration	\$ 1,754,746	\$ -	\$ -	\$ 1,754,746
Police	3,390,152	135,355	-	3,525,507
Fire	6,742,164	28,574	-	6,770,738
Public Works	27,561,887	580,236	-	28,142,123
Recreation and Culture	1,249,831	159,954	-	1,409,785
Town-wide	<u>7,788,135</u>	<u>561,799</u>	<u>-</u>	<u>8,349,934</u>
Total General Capital Assets	48,486,915	1,465,918	-	49,952,833
Less: Accumulated Depreciation	<u>(24,906,998)</u>	<u>(2,106,167)</u>	<u>-</u>	<u>(27,013,165)</u>
Net General Capital Assets	<u><u>\$ 23,579,917</u></u>	<u><u>\$ (640,249)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,939,668</u></u>

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



Proven Expertise and Integrity

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

Board of Selectmen
Town of Kennebunk
Kennebunk, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunk, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Kennebunk, Maine's basic financial statements, and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

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

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

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www.rhrsmith.com

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

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
March 14, 2018

Statistical Information

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

- Regional School Unit (RSU) 21's Schools
- Enrollment Data of the Municipalities in the RSU
- State Valuation of the Municipalities in the RSU
- Historical Allocation for the RSU's Local Costs
- Building Permits
- Employment
- Fund Balance
- Tax Levy and Collections
- Ten Largest Taxpayers
- Ratio of Net General Bonded Debt to Assessed Value and General Bonded Debt Per Capita
- Debt Service Component of Operating Expenses
- Property Tax Levy Limit

TOWN OF KENNEBUNK, MAINE
REGIONAL SCHOOL UNIT (RSU) 21'S SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017

School	Location	Grades
Kennebunk Elementary	Kennebunk	K-3
Mildred L Day	Arundel	K-5
Kennebunkport Consolidated	Kennebunkport	K-5
Sea Road School	Kennebunk	4-5
Middle School of the Kennebunks	Kennebunk	6-8
Kennebunk High School	Kennebunk	9-12

TOWN OF KENNEBUNK, MAINE

ENROLLMENT DATA OF THE MUNICIPALITIES IN THE RSU
FOR THE YEARS ENDED JUNE 30,

Actual enrollment in RSU21 schools

Oct. 1, ⁽¹⁾	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Students ⁽²⁾
	Students	%	Students	%	Students	%	Students ⁽²⁾
2016	324	14.3%	1,571	69.3%	372	16.4%	2,267
2015	288	12.9%	1,555	69.4%	397	17.7%	2,240
2014	312	13.4%	1,615	69.4%	399	17.2%	2,326
2013	313	13.2%	1,646	69.5%	409	17.3%	2,368
2012	313	13.2%	1,640	69.1%	419	17.7%	2,372
2011	308	13.1%	1,625	68.9%	423	18.0%	2,356
2010	321	13.3%	1,665	69.0%	428	17.7%	2,414
2009	317	12.8%	1,727	69.4%	442	17.8%	2,486
2008	340	13.4%	1,751	69.0%	446	17.6%	2,537
2007	343	13.4%	1,760	68.7%	457	17.9%	2,560
2006	326	12.5%	1,825	69.9%	461	17.6%	2,612

(1) State of Maine Department of Education's October 1 Annual Census

(2) For years 2008 and prior, the RSU 21 member municipalities were not consolidated into RSU 21. During those years Kennebunk and Keenebunkport were members of MSAD 71; Arundel was a separate school administrative unit.

Total pupils residing in RSU21 district attending any school

Fiscal Yr Avg No of Pupils ⁽¹⁾	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 Students ⁽²⁾
	Students	%	Students	%	Students	%	Students ⁽²⁾
2017	569.5	22.4%	1,581.0	62.1%	396.5	15.6%	2,547.0
2016	582.0	22.3%	1,628.0	62.3%	401.5	15.4%	2,611.5
2015	589.5	22.3%	1,642.5	62.0%	416.5	15.7%	2,648.5
2014	592.5	22.4%	1,630.5	61.6%	424.5	16.0%	2,647.5
2013	601.5	22.6%	1,635.5	61.4%	426.5	16.0%	2,663.5
2012	606.5	22.2%	1,692.0	62.0%	430.5	15.8%	2,729.0
2011	624.5	22.3%	1,728.5	61.7%	444.0	15.9%	2,797.0
2010	633.0	22.4%	1,749.5	61.8%	449.0	15.9%	2,831.5
2009	NA	NA	1,783.5	79.4%	459.5	20.5%	2,243.0
2008	NA	NA	1,844.0	79.7%	469.0	20.3%	2,313.0
2007	NA	NA	1,888.0	79.1%	498.0	20.9%	2,386.0
2006	NA	NA	1,895.0	79.0%	504.5	21.0%	2,399.5

(1) State of Maine Department of Education's ED279 Report (ED281 for 2006, 2007 & 2008) Calendar year average counts are two years behind the fiscal year.

(2) For years 2008 and prior, the RSU 21 member municipalities were not consolidated into RSU 21. During those years Kennebunk and Kennebunkport were members of MSAD 71; Arundel was a separate school administrative unit.

TOWN OF KENNEBUNK, MAINE

STATE VALUATION OF THE MUNICIPALITIES IN THE RSU
FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Town of Arundel		Town of Kennebunk		Town of Kennebunkport		Total RSU 21 ESV(000) ⁽¹⁾
	ESV (000)	%	ESV (000)	%	ESV (000)	%	
2017	\$ 450,400	9.4%	\$ 2,318,900	48.4%	\$ 2,018,400	42.2%	\$ 4,787,700
2016	438,000	9.5%	2,245,800	48.6%	1,938,350	41.9%	4,622,150
2015	420,600	9.5%	2,159,200	49.0%	1,831,600	41.5%	4,411,400
2014	411,950	9.5%	2,085,300	48.2%	1,832,450	42.3%	4,329,700
2013	413,500	9.6%	2,097,550	48.5%	1,810,500	41.9%	4,321,550
2012	415,950	9.6%	2,128,300	49.0%	1,801,850	41.4%	4,346,100
2011	429,150	9.6%	2,126,200	47.3%	1,938,250	43.1%	4,493,600
2010	449,900	9.6%	2,288,950	49.1%	1,923,750	41.3%	4,662,600
2009	433,350	9.5%	2,360,650	51.5%	1,784,950	39.0%	4,578,950
2008	NA	NA	2,326,650	56.0%	1,828,650	44.0%	4,155,300
2007	NA	NA	2,239,800	57.2%	1,677,500	42.8%	3,917,300

NOTE: "NA" indicates the period for which Arundel was an individual SAU.

(1) Years 2007 – 2008 include only data for the former MSAD No. 71.

TABLE 4

TOWN OF KENNEBUNK, MAINE

HISTORICAL ALLOCATION FOR THE RSU'S LOCAL COSTS
FOR THE YEARS ENDED JUNE 30,

Municipality	2010/2011		2011/2012		2012/2013		2013/2014		2014/2015		2015/2016		2016/2017	
	Assessment	% Total												
Arundel	\$ 3,693,011	12.6%	\$ 3,918,960	13.3%	\$ 4,109,823	13.5%	\$ 4,071,486	12.6%	\$ 4,126,255	12.6%	\$ 4,307,675	12.7%	\$ 4,529,366	12.5%
Kennebunk	19,252,939	65.9%	19,503,442	66.0%	19,544,108	64.4%	20,660,409	64.1%	20,829,596	63.5%	21,698,081	63.7%	22,708,581	62.5%
Kennebunkport	<u>6,260,773</u>	<u>21.5%</u>	<u>6,107,648</u>	<u>20.7%</u>	<u>6,677,507</u>	<u>22.1%</u>	<u>7,521,509</u>	<u>23.3%</u>	<u>7,837,533</u>	<u>23.9%</u>	<u>8,015,486</u>	<u>23.6%</u>	<u>9,055,448</u>	<u>25.0%</u>
Total	\$ 29,206,723	100.0%	\$ 29,530,050	100.0%	\$ 30,331,438	100.0%	\$ 32,253,404	100.0%	\$ 32,793,384	100.0%	\$ 34,021,242	100.0%	\$ 36,293,395	100.0%

TOWN OF KENNEBUNK, MAINE
 BUILDING PERMITS
 FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Commercial		Residential		Total	
	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost	Number of Permits	Estimated Cost
2017	167	\$ 7,423,915	418	\$ 20,854,934	585	\$ 28,278,849
2016	195	\$ 44,410,905	370	\$ 23,706,571	565	\$ 68,117,476
2015	119	\$ 6,632,868	432	\$ 21,691,928	551	\$ 28,324,796
2014	221	2,612,550	391	18,608,385	612	21,220,935
2013	193	3,296,267	311	22,791,353	504	26,087,620
2012	237	46,144,062	402	24,674,584	639	70,818,646
2011	152	3,861,200	412	17,592,841	564	24,454,041
2010	182	4,144,062	419	18,330,806	601	22,474,868
2009	180	8,732,861	435	23,625,470	615	32,358,331
2008	119	6,871,227	483	24,229,907	602	31,101,134
2007	135	10,469,441	511	22,899,732	646	33,369,173

SOURCE: Town of Kennebunk, Maine Code Enforcement Office

TOWN OF KENNEBUNK, MAINE
EMPLOYMENT
FOR THE YEAR ENDED JUNE 30, 2017

Representative Employer	Type of Business	Approximate Number of Employees
RSU 21	School Administrative Unit	475
Corning	Medical Lab Equipment Manufacturer	360
Kennebunk Savings Bank	Bank & Insurance	289
Home Instead Care Services	Home Care Services	170
Sunrise Senior Living	Assisted Living Facility	150
Southern Maine Medical / PrimeCare	Health Care	150
Town of Kennebunk	Town Government	130
RiverRidge Center	Brain Injury Rehab Center	122
Kennebunk Ctr for Health & Rehab	Assisted Living Facility & Rehabilitation	110
HMS Host	Turnpike Service	100
Northeast Coatings	Surface Coatings	97
The Hissong Group	Construction & Property Management	94
Plixer	Software	85
Hannaford	Food & Pharmacy	60
Atria	Assisted Living Facility	50
Downeast Energy	Petroleum Distributor	50
Garrett Pillsbury	Plumbing, Heating and Petroleum Distrib	45
KKW Water District	Water Utility	41
Tom's of Maine	Consumer Products	40
Bergen & Parkinson	Law Firm	37

TOWN OF KENNEBUNK, MAINE
 FUND BALANCE
 FOR THE YEARS ENDED JUNE 30,

	2011	2012	2013	2014	2015	2016	2017
Assigned and Unassigned ⁽¹⁾ General Fund Balance	\$ 7,091,796	\$ 7,138,394	\$ 7,576,962	\$ 8,254,400	\$ 7,857,723	\$ 8,455,629	\$ 8,751,126
Total Revenues (Current Year)	32,338,176	32,371,733	33,365,015	35,121,495	35,361,083	36,944,282	38,644,618
Fund Balance as % Revenues	21.93%	22.05%	22.71%	23.50%	22.22%	22.89%	22.65%
Unassigned ⁽²⁾ General Fund Balance	\$ 6,873,273	\$ 7,011,232	\$ 7,444,341	\$ 8,154,810	\$ 7,724,589	\$ 8,245,414	\$ 8,587,397
Budgeted Revenue	31,609,916	32,213,394	32,031,797	34,269,730	34,877,723	36,035,230	37,728,971
Fund Balance as % Budgeted Revenue	21.74%	21.76%	23.24%	23.80%	22.15%	22.88%	22.76%

NOTE: ⁽¹⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Unreserved".

⁽²⁾ The Town implemented GASB 54 in FY 2011. Prior year amounts represent balances previously reported as "Undesignated".

TOWN OF KENNEBUNK, MAINE
TAX LEVY AND COLLECTIONS
FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy (000)	Collections (After Supplements and Abatements)		
					Year End (000)	% of Levy	% of Levy a/o 08/31/17
2017	\$ 2,316,900	\$ 2,061,351	\$ 15.90	\$ 32,775	\$ 32,086	97.9%	99.0%
2016	2,245,800	2,043,619	15.30	31,267	30,567	97.8%	99.5%
2015	2,159,200	2,029,269	14.90	30,236	29,337	97.0%	99.8%
2014	2,085,300	1,991,757	14.95	29,777	29,067	97.6%	99.8%
2013	2,097,550	1,944,205	14.40	27,997	27,257	97.4%	99.9%
2012	2,128,300	1,936,881	14.40	27,891	27,085	97.1%	99.9%
2011	2,126,200	1,922,409	14.30	27,490	26,816	97.6%	99.9%
2010	2,288,950	1,897,950	13.95	26,476	25,781	97.4%	99.8%
2009	2,360,650	1,886,460	13.85	26,135	25,360	97.4%	99.9%
2008	2,326,650	1,866,643	12.85	23,986	23,290	97.1%	99.9%
2007	2,239,800	1,840,781	12.05	22,181	21,506	97.0%	99.9%

TOWN OF KENNEBUNK, MAINE
TEN LARGEST TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2017

Taxpayer	Business	As of April 1, 2017				
		Real Estate	Personal Property	Assessed Total	Property Tax	% of Levy
Central Maine Power Co	Electric Utility	\$ 49,656,600	\$ 10,300	\$ 49,666,900	\$ 821,987	2.40%
Corning Inc	Lab Equipment Manf	10,009,400	10,043,200	20,052,600	331,871	0.97%
Shape Drive Medical Ctr LLC	Medical Facility	19,464,400	-	19,464,400	322,136	0.94%
Sunrise Kennebunk Sr Lvg LLC	Ass'td Living Facility	17,855,500	-	17,855,500	295,509	0.86%
Kennebunk Savings Bank	Bank & Insurance	12,893,900	2,701,700	15,595,600	258,107	0.75%
Maritimes & Northeast Pipeline	Natural Gas Pipeline	8,000,000	-	8,000,000	132,400	0.39%
VTR Kennebunk LLC	Ass'td Living Facility	7,604,400	-	7,604,400	125,853	0.37%
Farley, William F	Private Residence	5,575,900	-	5,575,900	92,281	0.27%
HMS Host Family Restaurant	Turnpike Service Ctr	4,645,800	851,300	5,497,100	90,977	0.27%
Hannaford	Comm Prop/Grocery	3,714,400	1,566,000	5,280,400	87,391	0.25%
Top Ten Taxpayers			\$ 154,592,800	\$ 2,558,512	7.45%	

TOWN OF KENNEBUNK, MAINE

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND GENERAL BONDED DEBT PER CAPITA
FOR THE YEARS ENDED JUNE 30,

Fiscal Year	Population⁽¹⁾	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2017	10,798	\$ 2,316,900	\$ 2,061,351	\$ 10,330,000	0.45%	\$ 956.66
2016	10,798	2,245,800	2,043,619	11,609,000	0.52%	1,075.11
2015	10,798	2,159,200	2,029,269	9,535,000	0.44%	883.03
2014	10,798	2,085,300	1,991,757	10,764,000	0.52%	996.85
2013	10,798	2,097,550	1,944,205	6,685,000	0.32%	619.10
2012	10,798	2,128,300	1,936,881	7,445,000	0.35%	689.48
2011	10,798	2,126,200	1,922,409	8,200,000	0.39%	759.40
2010	10,798	2,288,950	1,897,950	8,957,000	0.39%	829.51
2009	10,476	2,360,650	1,886,460	3,075,000	0.13%	293.53
2008	10,476	2,326,650	1,866,643	3,445,000	0.15%	328.85
2007	10,476	2,239,800	1,840,781	3,810,000	0.17%	363.69

NOTE: ⁽¹⁾ U.S. Census

TOWN OF KENNEBUNK, MAINE

DEBT SERVICE COMPONENT OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30,

	Actual						Budgeted
	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Debt Service from Capital Fund: \$	858,674	\$ 777,486	\$ 1,202,982	\$ 1,069,507	\$ 795,354	\$ 1,096,038	\$ 1,058,771
Debt Service from TIF Funds: _____	<u>223,582</u>	<u>221,362</u>	<u>260,610</u>	<u>484,490</u>	<u>474,809</u>	<u>528,897</u>	<u>672,039</u>
Total Current Year Debt Service: \$	1,082,256	\$ 998,848	\$ 1,463,592	\$ 1,553,997	\$ 1,270,163	\$ 1,624,934	\$ 1,730,810
Budgeted Operating Expense: \$	31,156,555	\$ 31,405,898	\$ 33,518,096	\$ 34,325,416	\$ 35,110,955	\$ 37,055,782	\$ 38,191,966
Debt Service as % Operating Expense:	3.47%	3.18%	4.37%	4.53%	3.62%	4.39%	4.53%

TOWN OF KENNEBUNK, MAINE

PROPERTY TAX LEVY LIMIT
FOR THE YEARS ENDED JUNE 30,

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
State Personal Income Factor:	1.78%	1.66%	1.43%	1.05%	1.09%	0.86%	0.75%
Local Property Growth Factor:	<u>1.26%</u>	<u>1.27%</u>	<u>0.75%</u>	<u>0.80%</u>	<u>2.53%</u>	<u>2.04%</u>	<u>2.67%</u>
Growth Limitation Factor:	3.04%	2.93%	2.18%	1.85%	3.62%	2.90%	3.42%
Property Tax Levy Limit:	\$ 6,499,627	\$ 6,690,067	\$ 6,767,007	\$ 6,892,197	\$ 7,141,695	\$ 7,348,804	\$ 7,577,302
Property Tax Levy:	<u>6,065,431</u>	<u>6,050,698</u>	<u>6,120,059</u>	<u>6,313,472</u>	<u>6,584,061</u>	<u>6,870,620</u>	<u>7,163,063</u>
Over/(below) Prop Tax Levy Limit:	\$ (434,196)	\$ (639,369)	\$ (646,948)	\$ (578,725)	\$ (557,634)	\$ (478,184)	\$ (414,239)

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APPENDIX B

**PROPOSED FORM
OF
LEGAL OPINION**

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Upon delivery of the Bonds described herein, Jensen Baird Gardner & Henry, Portland, Maine, Bond Counsel, proposes to issue its opinion in substantially the following form:

[Date of Delivery]

Town of Kennebunk
One Summer Street
Kennebunk, ME. 04043

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Kennebunk, Maine (the "Issuer") of its \$5,645,000 2018 General Obligation Bonds (the "Bonds"). We have examined the law, and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are dated as of [Date of Delivery], and have been issued in the aggregate principal amount of \$5,645,000 and registered in the name of Cede & Co. Interest on the Bonds is payable on October 1, 2018 and semiannually on each April 1 and October 1 thereafter until maturity or redemption prior to maturity. Bonds maturing on and before October 1, 2027 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after October 1, 2028 are subject to redemption prior to their stated dates of maturity, at the option of the Issuer, on or after October 1, 2027, as more fully set forth in the Bonds.

The Bonds shall bear the Seal of the Issuer or a facsimile thereof, attested by the Town Clerk, and must be signed by the Treasurer of the Issuer and countersigned by the Chairman of the Board of Selectmen. We have examined the Bonds, as executed by the Issuer, and we are of the opinion that the form of the Bonds and the form of their execution by the Issuer are regular and proper and that the Bonds have been duly executed by the Issuer.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto. As to questions of fact material to our opinion, we have relied upon the certified

~ Over 60 Years of Service ~

proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion as of the date hereof that, under existing law:

1. The Bonds are valid and binding general obligations of the Issuer, payable as to both principal and interest from ad valorem taxes, which ad valorem taxes may be levied upon the property located within the territorial limits of the Issuer and legally taxable by it, except to the extent limited by the property tax levy limit provisions of Title 30-A, section 5721-A of the Maine Revised Statutes and except to the extent that the Issuer is now or hereafter becomes a party to any agreement under Subchapter V of Chapter 223 of Title 30-A of the Maine Revised Statutes, as amended, to share any portion of its assessed valuation with another municipality and except to the extent that the Issuer has created or hereafter creates municipal development or tax increment financing districts or affordable housing development districts under Chapter 206 or Chapter 207 of Title 30-A of the Maine Revised Statutes, the captured tax increment of which may not be available for the payment of the Bonds.

2. Interest on the Bonds is exempt, pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, from State of Maine income taxes imposed on individuals, estates, trusts and corporations. We express no opinion regarding other state tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The Issuer has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code) a deduction is allowed for a portion of that financial institutions' interest expense allocable to interest on the Bonds. The opinions set forth in the preceding sentences are subject to the condition that the Issuer comply with all requirements of the Code, including provisions relating to the use, expenditure and investment of the proceeds of the Bonds and the timely rebate or payment to the U.S. Treasury by the Issuer of certain investment earnings, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Except as expressly stated above, we express no opinion regarding any federal or state tax consequences of acquiring, carrying, owning, or disposing of the Bonds. Bondholders should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase

Jensen Baird
Gardner Henry

[Date of Delivery]
Page 3

at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Bondholders should be aware that ownership of the Bonds may result in certain other federal income tax consequences to certain taxpayers, including, without limitation, individual recipients of Social Security and Railroad Retirement benefits, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain Subchapter S corporations with excess passive income, and taxpayers who incur or continue indebtedness to purchase or carry the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE AGREEMENT**

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**TOWN OF KENNEBUNK, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT**

In connection with the issuance by the Town of Kennebunk, Maine (the “Issuer”) of its \$5,145,000 2018 General Obligation Bonds, dated as of May 30, 2018 (the “Bonds”) and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the “Rule”), the Issuer hereby covenants under this Continuing Disclosure Agreement (the “Agreement”) that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. Under the Agreement, the Issuer is obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto (the “MSRB”). This information will be available from the MSRB via its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org. The Issuer incorporates by reference its Official Statement dated May 15, 2018 relating to the Bonds (the “Official Statement”), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the MSRB: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2018, certain updated financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds under the headings “TOWN FINANCES,” “INDEBTEDNESS,” “RETIREMENT” and in APPENDIX A to the Official Statement and such other financial information and operating data as may be required to comply with the Rule; and (b) the updated information discussed in clause (a) above will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide audited financial statements when and if such audited financial statements become available. Such filings, if not completed by the required time in clause (a) above, but if filed when available, will not be deemed to be a “late filing”. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A to the Official Statement or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner, not in excess of ten (10) business days, after the occurrence of an event listed in this Section 2 to the MSRB through EMMA (in an electronic format as prescribed by the MSRB) notice of the occurrence of any of the following events with respect to the Bonds.
 - (a) Certain events whether material or not material:
 - (1) Principal and interest payment delinquencies;
 - (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) Substitution of credit or liquidity providers, or their failure to perform;
 - (5) Adverse tax opinions or events affecting the tax-exempt status of the Bonds, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (6) Tender offers;
 - (7) Defeasances;
 - (8) Rating changes;

(9) Bankruptcy, insolvency, receivership or similar event of the Issuer (Note: For the purposes of the event identified in paragraph 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.);

(b) Certain events if material:

- (1) Non-payment related defaults;
- (2) Modifications to the rights of holders of the Bonds;
- (3) Bond calls;
- (4) The release, substitution, or sale of property securing repayment of the Bonds;
- (5) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (6) Appointment of a successor or additional trustee or the change of name of a trustee.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

3. The Issuer will provide in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
4. The intent of the Issuer's undertaking in this Agreement is to provide on a continuing basis the information described in the Rule. The provisions of the Agreement may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission ("SEC") or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

Furthermore, the Issuer's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment of in full of all of the Bonds or to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of the information the Issuer has agreed to provide pursuant to the Agreement, the obligation of the Issuer to provide such information also shall cease immediately.

5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically

enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.

6. Except as disclosed in its Official Statement, the Issuer has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Joel E. Downs, Treasurer, Town of Kennebunk, 1 Summer Street, Kennebunk, ME 04043; Telephone: (207) 985-2102

TOWN OF KENNEBUNK, MAINE

By: _____

Its: _____

Dated: _____, 2018

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