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KENNEBUNKPORT
TREASURER

**Audited Financial Statements And
Other Financial Information**

Town of Kennebunkport, Maine

June 30, 2008



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TOWN OF KENNEBUNKPORT, MAINE

TABLE OF CONTENTS

JUNE 30, 2008

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET ASSETS	9
STATEMENT B - STATEMENT OF ACTIVITIES	10 - 11
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	12 - 13
STATEMENT D - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	14
STATEMENT E - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	15
STATEMENT F - BALANCE SHEET - ENTERPRISE FUNDS	16
STATEMENT G - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ENTERPRISE FUNDS	17
STATEMENT H - STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS	18
NOTES TO FINANCIAL STATEMENTS	19 - 32
REQUIRED SUPPLEMENTARY INFORMATION	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	33
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	34
OTHER SUPPLEMENTARY INFORMATION	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	35
SCHEDULE A - SCHEDULE OF DEPARTMENT OPERATIONS - GENERAL FUND	36 - 38
SCHEDULE B - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	39

SCHEDULE C - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	40
SPECIAL REVENUE FUNDS DESCRIPTION	41
SCHEDULE D - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	42
SCHEDULE E - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR SPECIAL REVENUE FUNDS	43
CAPITAL PROJECT FUNDS DESCRIPTION	44
SCHEDULE F - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS	45
SCHEDULE G - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR CAPITAL PROJECT FUNDS	46
PERMANENT FUNDS DESCRIPTION	47
SCHEDULE H - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS	48
SCHEDULE I - COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	49
NONMAJOR ENTERPRISE FUNDS DESCRIPTION	50
SCHEDULE J - COMBINING BALANCE SHEET - NONMAJOR ENTERPRISE FUNDS	51
SCHEDULE K - COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - NONMAJOR ENTERPRISE FUNDS	52
SCHEDULE L - COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS	53
GENERAL CAPITAL ASSETS DESCRIPTION	54
SCHEDULE M - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	55
SCHEDULE N - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	56

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

www.rhrsmith.com



Main Street, P.O. Box 463
Machias, Maine 04654
(800) 300-7708
Tel: (207) 255-3700
Fax: (207) 255-3750

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INDEPENDENT AUDITORS' REPORT

August 6, 2008

Board of Selectmen
Town of Kennebunkport, Maine
Kennebunkport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunkport, Maine, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunkport, Maine as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunkport, Maine's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

R H R Smith & Co.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Kennebunkport, Maine's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2008. Please read it in conjunction with the Town's financial statements.

1. Brief Discussion of the Basic Financial Statements

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting* which is similar to the accounting, used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets - the difference between assets and liabilities - as one way to measure the Town's financial health, or *financial* position. Over time, increases or decreases in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities - Most of the Town's basic services are reported here, including police, fire, public works and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- Business-type activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Sewer, Pier, and Parking Lot funds are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 9. The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Selectmen establish many other funds to help them control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from federal and / or state agencies).

The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

- *Governmental funds* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* - When the Town charges customers for the services it provides - whether to outside customers or to other units of the Town - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

2. Condensed Financial Information

The Town As A Whole

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental activities. The Town's total net assets for governmental activities decreased by \$1,350,669 from \$14.5 million to \$13.1 million. For the business-type activities the Town's total net assets increased by \$176,233 from \$11.55 million to \$11.73 million.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased for the governmental activities by \$318,113 to a balance of \$3,511,995 at the end of the fiscal year. For the business-type activities, the unrestricted net assets increased by \$87,749 to a balance of \$3,389,399.

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

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Assets:				
Current and other assets	\$ 6,399,827	\$ 6,401,903	\$ 3,604,142	\$ 4,015,028
Capital Assets	7,893,224	9,407,103	9,783,981	9,915,502
Total Assets	\$ 14,293,051	\$ 15,809,006	\$ 13,388,123	\$ 13,930,530
Liabilities:				
Current Liabilities	\$ 435,018	\$ 523,266	\$ 488,721	\$ 933,383
Long-term Debt Outstanding	756,885	833,923	1,277,136	1,447,824
Total Liabilities	\$ 1,191,903	\$ 1,357,189	\$ 1,765,857	\$ 2,381,207
Net Assets:				
Invested in Capital Assets, Net of related Debt	\$ 7,222,584	\$ 8,637,838	\$ 8,336,157	\$ 8,232,673
Restricted: General Fund	204,659	188,532	-	-
Special Revenue Fund	398,429	148,314	-	-
Capital Projects Fund	350,747	351,627	-	-
Trust Funds	1,412,734	1,295,399	-	-
Dock Square Parking	-	-	-	15,000
Other Net Assets	3,511,995	3,830,108	3,389,399	3,301,650
Total Net Assets	\$ 13,101,148	\$ 14,451,817	\$ 11,725,556	\$ 11,549,323

Revenues and Expenses

Revenues for the Town's governmental activities increased by .74%, while total expenses decreased by .84%. For the business-type activities revenues increased by .63%, while total expenses increased by 4.85%.

Table 2
Town of Kennebunkport, Maine
Change in Net Assets
For The Year Ended June 30,

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues				
Taxes				
Property	\$ 11,357,674	\$ 11,174,635	\$ -	\$ -
Excise	846,462	901,323	-	-
Intergovernmental	285,441	276,147	-	-
Charges for services	372,422	515,421	1,506,246	1,536,748
Other revenues	629,176	502,588	240,671	247,587
Transfers in (net)	28,648	76,886	(28,648)	(76,886)
Total Revenues	13,519,823	13,447,000	1,718,269	1,707,449
Expenses				
Current:				
General government	1,169,086	859,138	-	-
Public safety	1,812,920	1,670,564	-	-
Health and welfare	574,822	574,896	-	-
Public works	357,981	858,086	-	-
Recreation	372,782	332,066	-	-
Education	6,944,899	7,225,123	-	-
County tax	808,784	749,856	-	-
Outside agencies	14,806	5,970	-	-
Unclassified	22,754	35,847	1,489,951	1,415,656
Unallocated depreciation	35,115	29,925	-	-
Capital outlay	746,622	411,228	-	-
Special projects	99,160	312,247	-	-
Interest expense	26,648	30,910	64,245	66,605
Total Expenses	12,986,379	13,095,856	1,554,196	1,482,261
Change in Net Assets	533,444	351,144	164,073	225,188
Transfer of fixed assets	(12,160)	-	12,160	-
Net Assets - July 1	14,451,817	14,100,673	11,549,323	11,555,077
Restatement of Net Assets (see note 11)	(1,871,953)	-	-	(230,942)
Net Assets - June 30	<u>\$ 13,101,148</u>	<u>\$ 14,451,817</u>	<u>\$ 11,725,556</u>	<u>\$ 11,549,323</u>

The cost of all governmental activities for the year ending June 30, 2008 was \$12.99 million compared to \$13.10 million last year. However, as shown in the Statement of Activities on page 10 and 11, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$12.56 million because some of the cost was paid by those who directly benefited from the programs (\$372,422) or by other governments and organizations that subsidized certain programs with grants and contributions (\$52,356).

Table 3
Town of Kennebunkport, Maine
Net Cost of Services
For The Year Ended June 30, 2008

	<u>Total Cost of Services</u>	<u>Total Revenue</u>	<u>Net Cost of Services</u>
Governmental Activities:			
Education	\$ 6,944,899	\$ -	\$ 6,944,899
Public safety	1,812,920	28,692	1,784,228
General government	1,169,086	164,883	1,004,203
Public works	357,981	52,356	305,625
Health and welfare	574,822	8,751	566,071
All other departments	<u>2,126,671</u>	<u>170,096</u>	<u>1,956,575</u>
Total Governmental	<u>12,986,379</u>	<u>424,778</u>	<u>12,561,601</u>
Business-Type Activities:			
Cape Porpoise Pier	327,405	282,311	45,094
Dock Square Parking Lot	52,835	291,981	(239,146)
Sewer Fund	<u>1,173,956</u>	<u>959,204</u>	<u>214,752</u>
Total Business-Type	<u>1,554,196</u>	<u>1,533,496</u>	<u>20,700</u>
Total Governmental & Business-Type	<u><u>\$ 14,540,575</u></u>	<u><u>\$ 1,958,274</u></u>	<u><u>\$ 12,582,301</u></u>

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2008, the gross book value of capital assets recorded by the Town increased by \$892,313. This is the result additions vehicles, infrastructure and machinery and equipment and others.

The Town has no significant commitments for capital expenditures for the year ending June 30, 2008.

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

	<u>2008</u>	<u>2007</u>
Land and improvements	\$ 3,466,653	\$ 3,471,412
Construction in progress	828,580	675,596
Buildings and improvements	5,007,211	5,087,244
Furniture and Fixtures	9,215	11,674
Machinery and equipment	1,564,975	1,667,967
Vehicles	1,344,143	1,314,061
Art works & Historical Treasures	45,000	45,000
Infrastructure	<u>5,411,428</u>	<u>7,049,651</u>
Total	<u>\$ 17,677,205</u>	<u>\$ 19,322,605</u>

Debt

At June 30, 2008, the Town had \$2,106,469 in bonds outstanding versus \$2,411,424 last year, a decrease of 13 percent, as shown in Note 6 of the financial statements.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated fund balance to sustain governmental operations for a period of two to three months, while also maintaining significant reserve accounts for future capital and program needs. The Town also has significant activity in the reserve / capital projects accounts.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Finance Department at P.O. Box 566, Kennebunkport, Maine 04046.

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT A

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 3,854,072	\$ 29,026	\$ 3,883,098
Investments	2,306,141	3,411,029	5,717,170
Accounts receivable (net allowance for uncollectibles):			
Taxes	5,258	-	5,258
Liens	143,390	3,324	146,714
Other	20,748	146,528	167,276
Tax acquired property	7,701	-	7,701
Inventory	8,207	14,235	22,442
Due from other funds	54,310	-	54,310
Total current assets	<u>6,399,827</u>	<u>3,604,142</u>	<u>10,003,969</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	3,098,258	7,543,025	10,641,283
Buildings and vehicles net of accumulated depreciation	4,794,966	2,240,956	7,035,922
Total noncurrent assets	<u>7,893,224</u>	<u>9,783,981</u>	<u>17,677,205</u>
Total assets	<u>\$ 14,293,051</u>	<u>\$ 13,388,123</u>	<u>\$ 27,681,174</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 229,133	\$ 55,438	\$ 284,571
Accrued expenses	45,391	12,617	58,008
Accrued Payroll	59,573	-	59,573
Prepaid taxes	13,344	49	13,393
Deferred revenue	-	89,829	89,829
Due to other funds	-	54,310	54,310
Due to other governments	11,296	-	11,296
Other liabilities	-	2,500	2,500
Current portion of long-term obligations	76,281	170,688	246,969
Total current liabilities	<u>435,018</u>	<u>385,431</u>	<u>820,449</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	586,695	1,277,136	1,863,831
Capital lease payable	7,664	-	7,664
Accrued compensated absences	162,526	-	162,526
Total noncurrent liabilities	<u>756,885</u>	<u>1,277,136</u>	<u>2,034,021</u>
Total liabilities	<u>1,191,903</u>	<u>1,662,567</u>	<u>2,854,470</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,222,584	8,336,157	15,558,741
Restricted: General Fund	204,659	-	204,659
Special Revenue Fund	398,429	-	398,429
Capital Projects Fund	350,747	-	350,747
Trust Funds	1,412,734	-	1,412,734
Unrestricted	3,511,995	3,389,399	6,901,394
Total net assets	<u>13,101,148</u>	<u>11,725,556</u>	<u>24,826,704</u>
Total liabilities and net assets	<u>\$ 14,293,051</u>	<u>\$ 13,388,123</u>	<u>\$ 27,681,174</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT B

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Reimbursements / Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business type Activities
Expenses					Total Government
Governmental activities					
General government	\$ 1,169,086	\$ 164,883	\$ -	\$ (1,004,203)	\$ (1,004,203)
Public safety	1,812,920	28,692	-	(1,784,228)	(1,784,228)
Health and welfare	574,822	8,751	-	(566,071)	(566,071)
Public works	357,981	-	52,356	(305,625)	(305,625)
Recreation	372,782	159,596	-	(213,186)	(213,186)
Education	6,944,899	-	-	(6,944,899)	(6,944,899)
County tax	808,784	-	-	(808,784)	(808,784)
Outside agencies	14,806	-	-	(14,806)	(14,806)
Unclassified	22,754	10,500	-	(12,254)	(12,254)
Unallocated depreciation	35,115	-	-	(35,115)	(35,115)
Capital outlay	746,622	-	-	(746,622)	(746,622)
Special projects	99,160	-	-	(99,160)	(99,160)
Interest expense	26,648	-	-	(26,648)	(26,648)
Total governmental activities	12,986,379	372,422	-	(12,561,601)	(12,561,601)
Business-type activities:					
Cape Porpoise Pier	327,405	282,311	-	-	(45,094)
Dock Square Parking Lot	52,835	291,981	-	-	239,146
Sewer Fund	1,173,956	959,204	-	-	(214,752)
Total business-type activities	1,554,196	1,533,496	-	-	(20,700)
Total government and business-type	14,540,575	1,905,918	-	(12,561,601)	(12,582,301)

STATEMENT B (CONTINUED)
TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Changes In net assets:			
Net (expense) revenue	(12,561,601)	(20,700)	(12,582,301)
General revenue:			
Taxes:			
Property taxes, levied for general purposes	11,357,674	-	11,357,674
Excise taxes, levied for general purposes	846,462	-	846,462
Grants and contributions not restricted to specific programs	233,085	-	233,085
Investment income	233,373	150,256	383,629
Other income	395,803	8,916	404,719
Bond Proceeds	-	54,249	54,249
Total general revenue and transfers	13,066,397	213,421	13,279,818
Change in net assets	504,796	192,721	697,517
Transfers	28,648	(28,648)	-
Fixed asset transfer	(12,160)	12,160	-
Net assets - July 1	14,451,817	11,549,323	26,001,140
Restatement of Net Assets (See Note 11)	(1,871,953)	-	(1,871,953)
Net assets - June 30	<u>\$ 13,101,148</u>	<u>\$ 11,725,556</u>	<u>\$ 24,826,704</u>

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

TOWN OF KENNEBUNKPORT, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Nonmajor Funds	Totals Governmental Funds
ASSETS			
Cash	\$ 3,139,679	\$ 714,393	\$ 3,854,072
Investments	1,605,944	700,197	2,306,141
Receivables (net of allowance for			
Taxes	5,258	-	5,258
Liens	143,390	-	143,390
Other	20,748	-	20,748
Inventory	8,207	-	8,207
Tax acquired property	7,701	-	7,701
Due from other funds	163,992	772,918	936,910
Total assets	<u>\$ 5,094,919</u>	<u>\$ 2,187,508</u>	<u>\$ 7,282,427</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 205,391	\$ 23,742	\$ 229,133
Accrued expenses	45,391	-	45,391
Accrued Payroll	59,573	-	59,573
Prepaid taxes	13,344	-	13,344
Due to other funds	876,208	6,392	882,600
Due to other governments	11,296	-	11,296
Deferred tax revenues	101,152	-	101,152
Total liabilities	<u>1,312,355</u>	<u>30,134</u>	<u>1,342,489</u>
Fund Equity			
Reserved for endowments	-	-	-
Unreserved, reported in:			
General Fund			
Designated	204,659	-	204,659
Undesignated	3,577,905	-	3,577,905
Special Revenue Fund			
Designated	-	398,429	398,429
Undesignated	-	-	-
Capital Project Fund			
Designated	-	350,747	350,747
Undesignated	-	(4,536)	(4,536)
Permanent Funds	-	1,412,734	1,412,734
Total fund equity	<u>3,782,564</u>	<u>2,157,374</u>	<u>5,939,938</u>
Total liabilities and fund equity	<u>\$ 5,094,919</u>	<u>\$ 2,187,508</u>	<u>\$ 7,282,427</u>

STATEMENT C (CONTINUED)
TOWN OF KENNEBUNKPORT, MAINE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2008

	Total Governmental Funds
Total Fund Equity	<u>\$ 5,939,938</u>
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	<u>7,893,224</u>
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	<u>101,152</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(658,645)
Capital lease payable	(11,995)
Accrued compensated absences	<u>(162,526)</u>
Net assets of governmental activities	<u>\$ 13,101,148</u>

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

STATEMENT D

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Nonmajor Funds	Totals Governmental Funds
REVENUES			
Property taxes	\$ 11,387,646	\$ -	\$ 11,387,646
Excise taxes	846,462	-	846,462
Intergovernmental	285,441	-	285,441
Charges for services	372,422	-	372,422
Other revenues	448,467	180,709	629,176
TOTAL REVENUES	13,340,438	180,709	13,521,147
EXPENDITURES			
Current			
General government	1,139,016	-	1,139,016
Public safety	1,765,485	-	1,765,485
Health and welfare	573,965	-	573,965
Public works	817,655	-	817,655
Recreation	367,772	-	367,772
Education	6,944,899	-	6,944,899
County tax	808,784	-	808,784
Outside agencies	14,806	-	14,806
Unclassified	22,754	-	22,754
Capital outlay	746,622	-	746,622
Special projects	7,663	125,632	133,295
Debt service			
Principal	95,850	-	95,850
Interest	26,648	-	26,648
TOTAL EXPENDITURES	13,331,919	125,632	13,457,551
EXCESS REVENUES OVER (UNDER) EXPEDITURES	8,519	55,077	63,596
OTHER FINANCING SOURCES			
Transfers in	271,534	429,439	700,973
Transfers out	(669,180)	(3,145)	(672,325)
TOTAL OTHER FINANCING SOURCES (USES)	(397,646)	426,294	28,648
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(389,127)	481,371	92,244
FUND BALANCES - JULY 1	4,171,691	1,676,003	5,847,694
FUND BALANCES - JUNE 30	\$ 3,782,564	\$ 2,157,374	\$ 5,939,938

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

TOWN OF KENNEBUNKPORT, 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, 2008

Net change in fund balances - total governmental funds (Statement D)	<u>\$ 92,244</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized (net)	764,636
Capital assets disposed	(99,879)
Depreciation expense	<u>(306,683)</u>
	<u>358,074</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>(29,972)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>-</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>98,625</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>2,313</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ 521,284</u></u>

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

TOWN OF KENNEBUNKPORT, MAINE
BALANCE SHEET - ENTERPRISE FUNDS
JUNE 30, 2008

	Sewer Department	Nonmajor Funds	Totals
ASSETS			
Current assets			
Cash	\$ 28,726	\$ 300	\$ 29,026
Investments	3,411,029	-	3,411,029
Accounts receivable	144,651	1,877	146,528
Liens	3,324	-	3,324
Inventory	-	14,235	14,235
Due from other funds	-	103,290	103,290
Total current assets	<u>3,587,730</u>	<u>119,702</u>	<u>3,707,432</u>
Noncurrent assets			
Non depreciable assets	617,622	1,452,833	2,070,455
Buildings, building and land improvements	5,472,570	-	5,472,570
Vehicles and equipment	2,570,125	115,535	2,685,660
Infrastructure	7,703,811	2,428	7,706,239
Total capital assets	16,364,128	1,570,796	17,934,924
Less: accumulated depreciation	(7,716,934)	(434,009)	(8,150,943)
Net capital assets	<u>8,647,194</u>	<u>1,136,787</u>	<u>9,783,981</u>
Total assets	<u>\$ 12,234,924</u>	<u>\$ 1,256,489</u>	<u>\$ 13,491,413</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 31,516	\$ 23,922	\$ 55,438
Prepaid Taxes	49	-	49
Wages payable	9,022	3,595	12,617
Other liabilities	-	2,500	2,500
Deferred revenue	89,829	-	89,829
Current portion of long-term obligations	170,688	-	170,688
Due to other funds	157,600	-	157,600
Total current liabilities	<u>458,704</u>	<u>30,017</u>	<u>488,721</u>
Noncurrent liabilities			
Bonds payable	1,277,136	-	1,277,136
Total Noncurrent Liabilities	<u>1,277,136</u>	<u>-</u>	<u>1,277,136</u>
Total liabilities	<u>1,735,840</u>	<u>30,017</u>	<u>1,765,857</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,199,370	1,136,787	8,336,157
Restricted	-	-	-
Unrestricted	3,299,714	89,685	3,389,399
Total net assets	<u>10,499,084</u>	<u>1,226,472</u>	<u>11,725,556</u>
Total liabilities and net assets	<u>\$ 12,234,924</u>	<u>\$ 1,256,489</u>	<u>\$ 13,491,413</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – ENTERPRISE
FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Sewer Department	Total Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES			
Lease income	\$ -	\$ 27,250	\$ 27,250
Fuel sales	-	217,986	217,986
Fees	959,204	329,056	1,288,260
Other income	8,865	51	8,916
Total operating revenues	<u>968,069</u>	<u>574,343</u>	<u>1,542,412</u>
OPERATING EXPENSES			
Salaries / wages	352,101	74,433	426,534
Payroll taxes / benefits	133,012	15,467	148,479
Depreciation / amortization	350,390	30,687	381,077
Cost of fuel	6,736	203,707	210,443
Supplies	64,811	6,481	71,292
Repairs / maintenance	17,201	5,128	22,329
Insurance	20,950	9,061	30,011
Telephone / utilities	95,623	10,259	105,882
Contracted services	12,365	-	12,365
Other operating expenses	56,522	25,017	81,539
Total operating expenses	<u>1,109,711</u>	<u>380,240</u>	<u>1,489,951</u>
Operating income (loss)	<u>(141,642)</u>	<u>194,103</u>	<u>52,461</u>
NON-OPERATING INCOME (EXPENSE)			
Loan proceeds	54,249	-	54,249
Operating transfers in	147,001	95,885	242,886
Operating transfers (out)	(36,534)	(235,000)	(271,534)
Transfer of fixed asset	12,160	-	12,160
Interest income	150,256	-	150,256
Interest expense	(64,245)	-	(64,245)
Total non-operating income (expense)	<u>262,887</u>	<u>(139,115)</u>	<u>123,772</u>
EXCESS OF OPERATING INCOME (LOSS) OVER NON-OPERATING INCOME (EXPENSE)	121,245	54,988	176,233
NET ASSETS - JULY 1	<u>10,377,839</u>	<u>1,171,484</u>	<u>11,549,323</u>
NET ASSETS - JUNE 30	<u>\$ 10,499,084</u>	<u>\$ 1,226,472</u>	<u>\$ 11,725,556</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF CASH FLOWS -ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Sewer Department	Nonmajor Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,404,872	\$ 549,097	\$ 1,953,969
Internal activity - receipts (payments) from/to other	-	-	-
Other receipts	8,865	37,106	45,971
Payments to suppliers and employees	(1,157,686)	(331,533)	(1,489,219)
Net cash provide by operating activities	<u>256,051</u>	<u>254,670</u>	<u>510,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital assets	(134,001)	(115,555)	(249,556)
Invested cash	(149,111)	-	(149,111)
Bond Proceeds	54,249	-	54,249
Interest expense	(64,245)	-	(64,245)
Investment income	150,256	-	150,256
Net cash used by investing activities	<u>(142,852)</u>	<u>(115,555)</u>	<u>(258,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on bonds	(235,005)	-	(235,005)
Other internal due to / from activity	12,160	95,885	108,045
Operating transfers	110,467	(235,000)	(124,533)
Net cash used by financing activities	<u>(112,378)</u>	<u>(139,115)</u>	<u>(251,493)</u>
NET INCREASE (DECREASE) IN CASH	821	-	821
CASH - JULY 1	<u>27,905</u>	<u>300</u>	<u>28,205</u>
CASH - JUNE 30	<u>\$ 28,726</u>	<u>\$ 300</u>	<u>\$ 29,026</u>
RECOCLATION OF OPERATING INCOME (LOSS) TO NET CASH PROIDED (USED) BY Operating income (loss)	\$ (141,642)	\$ 194,103	\$ 52,461
Adjustmets to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation & amortization expense	350,390	30,687	381,077
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	443,542	36,369	479,911
(Increase) decrease in due from other funds	-	(20,468)	(20,468)
(Increase) decrease in inventory	-	(4,041)	(4,041)
(Increase) decrease in leins	2,126	-	2,126
(Decrease) increase in accounts payable	13,199	14,341	27,540
(Decrease) increase in prepaid taxes	46	-	46
(Decrease) increase in accrued expenses	1,725	1,179	2,904
(Decrease) increase in other liabilities	-	2,500	2,500
(Decrease) increase in deferred revenue	(7,127)	-	(7,127)
(Decrease) increase in due to other funds	(406,208)	-	(406,208)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 256,051</u>	<u>\$ 254,670</u>	<u>\$ 510,721</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Kennebunkport conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant of such policies.

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

In June of 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements focusing on the major funds. These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Principles Determining Scope of Reporting Entity

The financial statements of the Town consist only of the funds of the Town of Kennebunkport, Maine.

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Sewer, Pier and Parking Lot funds are categorized as a business-type activities. All other activities of the Town are categorized as governmental.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

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

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

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 comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

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

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- d. Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

2. Proprietary Funds

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

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes 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. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to the general rule include principal and interest on general long-term debt which is recognized when due.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the trust funds consider all purchased government securities to be held on to for up to three months or less when purchased, to be cash equivalents.

Investments

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

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are included in the general fund balance sheet and the special revenue fund inventory is valued at the lower of cost (first in, first out) or market value.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied on July 26, 2007 on the assessed value listed as of April 1, 2007, for all taxable real and personal property located in the Town. Taxes were due on September 10, 2007 and March 10, 2008. Interest on unpaid taxes commenced on September 11, 2007, and March 11, 2008, at 12% 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 property tax collection rate was 98.84% for the year ended June 30, 2008 and 99.23% for the prior fiscal year, a decrease of .39%.

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 \$143,661 for the year ended June 30, 2008.

Total Columns on Combined Statements - Overview

Total columns on the Combined Statements are presented only to facilitate analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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 of Kennebunkport utilizes encumbrance accounting for its general fund. Since there were no outstanding encumbrances at the Town for the year ended June 30, 2008, no reservation of fund balance was recorded.

Budget

The Town of Kennebunkport'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.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Late in the prior fiscal year the Town prepared a budget for the year beginning July 1. The operating budget included proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town of Kennebunkport was then called for the purpose of adopting the proposed budget after public notice of the meeting had been given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. No supplemental budgetary appropriations were necessary during the fiscal year

NOTE 2 - 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.

In 2003, the Town undertook a program to record its investment property, plant and equipment. An inventory of all existing assets with a useful life of more than five years and a value of greater than \$5,000 was taken. The assets were 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.

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. 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. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The Town has elected to implement both the general provisions of GASB Statement No. 34.

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	Balance 7/1/07	Additions	Disposals	Balance 6/30/2008
Governmental activities:				
Non-depreciated assets:				
Land	\$ 2,422,600	\$ -	\$ -	\$ 2,422,600
Art works & historical treasures	45,000	-	-	45,000
Construction in progress	599,515	31,143	-	630,658
	<u>3,067,115</u>	<u>31,143</u>	<u>-</u>	<u>3,098,258</u>
Depreciated assets				
Land improvements	190,442	2,207	-	192,649
Buildings	1,421,664	3,784	-	1,425,448
Building improvements	482,983	6,721	-	489,704
Furniture & fixtures	47,258	-	-	47,258
Machinery & equipment	1,762,108	76,661	(63,000)	1,775,769
Vehicles	2,368,399	167,616	(36,879)	2,499,136
Infrastructure	2,878,109	476,504	-	3,354,613
	<u>9,150,963</u>	<u>733,493</u>	<u>(99,879)</u>	<u>9,784,577</u>
Less: accumulated depreciation	<u>(4,682,928)</u>	<u>(380,873)</u>	<u>74,190</u>	<u>(4,989,611)</u>
	<u>4,468,035</u>	<u>352,620</u>	<u>(25,689)</u>	<u>4,794,966</u>
Net capital assets	<u>\$ 7,535,150</u>	<u>\$ 383,763</u>	<u>\$ (25,689)</u>	<u>\$ 7,893,224</u>
Business-type activities:				
Non-depreciated assets:				
Land	\$ 942,300	\$ -	\$ -	\$ 942,300
Construction in progress	76,081	121,841	-	197,922
	<u>1,018,381</u>	<u>121,841</u>	<u>-</u>	<u>1,140,222</u>
Depreciated assets:				
Land improvements	29,600	-	-	29,600
Buildings and improvements	6,257,648	115,555	-	6,373,203
Machinery & equipment	2,620,864	12,160	(22,000)	2,611,024
Vehicles	74,636	-	-	74,636
Infrastructure	7,706,239	-	-	7,706,239
	<u>16,688,987</u>	<u>127,715</u>	<u>(22,000)</u>	<u>16,794,702</u>
Less: accumulated depreciation	<u>(7,791,866)</u>	<u>(381,077)</u>	<u>22,000</u>	<u>(8,150,943)</u>
	<u>8,897,121</u>	<u>(253,362)</u>	<u>-</u>	<u>8,643,759</u>
Net capital assets	<u>\$ 9,915,502</u>	<u>\$ (131,521)</u>	<u>\$ -</u>	<u>\$ 9,783,981</u>
Total	<u>\$ 17,450,652</u>	<u>\$ 252,242</u>	<u>\$ (25,689)</u>	<u>\$ 17,677,205</u>
Current year depreciation:				
Administration				\$ 17,517
Police				57,881
Fire				110,726
Highway				117,088
Public health				857
Parks & recreation				11,002
Pier				29,471
Sewer				381,077
Dock square parking lot				1,216
Town-wide				35,115
Total depreciation expenses				<u>\$ 761,950</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - CASH AND INVESTMENTS

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

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

At June 30, 2008, the Town's deposits amounting to \$2,025,711 were comprised of \$2,025,711 which was insured by federal depository insurance and consequently was not exposed to custodial credit risk, and \$0 that was in excess of federal depository insurance, and therefore, not insured or collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 218,745
Savings	62,444
Money Market	48,726
Certificate of Deposit	1,695,796
	<u>\$ 2,025,711</u>

At June 30, 2008, all of the Town's investments amounting to \$5,717,169 were collateralized with securities held by the financial institution in the Town's name and consequently were not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Bank Balance</u>
Certificates of deposit	\$ 3,430,134
Open-ended mutual funds	681,092
Securities	<u>1,605,944</u>
Total Investments	<u>\$ 5,717,169</u>

NOTE 4 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Town has determined that the allowance account is \$0. All receivables are collected, put to lien or abated.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2008 consisted of the following individual fund receivables and payables.

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
GENERAL FUND:		
Special Revenue Fund:		
Conservation	\$ -	\$ 13,729
Piers, Rivers & Harbors	-	121,927
Landfill Closure	-	10,394
349th Anniversary	-	1,841
Revaluation	-	274,280
	<u>-</u>	<u>422,171</u>
Capital Projects Fund:		
General Capital Projects	-	342,673
30 North Street	-	1,232
Port Village Fire Station	-	4,255
Town Office	-	2,587
Cape Pier Building Renovations	4,536	-
	<u>4,536</u>	<u>350,747</u>
Trust Fund:		
Clifford Seavey Fund	9	-
Macomber	1,847	-
	<u>1,856</u>	<u>-</u>
Enterprise Fund:		
Sewer	157,600	-
Cape Porpoise Pier	-	38,349
Dock Square Parking Lot	-	64,941
	<u>157,600</u>	<u>103,290</u>
 Total General Fund	 <u>\$ 163,992</u>	 <u>\$ 876,208</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	Receivables (Due from)	Payables (Due to)
SPECIAL REVENUE FUNDS		
General Fund:		
Conservation	\$ 13,729	\$ -
Piers, Rivers & Harbors	121,927	-
Landfill Closure	10,394	-
350th Anniversary	1,841	-
Revaluation	274,280	-
	<u>\$ 422,171</u>	<u>\$ -</u>
CAPITAL PROJECTS FUND:		
General Fund:		
General capital projects	\$ 342,673	\$ -
30 North Street	1,232	-
Port Village Fire Station	4,255	-
Town Office	2,587	-
Cape Pier Building Renovations	-	4,536
	<u>\$ 350,747</u>	<u>\$ 4,536</u>
TRUST FUND:		
General Fund:		
Clifford Seavey Fund	\$ -	\$ 9
Macomber	-	1,847
	<u>\$ -</u>	<u>\$ 1,856</u>
ENTERPRISE FUND:		
General Fund:		
Sewer	\$ -	\$ 157,600
Cape Porpoise Pier	38,349	-
Dock Square Parking Lot	64,941	-
	<u>\$ 103,290</u>	<u>\$ 157,600</u>

NOTE 6- LONG-TERM DEBT

	Balance, 7/1/07	Additions	Deletions	Balance, 6/30/08	Current Portion
Bonds payable	\$ 2,411,424	\$ -	\$ (304,955)	\$ 2,106,469	\$ 243,130
Capital leases payable	40,670	-	(28,675)	11,995	3,839
Accrued compensated absences	164,839	-	(2,313)	162,526	-
Totals	<u>\$ 2,616,933</u>	<u>\$ -</u>	<u>\$ (335,943)</u>	<u>\$ 2,280,990</u>	<u>\$ 246,969</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

Enterprise Fund

\$1,000,000, 2003 sewer expansion bonds with Maine Municipal Bond Bank, due in varying annual installments through 2023, interest at a rate of 8.1% to 9.1%. \$ 822,824

\$2,500,000, 1992 sewer construction bonds with Maine Municipal Bond Bank, due in annual installments of \$125,000, through 2012, Interest is at a rate of 9% to 6.75%. 625,000

Total Enterprise Fund \$ 1,447,824

General Fund

\$796,000, 2005 salt/sand shed construction bonds with Maine Municipal Bond Bank, due in varying annual installments through 2016, interest at a rate of 3.7% to 3.9%. \$ 658,645

Total General Fund \$ 658,645

Total Enterprise & General Fund Long Term Debt \$ 2,106,469

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 243,130	\$ 75,695	\$ 318,825
2010	246,226	63,832	310,058
2011	249,340	51,790	301,130
2012	252,871	39,594	292,465
2013	256,740	27,248	283,988
2014-2018	523,375	58,920	582,295
2019-2023	276,271	19,708	295,979
2024-2028	58,516	604	59,120
	<u>\$ 2,106,469</u>	<u>\$ 337,391</u>	<u>\$ 2,443,860</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

The Town of Kennebunkport leases a highway truck under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in October of 2007. Annual payments are \$25,900.

The Town of Kennebunkport leases a photocopier under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2010. Annual payments are \$4,331.

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

2009	\$	4,331
2010		4,331
2011		4,331
2012		-
Total minimum lease payments		<u>12,993</u>
Less: Amount representing interest		<u>(998)</u>
Present value of future minimum lease payments	\$	<u><u>11,995</u></u>

NOTE 7 – RESERVED FUND BALANCE

Reserved for general fund designated balances	\$	204,659
Reserved for special revenue funds		398,429
Reserved for capital project funds		350,747
Reserved for permanent funds		<u>1,412,734</u>
	\$	<u><u>2,366,569</u></u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 – DESIGNATED FUND BALANCES – GENERAL FUND

General Fund:

Historical Study	\$ 7,841
Bridge Repairs	49,542
Street lights	5,000
Radio reserve	5
GRB Restrooms	4,707
Cemetery	900
RSM/GIS	3,750
Salt Shed	25,789
Pier Road	5,178
No. St. Parking Lot	1,945
Fire Apparatus	40,000
GA Donations	9,820
Ice Skating Park	10,746
Backstops	4,709
Comprehensive Plan	10,000
Dock Square Restrooms	700
Employee Separation	10,000
Land Acquisition	14,027

Total General Fund	<u>\$ 204,659</u>
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NOTE 9 - DEFINED BENEFITS PENSION PLAN

MAINE STATE RETIREMENT SYSTEM

A. Plan Description

Town employees contribute to the Participating Local Districts (PLDs) Consolidated Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Maine State Retirement System. The PLDs Consolidated Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the PLD's Consolidated Plan Board of Trustees. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PLDs Consolidated Plan. That report may be obtained by writing to Maine State Retirement System, #46 State House Station, Augusta, Maine 04333.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9 - DEFINED BENEFITS PENSION PLAN (CONTINUED)

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLDs Consolidated Board of Trustees. The Town's police department employees are part of the PLDs special plan #2 and are required to contribute 6.5% of their annual salary, while all other employees are part of the regular plan and are also required to contribute 6.5% of their annual salary. The Town is required to contribute 11.7% of the special plan #2 members' covered payroll and 5.8% of the regular plan members' covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost. The Town's contributions to the PLDs Consolidated Plan for the years ended June 30, 2008, 2007, 2006, and 2005 were \$68,449, \$66,067, \$36,934 and \$34,414, respectively, which are equal to the Town's required percentage of employees covered payroll less the Town's yearly IUUAL credit amount

NOTE 10 - CONTINGENCIES

In the normal course of operations, the Town receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 11 - RESTATEMENT OF NET ASSETS

The financial statements have been restated from the prior year to reflect adjustments totaling \$1,871,953 for accumulated depreciation on fixed assets.

Required Supplementary Information

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

- Budgetary Comparison Schedule - General Fund

TOWN OF KENNEBUNKPORT, MAINE

**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Budgetary Fund Balance, July 1	\$ 4,171,691	\$ 4,171,691	\$ 4,171,691	\$ -
Resources (Inflows):				
Property taxes	11,364,611	11,364,611	11,387,646	23,035
Excise taxes	863,500	863,500	846,462	(17,038)
Intergovernmental:				
State Revenue Sharing	175,000	175,000	156,607	(18,393)
Homestead Exemption	46,840	46,840	46,866	26
Local Road Assistance	52,356	52,356	52,356	-
Other Intergovernmental Revenue	12,100	12,100	29,612	17,512
Interest on Taxes	27,000	27,000	33,993	6,993
Interest on Investments	150,000	150,000	199,380	49,380
Charges for services	404,868	404,868	372,422	(32,446)
Other revenues	226,977	226,977	215,094	(11,883)
Transfers from other funds	260,000	260,000	271,534	11,534
Amounts Available for Appropriation	<u>17,754,943</u>	<u>17,754,943</u>	<u>17,783,663</u>	<u>28,720</u>
Charges to Appropriation (Outflows):				
Current				
General government	1,219,706	1,219,706	1,139,016	80,690
Public safety	1,810,041	1,810,041	1,765,485	44,556
Health and welfare	600,163	600,163	573,965	26,198
Public works	839,130	839,130	817,655	21,475
Recreation	368,714	368,714	367,772	942
Education	6,944,899	6,944,899	6,944,899	-
County tax	808,784	808,784	808,784	-
Outside agencies	14,806	14,806	14,806	-
Unclassified	197,161	197,161	22,754	174,407
Capital outlay	808,106	808,106	746,622	61,484
Special projects	-	-	7,663	(7,663)
Debt service:				
Principal	121,750	121,750	95,850	25,900
Interest	26,648	26,648	26,648	-
Transfers to other funds	523,344	523,344	669,180	(145,836)
Total Charges to Appropriations	<u>14,283,252</u>	<u>14,283,252</u>	<u>14,001,099</u>	<u>282,153</u>
Budgetary Fund Balance, June 30	<u>\$ 3,471,691</u>	<u>\$ 3,471,691</u>	<u>\$ 3,782,564</u>	<u>\$ 310,873</u>
Utilization of undesignated fund balance	\$ 700,000	\$ 700,000	\$ -	\$ (700,000)
Utilization of designated fund balance	-	-	-	-
	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ (700,000)</u>

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 Funds
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Project Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Capital Project Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Permanent Funds
- Combining Balance Sheet - Nonmajor Enterprise Funds
- Combining Schedule of Revenues, Expenses and Changes in Fund Equity - Nonmajor Enterprise Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
General Government -						
Administration	\$ 633,515	\$ -	\$ -	\$ 633,515	\$ 604,293	\$ 29,222
Assessing	99,306	-	-	99,306	91,874	7,432
Code Enforcement	139,310	-	-	139,310	130,400	8,910
Planning	81,476	-	-	81,476	79,897	1,579
Zoning Board	660	-	-	660	334	326
Conservation	750	-	-	750	239	511
Growth Planning	10,000	-	-	10,000	6,700	3,300
Legal Fees	90,500	-	-	90,500	81,438	9,062
Insurance	145,861	-	-	145,861	127,312	18,549
Community Development	18,328	-	-	18,328	16,529	1,799
	<u>1,219,706</u>	<u>-</u>	<u>-</u>	<u>1,219,706</u>	<u>1,139,016</u>	<u>80,690</u>
Public Safety -						
Police	1,114,531	-	-	1,114,531	1,076,925	37,606
Communications	321,156	-	-	321,156	330,409	(9,253)
Fire Department	292,285	-	-	292,285	276,061	16,224
KEMS	55,000	-	-	55,000	55,000	-
EMA	750	-	-	750	175	575
Animal Control	11,543	-	-	11,543	12,253	(710)
Harbor Master	14,776	-	-	14,776	14,662	114
	<u>1,810,041</u>	<u>-</u>	<u>-</u>	<u>1,810,041</u>	<u>1,765,485</u>	<u>44,556</u>
Health & Welfare -						
Solid Waste	397,761	-	-	397,761	367,134	30,627
Health Department	135,626	-	-	135,626	127,323	8,303
Welfare	3,700	-	-	3,700	16,680	(12,980)
Social Service	17,869	-	-	17,869	17,869	-
Youth Aid Service	23,111	-	-	23,111	23,111	-
Shelfish Cons	1,096	-	-	1,096	1,027	69
HB-H20 Quality	5,000	-	-	5,000	1,274	3,726
Public Restrooms	16,000	-	-	16,000	13,539	2,461
General Assistance	-	-	-	-	6,008	(6,008)
	<u>600,163</u>	<u>-</u>	<u>-</u>	<u>600,163</u>	<u>573,965</u>	<u>26,198</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
Public Works -						
Highway Department	550,591	-	-	550,591	543,253	7,338
Mechanic Department	88,287	-	-	88,287	83,549	4,738
Utilities	152,405	-	-	152,405	151,761	644
Conservation Shade Tree	32,538	-	-	32,538	27,230	5,308
Town Forest	250	-	-	250	-	250
Cemetery	15,059	-	-	15,059	11,862	3,197
	<u>839,130</u>	<u>-</u>	<u>-</u>	<u>839,130</u>	<u>817,655</u>	<u>21,475</u>
Recreation & Culture -						
Recreation	258,864	-	-	258,864	257,946	918
Louis Graves Mem Library	96,000	-	-	96,000	96,000	-
Cape Popois Comm Library	10,850	-	-	10,850	10,850	-
Parsons Way	3,000	-	-	3,000	2,976	24
	<u>368,714</u>	<u>-</u>	<u>-</u>	<u>368,714</u>	<u>367,772</u>	<u>942</u>
Misc. Agency -	<u>14,806</u>	<u>-</u>	<u>-</u>	<u>14,806</u>	<u>14,806</u>	<u>-</u>
Capital Outlay -						
Administration	26,600	-	-	26,600	25,390	1,210
Police	53,550	-	-	53,550	59,499	(5,949)
Communications	10,500	-	-	10,500	10,960	(460)
Fire Department	121,250	-	-	121,250	67,253	53,997
Highway Department	69,500	-	-	69,500	69,500	-
Road Improvement	475,556	-	-	475,556	482,341	(6,785)
Sidewalk Improvement	16,700	-	-	16,700	15,959	741
Recreation	17,750	-	-	17,750	13,808	3,942
CEO/Planning	3,200	-	-	3,200	1,912	1,288
Piers, Rivers and Harbors	13,500	-	-	13,500	-	13,500
	<u>808,106</u>	<u>-</u>	<u>-</u>	<u>808,106</u>	<u>746,622</u>	<u>61,484</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
Debt Service -						
05 MMA Bond (Principal)	69,950	-	-	69,950	69,950	-
05 MMA Bond (Interest)	26,648	-	-	26,648	26,648	-
2003 Highway Truck (Principal)	25,900	-	-	25,900	25,900	-
2004 Highway Truck (Principal)	25,900	-	-	25,900	-	25,900
2003 Highway Truck (Interest)	-	-	-	-	-	-
2004 Highway Truck (Interest)	-	-	-	-	-	-
	<u>148,398</u>	<u>-</u>	<u>-</u>	<u>148,398</u>	<u>122,498</u>	<u>25,900</u>
Special Projects -						
08 Special	-	-	-	-	5,314	(5,314)
09 loan	-	-	-	-	1,963	(1,963)
Pier road	-	-	-	-	386	(386)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,663</u>	<u>(7,663)</u>
Assessments -						
Education	6,944,899	-	-	6,944,899	6,944,899	-
County	808,784	-	-	808,784	808,784	-
	<u>7,753,683</u>	<u>-</u>	<u>-</u>	<u>7,753,683</u>	<u>7,753,683</u>	<u>-</u>
Unclassified -						
Contingency	43,000	-	-	43,000	8,695	34,305
Ice Skating	-	10,500	-	10,500	6,683	3,817
GRB Restroom	-	-	-	-	6,626	(6,626)
RSM/GIS	-	-	-	-	750	(750)
Overlay	143,661	-	-	143,661	-	143,661
	<u>186,661</u>	<u>10,500</u>	<u>-</u>	<u>197,161</u>	<u>22,754</u>	<u>174,407</u>
Totals	<u>\$13,749,408</u>	<u>\$ 10,500</u>	<u>\$ -</u>	<u>\$13,759,908</u>	<u>\$13,331,919</u>	<u>\$ 427,989</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ -	\$ -	\$ 714,393	\$ 714,393
Investments	-	-	700,197	700,197
Due from other funds	422,171	350,747	-	772,918
Total assets	<u>\$ 422,171</u>	<u>\$ 350,747</u>	<u>\$ 1,414,590</u>	<u>\$ 2,187,508</u>
LIABILITIES				
Accounts Payable	\$ 23,742	\$ -	\$ -	\$ 23,742
Due to other funds	-	4,536	1,856	6,392
Total liabilities	<u>23,742</u>	<u>4,536</u>	<u>1,856</u>	<u>30,134</u>
FUND EQUITY				
Fund balance				
Reserved for endowments	-	-	-	-
Designated for subsequent years' expenditures	398,429	350,747	1,412,734	2,161,910
Undesignated	-	(4,536)	-	(4,536)
Total fund equity	<u>398,429</u>	<u>346,211</u>	<u>1,412,734</u>	<u>2,157,374</u>
Total liabilities and fund equity	<u>\$ 422,171</u>	<u>\$ 350,747</u>	<u>\$ 1,414,590</u>	<u>\$ 2,187,508</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES	\$ 23,964	\$ -	\$ 156,745	\$ 180,709
EXPENDITURES	85,342	880	39,410	125,632
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,378)	(880)	117,335	55,077
OTHER FINANCING SOURCES (USES)				
Operating transfers in	429,439	-	-	429,439
Operating transfers (out)	(3,145)	-	-	(3,145)
TOTAL OTHER FINANCING SOURCES (USES)	426,294	-	-	426,294
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	364,916	(880)	117,335	481,371
FUND BALANCE, JULY 1	33,513	347,091	1,295,399	1,676,003
FUND BALANCE, JUNE 30	<u>\$ 398,429</u>	<u>\$ 346,211</u>	<u>\$ 1,412,734</u>	<u>\$ 2,157,374</u>

See accompanying independent auditors' report and notes to financial statements

Special Revenue Funds Description

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

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	Revaluation	RHS Plan	Total
ASSETS							
Due from other funds	\$ 13,729	\$ 121,927	\$ 10,394	\$ 1,841	\$ 274,280	\$ -	\$ 422,171
Total assets	<u>\$ 13,729</u>	<u>\$ 121,927</u>	<u>\$ 10,394</u>	<u>\$ 1,841</u>	<u>\$ 274,280</u>	<u>\$ -</u>	<u>\$ 422,171</u>
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ 18	\$ 23,724	\$ -	\$ 23,742
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>23,724</u>	<u>-</u>	<u>23,742</u>
FUND EQUITY							
Fund balance:							
Designated for subsequent years' expenditures	13,729	121,927	10,394	1,823	250,556	-	398,429
Undesignated	-	-	-	-	-	-	-
Total fund equity	<u>13,729</u>	<u>121,927</u>	<u>10,394</u>	<u>1,823</u>	<u>250,556</u>	<u>-</u>	<u>398,429</u>
Total liabilities and fund equity	<u>\$ 13,729</u>	<u>\$ 121,927</u>	<u>\$ 10,394</u>	<u>\$ 1,841</u>	<u>\$ 274,280</u>	<u>\$ -</u>	<u>\$ 422,171</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE E

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	Revaluation	RHS Plan	Total
REVENUES	\$ -	\$ 23,384	\$ -	\$ 580	\$ -	\$ -	\$ 23,964
EXPENDITURES	-	28,751	10,292	-	46,299	-	85,342
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(5,367)	(10,292)	580	(46,299)	-	(61,378)
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	-	14,638	-	-	300,000	114,801	429,439
Operating Transfers Out	-	-	-	-	(3,145)	-	(3,145)
TOTAL OTHER FINANCING SOURCES (USES)	-	14,638	-	-	296,855	114,801	426,294
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	9,271	(10,292)	580	250,556	114,801	364,916
FUND BALANCE, JULY 1	13,729	112,656	20,686	1,243	-	(114,801)	33,513
FUND BALANCE, JUNE 30	\$ 13,729	\$ 121,927	\$ 10,394	\$ 1,823	\$ 250,556	\$ -	\$ 398,429

-13,500 to Enterprise - CP Pier
 108,427

See accompanying independent auditors' report and notes to financial statements

Capital Project 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.

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2008

	General Capital Projects	30 North Street	Port Village Fire Station	Town Office	Cape Pier Building Renovations	Total
ASSETS						
Due from other funds	\$ 342,673	\$ 1,232	\$ 4,255	\$ 2,587	\$ -	\$ 350,747
Total assets	<u>\$ 342,673</u>	<u>\$ 1,232</u>	<u>\$ 4,255</u>	<u>\$ 2,587</u>	<u>\$ -</u>	<u>\$ 350,747</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	4,536	4,536
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,536</u>	<u>4,536</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	342,673	1,232	4,255	2,587	-	350,747
Undesignated	-	-	-	-	(4,536)	(4,536)
Total fund equity	<u>342,673</u>	<u>1,232</u>	<u>4,255</u>	<u>2,587</u>	<u>(4,536)</u>	<u>346,211</u>
Total liabilities and fund equity	<u>\$ 342,673</u>	<u>\$ 1,232</u>	<u>\$ 4,255</u>	<u>\$ 2,587</u>	<u>\$ -</u>	<u>\$ 350,747</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE G

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Capital Projects	30 North Street	Port Village Fire Station	Town Office	Cape Pier Building Renovations	Total
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	840	40	-	-	880
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(840)	(40)	-	-	(880)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(840)	(40)	-	-	(880)
FUND BALANCE, JULY 1	342,673	2,072	4,295	2,587	(4,536)	347,091
FUND BALANCE, JUNE 30	\$ 342,673	\$ 1,232	\$ 4,255	\$ 2,587	\$ (4,536)	\$ 346,211

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 Kennebunkport, Maine in trust or as an agent for individuals, private organizations, other governmental units and/or other funds.

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2008

	Kittredge Family Fire Equip. Fund	Clifford D. Seavey Fund	Macomber Trust	Total
ASSETS				
Cash	\$ 708,306	\$ 6,087	\$ -	\$ 714,393
Investments	-	681,092	19,105	700,197
Total assets	<u>\$ 708,306</u>	<u>\$ 687,179</u>	<u>\$ 19,105</u>	<u>\$ 1,414,590</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to other funds	\$ -	\$ 1,847	\$ -	\$ 1,856
Accounts Payable	-	-	-	-
Total liabilities	<u>-</u>	<u>9</u>	<u>1,847</u>	<u>1,856</u>
FUND EQUITY				
Fund balance	708,306	687,170	17,258	1,412,734
Designated for subsequent years' expenditures	-	-	-	-
Undesignated	<u>708,306</u>	<u>687,170</u>	<u>17,258</u>	<u>1,412,734</u>
Total fund equity	<u>708,306</u>	<u>687,179</u>	<u>19,105</u>	<u>\$ 1,414,590</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Kittredge Family Fire Equip. Fund	Clifford D. Seavey Fund	Macomber Trust	Total
REVENUES				
Investment income	\$ 43,119	\$ 112,536	\$ 1,090	\$ 156,745
Total revenues	<u>43,119</u>	<u>112,536</u>	<u>1,090</u>	<u>156,745</u>
EXPENDITURES				
Scholarships	-	-	-	-
Other	27,416	10,302	1,692	39,410
Total expenditures	<u>27,416</u>	<u>10,302</u>	<u>1,692</u>	<u>39,410</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,703	102,234	(602)	117,335
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	15,703	102,234	(602)	117,335
FUND BALANCE, JULY 1	692,603	584,936	17,860	1,295,399
FUND BALANCE, JUNE 30	<u>\$ 708,306</u>	<u>\$ 687,170</u>	<u>\$ 17,258</u>	<u>\$ 1,412,734</u>

-9
687,161

See accompanying independent auditors' report and notes to financial statements

Nonmajor Enterprise Funds

Enterprise funds are used to account for the Town of Kennebunkport, Maine's self-sustaining funds independent of the General Fund. These funds are for the Cape Porpoise Pier and Dock Square Parking Lot.

1. Cape Porpoise Pier - Funds earmarked for the provision of the pier.
2. Dock Square Parking Lot - Funds earmarked for the provision of the parking lot.

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2008

	Cape Porpoise Pier	Dock Square Parking Lot	Total
ASSETS			
Current assets			
Cash	\$ 100	\$ 200	\$ 300
Accounts receivable	1,877	-	1,877
Inventory	14,235	-	14,235
Due from other funds	38,349	64,941	103,290
Total current assets	<u>54,561</u>	<u>65,141</u>	<u>119,702</u>
Noncurrent assets			
Land and buildings	1,310,336	142,497	1,452,833
Vehicles and equipment	103,375	12,160	115,535
Infrastructure	2,428	-	2,428
Total capital assets	<u>1,416,139</u>	<u>154,657</u>	<u>1,570,796</u>
Less: accumulated depreciation	<u>(401,977)</u>	<u>(32,032)</u>	<u>(434,009)</u>
Net capital assets	<u>1,014,162</u>	<u>122,625</u>	<u>1,136,787</u>
Total assets	<u>\$ 1,068,723</u>	<u>\$ 187,766</u>	<u>\$ 1,256,489</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 23,830	\$ 92	\$ 23,922
Wages payable	1,386	2,209	3,595
Other liability	2,500	-	2,500
Due to other funds	-	-	-
Total liabilities	<u>27,716</u>	<u>2,301</u>	<u>30,017</u>
NET ASSETS			
Net Assets			
Investment in capital assets, net of related debt	1,014,162	122,625	1,136,787
Restricted	-	-	-
Unrestricted	26,845	62,840	89,685
Total net assets	<u>1,041,007</u>	<u>185,465</u>	<u>1,226,472</u>
Total liabilities and net assets	<u>\$ 1,068,723</u>	<u>\$ 187,766</u>	<u>\$ 1,256,489</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET
ASSETS
- NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Cape Porpoise Pier	Dock Square Parking Lot	Total
OPERATING REVENUES			
Lease income	\$ 27,250	\$ -	\$ 27,250
Fuel sales	217,986	-	217,986
Fees	37,075	291,981	329,056
Other revenue	31	20	51
Total operating revenues	<u>282,342</u>	<u>292,001</u>	<u>574,343</u>
OPERATING EXPENSES			
Salaries / wages	38,551	35,882	74,433
Payroll taxes / benefits	12,718	2,749	15,467
Depreciation / amortization	29,471	1,216	30,687
Cost of fuel	203,707	-	203,707
Supplies	491	5,990	6,481
Maintenance	5,128	-	5,128
Diesel Tax	9,061	-	9,061
Telephone / utilities	8,729	1,530	10,259
Other operating expenses	19,549	5,468	25,017
Total operating expenses	<u>327,405</u>	<u>52,835</u>	<u>380,240</u>
Operating income (loss)	(45,063)	239,166	194,103
NON-OPERATING REVENUE			
Interest income	-	-	-
Interest expense	-	-	-
Total non-operating revenue	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(45,063)	239,166	194,103
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	95,885	95,885
Operating transfer out	-	(235,000)	(235,000)
Total other financing sources (uses)	<u>-</u>	<u>(139,115)</u>	<u>(139,115)</u>
Excess of revenues over (under) other financing sources (uses)	(45,063)	100,051	54,988
NET ASSETS - JULY 1	<u>1,086,070</u>	<u>85,414</u>	<u>1,171,484</u>
NET ASSETS - JUNE 30	<u>\$ 1,041,007</u>	<u>\$ 185,465</u>	<u>\$ 1,226,472</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING CASH FLOW STATEMENT – NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Cape Porpoise	Dock Square Parking Lot	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 246,054	\$ 303,043	\$ 549,097
Internal activity - receipts (payments) from/to other funds	-	-	-
Other receipts	37,106	-	37,106
Payments to suppliers and employees	(280,502)	(51,031)	(331,533)
Net cash provide by operating activities	<u>2,658</u>	<u>252,012</u>	<u>254,670</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital assets	(2,658)	(112,897)	(115,555)
Investment income	-	-	-
Net cash used by investing activities	<u>(2,658)</u>	<u>(112,897)</u>	<u>(115,555)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Other internal due to / from activity	-	95,885	95,885
Operating transfers	-	(235,000)	(235,000)
Net cash used by investing activities	<u>-</u>	<u>(139,115)</u>	<u>(139,115)</u>
NET INCREASE (DECREASE) IN CASH	<u>-</u>	<u>-</u>	<u>-</u>
CASH - JULY 1	<u>100</u>	<u>200</u>	<u>300</u>
CASH - JUNE 30	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 300</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACT			
Operating income (loss)	\$ (45,063)	\$ 239,166	\$ 194,103
Adjustmets to reconcile operating income to net cash provided (used) by operating activities:			-
Depreciation & amortization expense	29,471	1,216	30,687
Changes in operating assets and liabilities:			-
(Increase) decrease in accounts receivable	(1,702)	38,071	36,369
(Increase) decrease in due from other funds	6,561	(27,029)	(20,468)
(Increase) decrease in inventory	(4,041)	-	(4,041)
(Decrease) increase in accounts payable	14,366	(25)	14,341
(Decrease) increase in accrued expenses	566	613	1,179
(Decrease) increase in other liabilities	2,500	-	2,500
Net cash provided (used) by operating activities	<u>\$ 2,658</u>	<u>\$ 252,012</u>	<u>\$ 254,670</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 assets.

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF CAPITAL ASSETS BY FUNCTION
JUNE 30, 2008

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Administration	\$ 120,300	\$ 305,887	\$ 93,425	\$ -	\$ 519,612
Police	49,100	420,000	565,052	-	1,034,152
Fire	239,900	921,117	2,349,676	-	3,510,693
Highway	731,578	316,564	1,100,667	2,590,516	4,739,325
Public health	-	-	15,340	-	15,340
Parks & recreation	176,500	178,903	65,995	-	421,398
Pier	522,600	787,736	103,375	2,428	1,416,139
Sewer	617,622	5,472,570	2,570,125	7,703,811	16,364,128
Dock Square parking lot	-	142,497	12,160	-	154,657
Town-wide	1,780,880	42,198	55,137	764,100	2,642,315
Total General Capital Assets	4,238,480	8,587,472	6,930,952	11,060,855	30,817,759
Less: Accumulated Depreciation	-	(3,401,641)	(4,089,486)	(5,649,427)	(13,140,554)
Net General Capital Assets	\$ 4,238,480	\$ 5,185,831	\$ 2,841,466	\$ 5,411,428	\$ 17,677,205

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2008

	Capital Assets 7/1/07	Additions	Deletions	Capital Assets 6/30/08
Administration	\$ 518,726	\$ 886	\$ -	\$ 519,612
Police	1,009,847	44,849	(20,544)	1,034,152
Fire	3,413,826	96,867	-	3,510,693
Highway	4,236,753	581,907	(79,335)	4,739,325
Public health	15,340	-	-	15,340
Parks & recreation	415,406	5,992	-	421,398
Pier	1,413,481	2,658	-	1,416,139
Sewer	16,252,127	134,001	(22,000)	16,364,128
Dock Square parking lot	41,760	112,897	-	154,657
Town-wide	2,608,180	34,135	-	2,642,315
Total General Capital Assets	29,925,446	1,014,192	(121,879)	30,817,759
Less: Accumulated Depreciation	(12,474,794)	(761,950)	96,190	(13,140,554)
Net General Capital Assets	\$ 17,450,652	\$ 252,242	\$ (25,689)	\$ 17,677,205

See accompanying independent auditors' report and notes to financial statements

