

**TOWN OF KENNEBUNKPORT, MAINE**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2011**



**TOWN OF KENNEBUNKPORT, MAINE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2011**

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## Report of Independent Auditors

Board of Selectmen

Town of 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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Kennebunkport, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

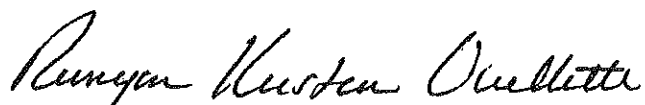
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunkport, Maine, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Town of Kennebunkport, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunkport, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



December 14, 2011  
South Portland, Maine

**TOWN OF KENNEBUNKPORT, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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As management of the Town of Kennebunkport, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements.

**Financial Highlights**

- The Town's total net assets increased by \$165,774 to \$24,749,763 (Statement 2).
- Net capital assets increased by \$1,387,275 (page 30 and 31).
- General revenues accounted for \$12,688,466 in revenue, or 85% of all revenues. Program specific revenues consisting of charges for services and grants and contributions accounted for \$2,266,774 in revenue, or 15% of \$14,955,240 in total revenues (statement 2).
- At the end of the current fiscal year, the fund balance for the general fund was \$4,434,958, of which \$7,628 was nonspendable, \$220,324 was committed and \$4,207,006 was unassigned. (See notes to the financial statements and Statement 3.)

**Overview of the Financial Statements**

Below is a brief discussion of the basic financial statements, including the relationships of the statements to each other and the significant differences in the information they provide. The Town's basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements include two main basic financial statements in accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB). The first is the *Statement of Net Assets*, and the second is the *Statement of Activities*. These two statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Both report information about the Town as a whole and about its activities during the fiscal year using the accrual basis of accounting used by most private-sector companies.

- Governmental Activities - Most of the Town's basic services are reported here, including public safety, public works, health and sanitation, culture and recreation, and general government. Property taxes and excise taxes 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 Department, the Cape Porpoise Pier and the Dock Square Parking Lot are reported here.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Management's Discussion and Analysis, Continued**

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The *Statement of Net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Infrastructure (roads, bridges, etc.) are Town assets if constructed and owned by the Town or maintained by the Town. Increase or decrease in Net Assets may serve as useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors also need to be considered as well, such as changes in the Town's property tax base and the condition of the Town's infrastructure.

The *Statement of Activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement shows the net cost of departmental services (i.e., the cost of departmental services less the revenues generated by those departments), that are funded by tax revenues, State aid, and other unrestricted revenues.

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the Town's funds, rather than the Town as a whole.

***Governmental funds*** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The General Fund is the Town's only major fund within the governmental funds.

Since the Government-wide focus includes the long-term view and the Fund focus presents a shorter-term (yearly budget) view, we are required by GASB Statement No. 34 to present reconciliation between the two following each Governmental Fund statement.

**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 fund financial statements.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Management's Discussion and Analysis, Continued**

**Financial Analysis of the Town as a Whole**

The Statement of Net Assets provides the perspective of the Town as a whole.

The Town's net assets at fiscal year-end are \$24,749,762. This includes current assets (primarily cash, investments and taxes receivable), the cost (less accumulated depreciation) of all buildings, equipment and land owned by the Town (valued at historical cost, or an estimate thereof), less current and long-term debt. Changes in net assets from year-to-year may be observed to analyze changing financial positions of the Town as a whole. The following table is presented in thousands (Statement 1).

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Primary Government Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Current assets	\$ 6,388	6,367	2,027	3,717	8,415	10,084
Capital assets:						
Land	2,324	2,314	950	950	3,274	3,264
Art works & historical treasures	45	45	-	-	45	45
Construction in progress	69	53	1,833	2	1,902	55
Buildings and improvements	2,414	2,414	6,830	6,830	9,244	9,244
Land improvements	219	204	29	29	248	233
Furniture & fixtures	47	47	-	-	47	47
Equipment & vehicles	4,530	4,472	2,725	2,680	7,255	7,152
Infrastructure	5,187	4,981	7,706	7,706	12,893	12,687
Less: accumulated depreciation	(6,063)	(5,667)	(9,401)	(9,002)	(15,464)	(14,669)
<b>Total assets</b>	<b>\$ 15,160</b>	<b>15,230</b>	<b>12,699</b>	<b>12,912</b>	<b>27,859</b>	<b>28,142</b>
Current liabilities	683	753	340	333	1,023	1,086
Long-term liabilities	1,325	1,570	761	934	2,086	2,504
<b>Total liabilities</b>	<b>\$ 2,008</b>	<b>2,323</b>	<b>1,101</b>	<b>1,267</b>	<b>3,109</b>	<b>3,590</b>
Net assets:						
Invested in capital assets, net of debt	7,202	7,050	9,739	8,090	16,941	15,140
Unrestricted	5,950	5,857	1,859	3,555	7,809	9,412
<b>Total net assets</b>	<b>\$ 13,152</b>	<b>12,907</b>	<b>11,598</b>	<b>11,645</b>	<b>24,750</b>	<b>24,552</b>

The largest portion of the Town's net assets reflects investments in capital assets (i.e., buildings, vehicles and land); less any related debt used to acquire those assets that is still outstanding. Currently, the Town only owes debt related to the road reconstruction and salt/sand shed. The Town uses these capital assets to provide services to its citizens; consequently, those assets are not available for future spending. The resources needed to repay this debt must be provided from other sources, primarily tax dollars, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets may be used to meet the Town's ongoing obligations to its creditors.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Management's Discussion and Analysis, Continued**

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods such as uncollected taxes and earned but unused compensated absences. The following summarizes the changes in net assets in thousands (Statement 2).

	Governmental Activities		Business-type Activities		Primary Government Total	
	2011	2010	2011	2010	2011	2010
Net assets, beginning as restated	\$ 12,907	\$ 12,870	11,676	11,722	24,583	24,592
Revenues:						
Program revenues:						
Charges for services	582	529	1,584	1,602	2,166	2,131
Operating grants & cont.	84	57	-	-	84	57
Capital grants	16	34	-	-	16	34
General revenues:						
Property taxes	11,517	11,448	-	-	11,517	11,448
Excise taxes	779	811	-	-	779	811
Grants and cont. not restricted to specific programs	195	223	-	-	195	223
Unrestricted investment earning:	80	113	37	54	117	167
Miscellaneous	69	54	11	3	80	57
Total revenues	13,322	13,269	1,632	1,659	14,954	14,928
Expenditures:						
Program expenditures:						
General government	1,444	1,206	-	-	1,444	1,206
Public safety	2,164	2,026	-	-	2,164	2,026
Health and welfare	203	260	-	-	203	260
Public works	1,038	1,009	-	-	1,038	1,009
Recreation	443	397	-	-	443	397
Cemeteries	13	18	-	-	13	18
Education	6,260	6,619	-	-	6,260	6,619
County tax	975	854	-	-	975	854
Solid waste	422	385	-	-	422	385
Unclassified	281	152	-	-	281	152
Special projects	(105)	400	-	-	(105)	400
Interest expense	63	81	-	-	63	81
Cape Porpoise Pier	-	-	61	277	61	277
Dock Square Parking Lot	-	-	324	50	324	50
Sewer	-	-	1,201	1,234	1,201	1,234
Total expenditures	13,201	13,407	1,586	1,561	14,787	14,968
Increase (decrease) in net assets	121	(138)	46	98	167	(40)
Transfers	124	175	(124)	(175)	-	-
Net assets, end of year	\$ 13,152	12,907	11,598	11,645	24,750	24,552

**TOWN OF KENNEBUNKPORT, MAINE**  
**Management's Discussion and Analysis, Continued**

The table below presents the total cost, for fiscal years 2011 and 2010, of each of the Town's largest programs: general government, public safety, public works, education and county tax, as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions (Statement 2).

	2011					2010				
	Total			Net		Total			Net	
General govt.	\$	1,444	12.2%	1,276	11.0%	\$	1,206	10.3%	1,059	9.2%
Public safety		2,164	18.2%	2,088	18.0%		2,026	17.3%	1,948	17.0%
Public works		1,038	8.7%	1,020	8.7%		1,009	8.6%	972	8.5%
Education		6,260	52.7%	6,260	53.9%		6,618	56.5%	6,618	57.8%
County tax		975	8.2%	975	8.4%		853	7.3%	853	7.5%
<b>Totals</b>	<b>\$</b>	<b>11,881</b>	<b>100.0%</b>	<b>11,619</b>	<b>100.0%</b>		<b>11,712</b>	<b>100.0%</b>	<b>11,450</b>	<b>100.0%</b>

**The Town's Funds**

The Town has one major fund – the General Fund. Detailed information regarding this fund can be found on pages 15 and 16 of these financial statements. The changes in the fund balance of these funds are as follows (Statement 3):

Major Fund	Balance June 30, 2011	Balance June 30, 2010	\$ Change	% Change
General Fund	\$ 4,434,958	4,361,528	73,430	1.68%
	\$ 4,434,958	4,361,528	73,430	1.68%

Expenditures

The table below shows the Town's original and adjusted budgets for various departments and functions for the year ended June 30, 2011. The table also shows actual expenses for each department and function as well as the variance between the adjusted budget and the actual expenditures for each category. The Town considers a variance to be significant if it exceeds \$20,000 and 10% of its adjusted budget (Statement 6).

General Fund Department/Function Expenditures	Original Budget	Adjusted Budget	Expenditures	Variance	
				Amount	%
General Government	\$ 1,432,531	1,439,031	1,387,814	51,217	3.56%
Public Safety	1,993,396	1,993,396	1,966,710	26,686	1.34%
Public Works	925,262	925,262	897,794	27,468	2.97%
Health and Welfare	650,769	650,769	632,347	18,422	2.83%
Recreation and Culture	399,591	399,591	413,665	(14,074)	-3.52%
Grants	-	-	41,464	(41,464)	0.00%
Unclassified	7,375,325	7,430,102	7,311,570	118,532	1.60%
Debt service	306,808	306,808	306,729	79	0.03%
Capital improvements and reserves	268,544	275,044	226,202	48,843	17.76%
<b>Total expenditures</b>	<b>\$ 13,352,226</b>	<b>13,420,003</b>	<b>13,184,295</b>	<b>235,709</b>	<b>1.76%</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Management's Discussion and Analysis, Continued**

All of the Department/Function expenditures of the Town came in at or under budget with the exception of the recreation budget and grants. The only significant variances were in capital improvements and reserves. Capital improvements and reserves include several uncompleted projects that have been carried forward as assigned fund balances as listed on page 36 of the financial statements.

The recreation budget is variance is program costs that were greater than budgeted.

Grant expenses were higher than anticipated, but were offset by corresponding revenues.

The decrease in enterprise current assets was due to the use of fund balance for the sewer capital project.

**Revenues**

The table below shows the Town's final budget and actual revenues from various resources for the year ended June 30, 2011. The table also shows the variance between these figures for each category. The Town considers a variance to be significant if it exceeds \$20,000 and 10% of the final budget (Exhibit A-2).

General Fund Revenues	Final Budget	Actual Revenues	Variance	
			Amount	%
Property taxes	\$ 11,519,481	11,533,872	14,391	0.12%
Excise taxes	763,500	779,097	15,597	2.04%
Interest on taxes	30,000	34,827	4,827	16.09%
Licenses, permits, and fees	103,700	133,588	29,888	28.82%
Charges for services	319,550	333,283	13,733	4.30%
Intergovernmental revenue	197,109	292,965	95,856	48.63%
Investment income	36,000	65,911	29,911	83.09%
Other revenues	147,924	149,219	1,295	0.88%
<b>Total revenues</b>	<b>\$ 13,117,264</b>	<b>13,322,762</b>	<b>205,498</b>	<b>1.57%</b>

Excise taxes are difficult to budget as actual collections depend upon a variety of factors unknown at the time the budget is prepared, particularly economic conditions six to eighteen months after budget preparation. The actual amount exceeded expectations.

Licenses, permits and fees came in over budget due to building permits and plumbing permits being higher than anticipated.

Intergovernmental revenues were over budget due to grants, FEMA reimbursements, tree growth, and state revenue sharing all exceeding estimates.

The variance in investment income came in over budget due to locking in at a higher interest rate than anticipated.

Charges for services were over budget primarily due to Goose Rocks Beach parking permits, planning board fees and parking violations coming in higher than anticipated.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Capital Assets**

As of June 30, 2011, the Town had approximately \$19,445,310 invested in capital assets consisting of land, buildings and equipment. (As previously noted, the Town is not required under GASB 34 to report infrastructure built or otherwise acquired prior to July 1, 2003.) This amount represents a net increase (including additions, deletions, and less this year's depreciation) of approximately \$1,386,428, or 7.68% over last year with the restatement.

This year's major additions included:

- Sewer plant upgrade
- Road repairs, extension and construction

All of the above were paid for with general fund resources, except that the sewer improvements were paid for with sewer user fees and using existing fund balance.

The Town's fiscal year 2012 budget, as approved at the annual Town meeting held on June 14<sup>th</sup> and 18<sup>th</sup>, includes approximately \$756,250 for various capital improvements, including two police cruisers, highway vehicle reserve funding, highway building improvements, road improvement/construction, Parsons Field upgrades, S Brook drainage-part 1 and fire apparatus reserve.

**Debt**

The Town of Kennebunkport had \$2,487,774 in bonds outstanding at fiscal year-end, compared to \$2,897,114 last year. Additionally the Town had \$16,686 in capital leases outstanding at fiscal year-end for the purchase of a copy machines (Pages 35&36). State law limits the Town's debt in the aggregate to 15% of its stated assessed valuation. The Town's outstanding debt at June 30, 2011 was within this statutory limit.

**Economic Factors and Next Year's Budget**

The fiscal 2012 budget has been prepared and already approved at the June 14<sup>th</sup> and 18<sup>th</sup> annual Town meeting. The municipal portion of the budget increased by approximately \$680,062 from last year. This was due to increases in County tax, capital improvements, and anticipated legal expenses related to Goose Rocks Beach law suit.

This financial report is designed to provide our citizens, taxpayers 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 financial information, contact the Town Manager, PO Box 566, Kennebunkport, Maine 04046.



## **BASIC FINANCIAL STATEMENTS**



**TOWN OF KENNEBUNKPORT, MAINE**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 317,396	500	317,896
Investments	5,820,475	1,483,231	7,303,706
Receivables:			
Accounts	71,258	497,485	568,743
Taxes receivable - current year	151,544	-	151,544
Taxes receivable - prior year	1,871	-	1,871
Tax and sewer liens	46,244	10,733	56,977
Internal balances	(28,673)	28,673	-
Inventory	7,628	6,383	14,011
Prepays	60	-	60
Nondepreciable capital assets	2,438,601	2,783,497	5,222,098
Depreciable capital assets, net	6,333,616	7,889,596	14,223,212
Total assets	15,160,020	12,700,098	27,860,117
<b>LIABILITIES</b>			
Accounts payable	183,498	66,617	250,115
Accrued wages	36,605	8,923	45,528
Accrued liabilities	38,631	2,500	41,131
Accrued interest	6,618	5,746	12,364
Accrued compensated absences	164,445	25,308	189,753
Taxes paid in advance	7,851	-	7,851
Deferred revenue	-	59,154	59,154
Noncurrent liabilities:			
Due within one year	245,617	172,605	418,222
Due in more than one year	1,324,941	761,297	2,086,238
Total liabilities	2,008,206	1,102,150	3,110,355
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,201,659	9,739,191	16,940,850
Unrestricted	5,950,155	1,858,758	7,808,913
Total net assets	\$ 13,151,814	11,597,948	24,749,762

*See accompanying notes to financial statements.*

TOWN OF KENNEBUNKPORT, MAINE  
Statement of Activities  
For the year ended June 30, 2011

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,444,313	168,138	-	-	(1,276,175)	-	(1,276,175)
Public safety	2,164,400	43,063	32,579	-	(2,088,758)	-	(2,088,758)
Highways, streets and bridges	1,038,587	-	2,026	15,745	(1,020,816)	-	(1,020,816)
Health & welfare	203,347	7,224	1,145	-	(194,978)	-	(194,978)
Recreation & culture	442,834	163,854	40,702	-	(238,278)	-	(238,278)
Grants	41,464	-	-	-	(41,464)	-	(41,464)
Education	6,260,773	-	-	-	(6,260,773)	-	(6,260,773)
County tax	975,559	-	-	-	(975,559)	-	(975,559)
Solid waste	421,991	6	-	-	(421,985)	-	(421,985)
Unclassified	90,131	199,355	8,063	-	117,287	-	117,287
Loss on disposal of assets	10,661	-	-	-	(10,661)	-	(10,661)
Interest on debt service	63,134	-	-	-	(63,134)	-	(63,134)
Capital maintenance expenses	44,853	-	-	-	(44,853)	-	(44,853)
Total governmental activities	13,202,046	581,640	84,515	15,745	(12,520,145)	-	(12,520,145)
Business-type activities:							
Sewer	1,201,108	958,187	-	-	-	(242,921)	(242,921)
Cape Porpoise Pier	324,965	306,390	-	-	-	(18,575)	(18,575)
Dock Square Parking Lot	61,348	320,297	-	-	-	258,949	258,949
Total business-type activities	1,587,421	1,584,874	-	-	-	(2,547)	(2,547)
<b>Total primary government</b>	<b>\$ 14,789,467</b>	<b>2,166,514</b>	<b>84,515</b>	<b>15,745</b>	<b>(12,520,145)</b>	<b>(2,547)</b>	<b>(12,522,692)</b>
General revenues:							
Property taxes, levied for general purposes					11,516,613	-	11,516,613
Interest and costs on taxes					34,827	-	34,827
Motor vehicle excise taxes					779,097	-	779,097
Grants and contributions not restricted to specific programs:							
Homestead exemption					30,285	-	30,285
State Revenue Sharing					107,786	-	107,786
State Road Assistance					52,356	-	52,356
Veterans reimbursement					2,082	-	2,082
General assistance					1,686	-	1,686
Snowmobile reimbursement					536	-	536
Unrestricted investment earnings					80,260	37,152	117,412
Miscellaneous revenues					34,743	11,043	45,786
Transfers					124,462	(124,462)	-
Total general revenues and transfers					12,764,733	(76,267)	12,688,466
Change in net assets					244,587	(78,814)	165,773
Net assets - beginning, as restated					12,907,227	11,676,762	24,583,989
<b>Net assets - ending</b>					<b>\$ 13,151,814</b>	<b>11,597,949</b>	<b>24,749,762</b>

See accompanying notes to financial statements.

## TOWN OF KENNEBUNKPORT, MAINE

Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 313,117	4,279	317,396
Investments	5,108,851	711,624	5,820,475
Receivables:			
Accounts receivable	69,232	2,026	71,258
Taxes receivable - current year	151,544	-	151,544
Taxes receivable - prior year	1,871	-	1,871
Tax and sewer liens	46,244	-	46,244
Prepays	60	-	60
Inventory	7,628	-	7,628
Interfund loans receivable	-	828,299	828,299
<b>Total assets</b>	<b>\$ 5,698,547</b>	<b>1,546,228</b>	<b>7,244,775</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	183,498	-	183,498
Accrued wages	36,605	-	36,605
Taxes paid in advance	7,851	-	7,851
Other liabilities	38,631	-	38,631
Deferred tax revenue	142,764	-	142,764
Interfund loans payable	854,240	2,732	856,972
<b>Total liabilities</b>	<b>1,263,589</b>	<b>2,732</b>	<b>1,266,321</b>
Fund balances:			
Nonspendable	7,628	688,206	695,834
Restricted	-	427,075	427,075
Committed	220,324	260,000	480,324
Assigned	-	168,215	168,215
Unassigned	4,207,006	-	4,207,006
<b>Total fund balances</b>	<b>4,434,958</b>	<b>1,543,496</b>	<b>5,978,454</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,698,547</b>	<b>1,546,228</b>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			8,772,217
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			142,764
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.			(1,553,872)
Bonds payable			(16,686)
Capital leases			(6,618)
Accrued interest			(164,445)
Accrued compensated absences			
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>13,151,814</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2011**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 12,347,796	-	12,347,796
Intergovernmental	292,965	2,026	294,991
Licenses and permits	133,588	-	133,588
Charges for services	333,283	-	333,283
Investment income	65,911	14,349	80,260
Other	149,219	293	149,512
Total revenues	13,322,762	16,668	13,339,430
Expenditures:			
Current:			
General government	1,412,743	-	1,412,743
Public safety	1,966,710	-	1,966,710
Public works	897,794	-	897,794
Health and welfare	210,356	3,000	213,356
Recreation and culture	413,665	13,620	427,285
Grants	41,464	-	41,464
Education	6,260,773	-	6,260,773
County tax	975,559	-	975,559
Solid waste	421,991	-	421,991
Unclassified	50,309	14,893	65,202
Debt service	306,729	-	306,729
Capital improvements and reserves	226,202	150,023	376,225
Total expenditures	13,184,294	181,536	13,365,830
Excess (deficiency) of revenues over (under) expenditures	138,468	(164,868)	(26,400)
Other financing sources (uses):			
Transfers from other funds	249,500	190,000	439,500
Transfers to other funds	(314,538)	(500)	(315,038)
Total other financing sources (uses)	(65,038)	189,500	124,462
Net change in fund balances	73,430	24,632	98,062
Fund balances, beginning of year	4,361,528	1,518,864	5,880,392
Fund balances, end of year	\$ 4,434,958	1,543,496	5,978,454

*See accompanying 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, 2011**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	98,062
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$411,731) and loss on disposal of assets (\$10,661) exceeded capital outlays (\$331,372).		
		(91,020)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(17,259)
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 the governmental funds. This is the change in accrued compensated absences (\$11,209) and accrued interest (\$1,042).		
		12,251
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of bond and lease repayments.		
		242,553
<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>244,587</b>

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*See accompanying notes to financial statements.*

**TOWN OF KENNEBUNKPORT, MAINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2011**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 12,312,981	12,312,981	12,347,796	34,815
Intergovernmental	197,109	197,109	292,965	95,856
Licenses and permits	103,700	103,700	133,588	29,888
Charges for services	319,550	319,550	333,283	13,733
Interest earned	36,000	36,000	65,911	29,911
Other	147,924	147,924	149,219	1,295
Total revenues	13,117,264	13,117,264	13,322,762	205,498
Expenditures:				
Current:				
General government	1,432,531	1,439,031	1,387,814	51,217
Public safety	1,993,396	1,993,396	1,966,710	26,686
Public works	925,262	925,262	897,794	27,468
Health and welfare	650,769	650,769	632,347	18,422
Recreation and culture	399,591	399,591	413,665	(14,074)
Grants	-	-	41,464	(41,464)
Unclassified	7,375,325	7,430,102	7,311,570	118,532
Debt service	306,808	306,808	306,729	79
Capital improvements and reserves	268,544	275,044	226,202	48,842
Total expenditures	13,352,226	13,420,003	13,184,294	235,709
Excess (deficiency) of revenues over (under) expenditures	(234,962)	(302,739)	138,468	441,207
Other financing sources (uses):				
Transfers in	249,500	249,500	249,500	-
Transfers out	(314,538)	(314,538)	(314,538)	-
Utilization of prior year surplus	300,000	300,000	-	(300,000)
Utilization of carryforward balances	-	67,777	-	(67,777)
Total other financing sources (uses)	234,962	302,739	(65,038)	(367,777)
Net change in fund balances	-	-	73,430	73,430
Fund balance, beginning of year			4,361,528	
Fund balance, end of year	\$		4,434,958	

*See accompanying notes to financial statements.*

**TOWN OF KENNEBUNKPORT, MAINE**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

<b>Business-type Activities - Enterprise Funds</b>				
	<b>Sewer Department</b>	<b>Cape Porpoise Pier</b>	<b>Dock Square Parking Lot</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 100	100	300	500
Investments	1,483,231	-	-	1,483,231
Accounts receivable	465,494	29,879	2,112	497,485
Liens	10,733	-	-	10,733
Inventory	-	6,383	-	6,383
Interfund loans receivable	-	54,435	162,104	216,539
<b>Total current assets</b>	<b>1,959,558</b>	<b>90,797</b>	<b>164,516</b>	<b>2,214,871</b>
Noncurrent assets:				
Property, plant, and equipment	18,476,003	1,435,794	162,785	20,074,582
Less accumulated depreciation	(8,863,064)	(491,303)	(47,122)	(9,401,489)
<b>Total noncurrent assets</b>	<b>9,612,939</b>	<b>944,491</b>	<b>115,663</b>	<b>10,673,093</b>
<b>Total assets</b>	<b>11,572,497</b>	<b>1,035,288</b>	<b>280,179</b>	<b>12,887,964</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	63,905	2,388	324	66,617
Accrued wages	6,913	766	1,244	8,923
Accrued liabilities	-	2,500	-	2,500
Accrued interest	5,746	-	-	5,746
Accrued compensated absences	25,084	224	-	25,308
Deferred revenue	59,154	-	-	59,154
Interfund loans payable	187,866	-	-	187,866
Current portion of long-term bonds	172,605	-	-	172,605
<b>Total current liabilities</b>	<b>521,273</b>	<b>5,878</b>	<b>1,568</b>	<b>528,719</b>
Noncurrent liabilities:				
Long-term portion of bonds	761,297	-	-	761,297
<b>Total liabilities</b>	<b>1,282,570</b>	<b>5,878</b>	<b>1,568</b>	<b>1,290,016</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,679,037	944,491	115,663	9,739,191
Unrestricted	1,610,891	84,920	162,947	1,858,758
<b>Total net assets</b>	<b>\$ 10,289,928</b>	<b>1,029,410</b>	<b>278,610</b>	<b>11,597,948</b>

*See accompanying notes to financial statements.*

**TOWN OF KENNEBUNKPORT, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2011**

<b>Business-type Activities - Enterprise Funds</b>				
	<b>Sewer Department</b>	<b>Cape Porpoise Pier</b>	<b>Dock Square Parking Lot</b>	<b>Total</b>
Operating revenues:				
Lease income	\$ -	40,000	-	40,000
Fuel sales	-	224,070	-	224,070
Dues	-	42,320	-	42,320
Fees	958,187	-	320,297	1,278,484
Other income	11,043	-	-	11,043
<b>Total operating revenues</b>	<b>969,230</b>	<b>306,390</b>	<b>320,297</b>	<b>1,595,917</b>
Operating expenses:				
Wages and benefits	536,465	62,670	41,638	640,773
Supplies	80,304	197,218	8,855	286,377
Repairs and maintenance	20,605	3,004	-	23,609
Insurance	24,372	2,732	-	27,104
Utilities	88,006	8,981	2,060	99,047
Contracted services	17,569	3,714	-	21,283
Equipment	34,840	-	-	34,840
Other operating expenses	-	8,939	-	8,939
Other expenses	-	7,662	3,360	11,022
Depreciation	364,905	30,045	5,435	400,385
<b>Total operating expenses</b>	<b>1,167,066</b>	<b>324,965</b>	<b>61,348</b>	<b>1,553,379</b>
<b>Operating income (loss)</b>	<b>(197,836)</b>	<b>(18,575)</b>	<b>258,949</b>	<b>42,538</b>
Nonoperating revenue:				
Interest income	37,152	-	-	37,152
Interest expense	(34,042)	-	-	(34,042)
<b>Total nonoperating revenue</b>	<b>3,110</b>	<b>-</b>	<b>-</b>	<b>3,110</b>
<b>Net income (loss) before transfers</b>	<b>(194,726)</b>	<b>(18,575)</b>	<b>258,949</b>	<b>45,648</b>
Transfers:				
Transfer (to) from other funds in (out)	99,538	-	(224,000)	(124,462)
<b>Total transfers</b>	<b>99,538</b>	<b>-</b>	<b>(224,000)</b>	<b>(124,462)</b>
<b>Income (loss)</b>	<b>(95,188)</b>	<b>(18,575)</b>	<b>34,949</b>	<b>(78,814)</b>
<b>Total net assets, beginning of year, as restated</b>	<b>10,385,116</b>	<b>1,047,985</b>	<b>243,661</b>	<b>11,676,762</b>
<b>Total net assets, end of year</b>	<b>\$ 10,289,928</b>	<b>1,029,410</b>	<b>278,610</b>	<b>11,597,948</b>

*See accompanying notes to financial statements.*

## TOWN OF KENNEBUNKPORT, MAINE

## Statement of Cash Flows

## Proprietary Funds

For the year ended June 30, 2011

## Business-type Activities - Enterprise Funds

	Sewer Department	Cape Porpoise Pier	Dock Square Parking Lot	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 690,265	310,522	318,398	1,319,185
Payments to suppliers	(258,307)	(241,426)	(14,241)	(513,974)
Payments to employees	(539,976)	(63,995)	(43,037)	(647,008)
Net cash provided by (used in) operating activities	(108,018)	5,101	261,120	158,203
Cash flows from non-capital financing activities:				
Transfers (to) from other funds	99,538	-	(224,000)	(124,462)
(Increase) decrease in interfund loans	263,229	(5,101)	(37,120)	221,008
Net cash provided by (used in) non-capital financing activities	362,767	(5,101)	(261,120)	96,546
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,846,460)	-	-	(1,846,460)
Bond principal payments	(171,937)	-	-	(171,937)
Interest payments	(34,042)	-	-	(34,042)
Net cash provided by (used in) capital and related financing activities	(2,052,439)	-	-	(2,052,439)
Cash flows from investing activities:				
Sale of investments	1,760,539	-	-	1,760,539
Investment income	37,152	-	-	37,152
Net cash provided by (used in) investing activities	1,797,691	-	-	1,797,691
Increase in cash	1	-	-	1
Cash, beginning of year	100	100	300	500
<b>Cash, end of year</b>	<b>\$ 101</b>	<b>100</b>	<b>300</b>	<b>501</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (197,836)	(18,575)	258,949	42,538
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	364,905	30,045	5,435	400,385
Change in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(293,821)	4,132	(1,899)	(291,588)
(Increase) decrease in liens receivable	(2,470)	-	-	(2,470)
(Increase) decrease in inventory	9,198	(6,383)	-	2,815
Increase (decrease) in accounts payable	(227)	(2,793)	34	(2,986)
Increase (decrease) in accrued wages	(6,341)	(1,277)	(1,399)	(9,017)
Increase (decrease) in accrued compensated absences	2,830	(48)	-	2,782
Increase (decrease) in accrued interest	(1,582)	-	-	(1,582)
Increase (decrease) in deferred revenue	17,326	-	-	17,326
Net cash provided by (used in) operating activities	\$ (108,018)	5,101	261,120	158,203

See accompanying notes to financial statements.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The Town of Kennebunkport 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.

The accounting policies of the Town of Kennebunkport, Maine conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

**Reporting Entity** - In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in GAAP. The criterion used is that set forth by GASB which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and one year for all other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental fund:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

*Sewer Department Fund* accounts for revenues received and expenses incurred in the operation of the sewer department.

*Cape Porpoise Pier Fund* accounts for revenues received and expenses incurred in the operation of the Pier.

*Dock Square Parking Lot Fund* accounts for revenues received and expenses incurred in the operation of the parking lot.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the Town's sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Investments** - Cash includes amounts in demand deposits, savings accounts and certificates of deposit. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are reported at fair value. For the 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.

**Short-term Interfund Receivables/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund loans on the balance sheet.

**Receivables** - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. This amount is based on billings during the months following the close of the fiscal year.

**Inventories** - Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are generally recorded as expenditures when consumed rather than when purchased.

**Prepaid Items** - Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material to the basic financial statements, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 100 years.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**Compensated Absences** - Under terms of personnel policies and union contracts, vacation and sick leave is granted in varying amounts according to length of service and is accrued ratably over the year. Regular part-time employees receive vacation and sick leave on a pro-rated basis. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Governmental Fund fund balance** - Is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for a specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Generally, all unexpended budgetary accounts lapse at the close of the fiscal year except some on-going projects which may be designed for subsequent year expenditure and some non-lapsing accounts which are carried forward to the next fiscal year.

The responsibility for committing fund balance amounts rests with the voters and likewise would be required to modify or rescind those commitments. Likewise the voters approve assigned fund balance amounts during the budget process at Town Meeting. The Town does not have a formal fund balance policy.

When both restricted and unrestricted resources are available for use, it is the Town's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they as needed.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**Long-term Obligations** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charged and amortized over the term of the related debt.

**Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**Use of Estimates** - Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Comparative Data/Reclassifications** - Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**A. Budgetary Information**

Budgets are adopted for the General Fund only and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The level of control (level at which expenditures may not exceed budget) is the warrant article level. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year except some on-going projects which may be designated for subsequent year expenditure and some non-lapsing accounts which are carried forward to the next fiscal year.

The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments.

**B. Revised Budget**

The revised budget presented for the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Statement 6), includes various adjustments as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>
2011 budget as originally adopted	\$13,117,264	(13,352,226)	234,962
Designated carryforward balances	-	(67,777)	67,777
<b>Totals</b>	<b>\$ 13,117,264</b>	<b>(13,420,003)</b>	<b>302,739</b>

**C. Excess of Expenditures over Appropriations**

The following expenditures were over there appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
Insurance	\$ 117,251	119,312	2,061
Police Department	1,159,993	1,161,990	1,997
Communications	344,298	351,364	7,066
Recreation	286,616	298,553	11,937
Capital Outlay – Communications	35,000	38,821	3,821
Sidewalk construction	45,915	49,953	4,038

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**CASH AND INVESTMENTS**

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**A. Deposits**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2011, the Town reported deposits of \$317,896 with a bank balance of \$534,024. Of the Town's bank balances of \$534,024, none was exposed to custodial credit risk because all of the bank balance was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 317,396
Reported in business-type activities	500
<b>Total deposits</b>	<b>\$ 317,896</b>

**B. Investments**

At June 30, 2011, the Town had the following investments and maturities:

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Certificates of Deposits	\$ 7,303,706	-	7,303,706	-
<b>Total investments</b>	<b>\$ 7,303,706</b>	<b>-</b>	<b>7,303,706</b>	<b>-</b>

Investments have been reported as follows:

Reported in governmental funds	\$ 5,820,475
Reported in business-type activities	1,483,231
<b>Total deposits</b>	<b>\$ 7,303,706</b>

*Interest Rate Risk:* It is the Town's policy that interest rate risk will be mitigated by structuring the Town's portfolio so that the securities mature to meet the Town's cash demands for ongoing operations, thereby precluding the need to sell securities on the open market prior to their maturity and by investing primarily in shorter-term securities.

*Credit Risk:* Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. It is the Town's policy that credit risk will be mitigated by limiting investments to the types of securities authorized by the Town's policy, using financial institutions which have been evaluated and qualified by the Treasurer using key quantitative and qualitative factors as outlined in the Town's investment policy, and diversifying the investment portfolio.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**CASH AND INVESTMENTS, CONTINUED**

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*Custodial Credit Risk-Town's Investments:* For investments, custodial credit risk is the risk 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 the possession of an outside party. Of the Town's \$7,303,706 investment in certificates of deposit, 100% was covered by the F.D.I.C. or collateralized by underlying securities held by the related bank, which were in the Town's name.

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**PROPERTY TAX**

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Property taxes for the current period were committed on July 22, 2010, on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. Payment of taxes was due in equal installments on September 10, 2010 and March 10, 2011. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after this date. Assessed values are periodically established by the Assessor's agent at 100% of assumed market value. The last revaluation was completed for the list of April 1, 2009. The 2010 assessed value of \$1,816,952,830 (including Homestead valuation) was 100% of the estimated market value and 93.7% of the 2011 state valuation of \$1,938,250,000.

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 \$96,248 for the period ended June 30, 2011.

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

Property taxes levied during the year ended were recorded as receivables at the time the levy was made. The receivables collected during the year ended and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the periods ended June 30, 2011 and 2010 levies:

	<u>2011</u>	<u>2010</u>
Assessed value	\$ 1,816,952,830	1,823,539,280
Tax rate (per \$1,000)	6.34	6.34
Commitment (includes Homestead)	11,519,481	11,561,239
Supplemental taxes assessed	5,217	13,829
	11,524,698	11,575,068
Less:		
Collections and abatements	11,373,154	11,382,348
<b>Receivable at June 30</b>	<b>\$ 151,544</b>	<b>192,720</b>
Collection rate	98.69%	98.34%

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 53,150	15,970	-	69,120
Art works & historical treasures	45,000	-	-	45,000
Land	2,313,879	10,602	-	2,324,481
<b>Total capital assets, not being depreciated</b>	<b>2,412,029</b>	<b>26,572</b>	<b>-</b>	<b>2,438,601</b>
Capital assets, being depreciated:				
Land improvements	204,469	14,223	-	218,692
Buildings	1,876,443	-	-	1,876,443
Buildings improvements	537,692	-	-	537,692
Machinery and equipment	1,902,623	55,490	-	1,958,113
Furniture and fixtures	47,258	-	-	47,258
Vehicles	2,569,407	28,725	(26,446)	2,571,686
Infrastructure	4,980,803	206,362	-	5,187,165
<b>Total capital assets, being depreciated</b>	<b>12,118,695</b>	<b>304,800</b>	<b>(26,446)</b>	<b>12,397,049</b>
Less accumulated depreciation for:				
Land improvements	105,444	7,018	-	112,462
Buildings	606,655	42,192	(1,674)	647,173
Building improvements	151,526	21,630	-	173,156
Machinery and equipment	1,149,499	126,160	-	1,275,659
Furniture and fixtures	42,542	2,250	-	44,792
Vehicles	1,404,377	125,651	(14,111)	1,515,917
Infrastructure	2,207,444	86,830	-	2,294,274
<b>Total accumulated depreciation</b>	<b>5,667,487</b>	<b>411,731</b>	<b>(15,785)</b>	<b>6,063,433</b>
<b>Total capital assets being depreciated, net</b>	<b>6,451,208</b>	<b>(106,931)</b>	<b>(10,661)</b>	<b>6,333,616</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 8,863,237</b>	<b>(80,359)</b>	<b>(10,661)</b>	<b>8,772,217</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

**CAPITAL ASSETS, CONTINUED**

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,100	1,830,969	-	1,833,069
Land	950,428	-	-	950,428
<u>Total capital assets, not being depreciated</u>	<u>952,528</u>	<u>1,830,969</u>	<u>-</u>	<u>2,783,497</u>
Capital assets, being depreciated:				
Land improvements	29,600	-	-	29,600
Buildings	4,751,200	-	-	4,751,200
Building improvements	2,078,895	-	-	2,078,895
Machinery and equipment	2,605,230	49,384	(4,100)	2,650,514
Infrastructure	7,706,239	-	-	7,706,239
Vehicles	74,637	-	-	74,637
<u>Total capital assets, being depreciated</u>	<u>17,245,800</u>	<u>49,384</u>	<u>(4,100)</u>	<u>17,291,085</u>
Less accumulated depreciation for:				
Land improvements	29,600	-	-	29,600
Buildings	2,422,274	93,224	-	2,515,498
Building improvements	558,261	77,541	-	635,802
Machinery and equipment	1,933,288	62,735	(4,100)	1,991,923
Infrastructure	3,988,867	166,598	-	4,155,465
Vehicles	72,914	287	-	73,201
<u>Total accumulated depreciation</u>	<u>9,005,204</u>	<u>400,385</u>	<u>(4,100)</u>	<u>9,401,489</u>
<u>Total capital assets being depreciated, net</u>	<u>8,242,270</u>	<u>(352,674)</u>	<u>-</u>	<u>7,889,596</u>
<b><u>Business-type activities capital assets, net</u></b>	<b><u>\$ 9,194,798</u></b>	<b><u>1,478,295</u></b>	<b><u>-</u></b>	<b><u>10,673,093</u></b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 60,134
Public safety	201,367
Public works	138,091
Health and welfare	647
Recreation and culture	11,492

**Total depreciation expense - governmental activities** **\$ 411,731**

Business-type activities:

Sewer Department	\$ 364,905
Cape Porpoise Pier	30,045
Dock Square Parking Lot	5,435

**Total depreciation expense - business-type activities** **\$ 400,385**

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**INTERFUND LOAN BALANCES**

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Individual interfund loan receivable and payable balances at the year ended June 30, 2011, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	854,240
Proprietary funds:		
Sewer Department	-	187,866
Cape Porpoise Pier	54,435	-
Dock Square Parking Lot	162,104	-
Total proprietary funds	216,539	187,866
Nonmajor special revenue funds:		
Conservation	-	1,530
Piers, Rivers & Harbors	128,109	-
Landfill Closing	39	-
350 <sup>th</sup> Anniversary	2,435	-
Revaluation	6,104	-
DEA Drug Forfeiture	-	-
Total nonmajor special revenue funds	136,687	1,530
Nonmajor capital projects funds:		
General Capital Projects	36,672	-
Road Project	390,403	-
30 North Street	115	-
Port Village Fire Station	4,255	-
Town Office	167	-
Fire Apparatus	160,000	-
Highway Vehicles	100,000	-
Total nonmajor capital projects funds	691,612	-
Nonmajor permanent funds:		
Macomber Trust	-	1,202
Total nonmajor permanent funds	-	1,202
<b>Total interfund loan receivables and payables</b>	<b>\$ 1,044,838</b>	<b>1,044,838</b>

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**INTERFUND TRANSFERS**

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Individual fund transfers for the year ended June 30, 2011 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
General Fund	\$ 249,500	314,538
Proprietary funds:		
Sewer Department	99,538	-
Dock Square Parking Lot	-	224,000
Total proprietary funds	99,538	224,000
Nonmajor special revenue funds:		
Piers, Rivers & Harbors	50,000	-
Total nonmajor special revenue funds	50,000	-
Nonmajor capital projects funds:		
Fire Apparatus	40,000	
Highway Vehicles	100,000	-
Total nonmajor capital projects funds	140,000	-
Nonmajor permanent funds:		
Macomber Trust	-	500
Total nonmajor permanent funds	-	500
<b>Totals</b>	<b>\$ 539,038</b>	<b>539,038</b>

These transfers were budgeted transfers to fund certain activities.

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,791,275	-	237,403	1,553,872	240,266
Capital leases	21,836	-	5,150	16,686	5,351
Compensated absences (1)	175,654	-	11,209	164,445	-
<b>Governmental activity</b>					
<b>long-term liabilities</b>	<b>\$ 1,988,765</b>	<b>-</b>	<b>253,762</b>	<b>1,735,003</b>	<b>245,617</b>
<b>Business-type activities:</b>					
Bonds payable	\$ 1,105,839	-	171,937	933,902	172,605
Compensated absences (1)	22,533	2,775	-	25,308	-
<b>Business-type activity</b>					
<b>long-term liabilities</b>	<b>\$ 1,128,372</b>	<b>2,775</b>	<b>171,937</b>	<b>959,210</b>	<b>172,605</b>

(1) Compensated absences are shown as long-term since the amount due within one year cannot be reasonably estimated.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

**LONG-TERM DEBT**

**Bonds Payable**

Bonds payable and capital leases at June 30, 2011 are comprised of the following:

	<u>Amount issued</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
<b>Governmental activities:</b>					
Bonds payable:					
Road bond	\$ 1,600,000	8/1/08	2019	4.24%	\$ 1,120,000
Salt/Sand Shed bond	796,000	9/28/05	2016	3.7-3.9%	433,872
Total governmental activities bonds payable					1,553,872
<b>Business-type activities:</b>					
Bonds and notes payable:					
Sewer expansion bonds	1,000,000	11/13/03	2024	8.1-9.1%	\$ 683,902
Sewer construction bonds	2,500,000	5/6/92	2013	5.9-6.75%	250,000
Total business-type activities bonds payable					933,902
<b>Total governmental activities and business-type activities</b>					<b>\$ 2,487,774</b>

All governmental activities long-term debt service requirements are paid by the General Fund. Business-type debt is paid by the proprietary enterprise fund.

**Capital Leases**

The Town has entered into lease agreements for copiers. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The annual debt service requirements to amortize bonds payable is as follows:

**Governmental Activities**

	<u>Principal</u>	<u>Bonds Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Capital Leases Interest</u>	<u>Total</u>
2012	\$ 240,266	56,108	296,374	5,351	650	6,001
2013	243,436	49,570	293,006	5,559	443	6,001
2014	246,624	39,470	286,094	5,776	225	6,001
2015	249,935	29,243	279,178	-	-	-
2016	253,611	18,974	272,585	-	-	-
2017-2020	320,000	14,133	334,133	-	-	-
<b>Totals</b>	<b>\$ 1,553,872</b>	<b>207,498</b>	<b>1,761,370</b>	<b>16,686</b>	<b>1,318</b>	<b>18,004</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**LONG-TERM DEBT, CONTINUED**

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**Business-type Activities**

	<u>Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2012	\$ 172,605	26,503	199,108
2013	173,304	17,350	190,654
2014	49,036	12,381	61,417
2015	49,802	11,597	61,399
2016	50,603	10,776	61,379
2017-2021	266,412	40,165	306,577
<u>2022-2024</u>	<u>172,140</u>	<u>17,571</u>	<u>189,711</u>
<b>Totals</b>	<b>\$ 933,902</b>	<b>136,343</b>	<b>1,070,245</b>

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its state assessed valuation. At June 30, 2011, the Town's outstanding debt did not exceed these limits.

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**OVERLAPPING DEBT**

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The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town, is summarized as follows:

<u>Units</u>	<u>Net debt outstanding June 30, 2011</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
York County	\$ 12,192,237	5.53%	674,018
RSU #21	22,709,893	20.28%	<u>4,605,566</u>
			5,279,584

The Town's proportionate share of the County and RSU #21 debt is paid through annual assessments by the respective units.

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**RISK MANAGEMENT**

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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, participates in public entity risk pools, or is effectively self-insured. Currently, the Town participates in several public entity and self insured risk pools sponsored by the Maine Municipal Association (MMA).

Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2011.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**RESTATEMENT OF FUND BALANCE AND NET ASSETS**

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Net assets in the Sewer Enterprise Fund have been restated as of July 1, 2010 as a result of a fixed asset not being capitalized. Net assets as of July 1, 2010 have been restated as follows:

	Sewer Fund
Net assets as previously reported	\$10,353,741
Restatement - prior year fixed asset net depreciation	31,375
<b><u>Net assets, as restated</u></b>	<b><u>\$10,385,116</u></b>

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**FUND BALANCE AND NET ASSETS**

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The General Fund unassigned fund balance total of \$4,223,634 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

As of June 30, 2011 other fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Reserved for inventory	\$ 7,628	-	-	-
Carry forward balances	-	-	220,324	-
Special Revenue Funds:				
Piers, Rivers & Harbors	-	-	-	128,109
Landfill Closing	-	-	-	39
350 <sup>th</sup> Anniversary	-	-	-	2,435
Revaluation	-	-	-	6,104
DEA Drug Forfeiture	-	-	-	496
Capital Projects Funds:				
General Capital Projects	-	36,672	-	-
Road Project	-	390,403	-	-
30 North Street	-	-	-	115
Port Village Fire	-	-	-	4,255
Town Office	-	-	-	167
Fire Apparatus	-	-	160,000	-
Highway Vehicle	-	-	100,000	-
Permanent Funds:				
Principal	688,206	-	-	-
Unexpended income	-	-	-	26,495
<b><u>Totals</u></b>	<b><u>\$ 695,834</u></b>	<b><u>427,075</u></b>	<b><u>480,324</u></b>	<b><u>168,215</u></b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**FUND BALANCE AND NET ASSETS, CONTINUED**

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At June 30, 2011 and 2010 fund balances were committed to future periods as follows:

	<u>2011</u>	<u>2010</u>
General Fund:		
Bridge repairs	\$49,542	49,542
Street lights	5,000	5,000
Silas Perkins Park	8,438	-
Salt shed	21,899	21,899
Pier Road	5,178	5,178
No. St. parking lot	750	750
Fire equipment	10,000	-
GA donations	15,649	18,112
Parks & Rec Improvements	5,890	8,495
Backstops	-	2,057
Growth planning	3,500	10,000
Admin – Building	14,000	-
Employee separation	18,465	18,465
Downtown projects	2,611	2,611
Dock Square restrooms	378	378
Cemetery	300	-
Voting Equipment	6,500	-
Beachwood Park	2,316	-
Local Circuit Breaker Program	28,861	-
Recreation - capital	9,000	-
Land acquisition	12,047	12,047
<b>Total General Fund Committed fund balance</b>	<b>\$220,324</b>	<b>154,534</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS)**

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**Maine PERS - Consolidated Plan**

**Description of the Plan** - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The 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 by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - The Town's police department employees are part of the PLDs special plan #2 and are required to contribute 6.5% of their annual covered 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 an actuarially determined rate. The current rate is 8.1% of the special plan #2 members' covered payroll and 3.5% of the regular plan members' covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine State legislature. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended June 30, 2011, 2010 and 2009 were \$96,532, \$119,049, and \$68,449, respectively.

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**457 RETIREMENT PLAN**

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The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, through the International City Management Association (ICMA). The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Assets of the plan are automatically placed in trust for the exclusive benefit of participants and their beneficiaries by ICMA. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

**TOWN OF KENNEBUNKPORT, MAINE**  
**Notes to Financial Statements, Continued**

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**NET ASSETS**

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Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2011:

	Governmental activities	Business-type activities
Capital assets	\$ 14,835,650	20,074,582
Accumulated depreciation	(6,063,433)	(9,401,489)
Bonds payable	(1,553,872)	(933,902)
Capital leases	(16,686)	-
<b>Total invested in capital assets, net of related debt</b>	<b>\$ 7,201,659</b>	<b>9,739,191</b>



## **GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges, and capital improvement costs which are not paid through other funds.



**TOWN OF KENNEBUNKPORT, MAINE**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 313,117	282,288
Investments	5,108,851	5,276,917
Inventory	7,628	7,202
Receivables:		
Taxes receivable - current year	151,544	192,720
Taxes receivable - prior year	1,871	1,514
Tax liens receivable	46,244	33,922
Tax acquired property	-	9,387
Accounts receivable	69,232	81,351
Prepaid expenditures	60	4,916
<b>Total assets</b>	<b>\$ 5,698,547</b>	<b>5,890,217</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and payroll withholdings	183,498	159,086
Accrued wages	36,605	77,514
Other liabilities	38,631	53,085
Taxes paid in advance	7,851	4,239
Interfund loans payable	854,240	1,074,742
Deferred tax revenue	142,764	160,023
<b>Total liabilities</b>	<b>1,263,589</b>	<b>1,528,689</b>
Fund balance:		
Nonspendable	7,628	7,202
Assigned	220,324	154,534
Unassigned	4,207,006	4,199,792
<b>Total fund balance</b>	<b>4,434,958</b>	<b>4,361,528</b>
<b>Total liabilities and fund balance</b>	<b>\$ 5,698,547</b>	<b>5,890,217</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2011**

			2011			
	2010		Original	Total		Variance
	Carryforward		budget	available	Actual	positive
	balance					(negative)
Revenues:						
Taxes:						
Property taxes	\$	-	11,519,481	11,519,481	11,508,879	(10,602)
Supplemental taxes		-	-	-	7,734	7,734
Change in deferred property tax revenue		-	-	-	17,259	17,259
Excise taxes		-	763,500	763,500	779,097	15,597
Interest and costs on taxes		-	30,000	30,000	34,827	4,827
Total taxes		-	12,312,981	12,312,981	12,347,796	34,815
Intergovernmental:						
State Revenue Sharing		-	100,000	100,000	107,786	7,786
Homestead reimbursement		-	30,233	30,233	30,285	52
State road assistance		-	52,356	52,356	52,356	-
Tree Growth		-	-	-	4,485	4,485
Snowmobile reimbursement		-	-	-	536	536
Veterans reimbursement		-	2,000	2,000	2,082	82
General assistance		-	6,000	6,000	1,686	(4,314)
Police grants		-	-	-	4,967	4,967
FEMA grants		-	-	-	15,745	15,745
Wellness grant		-	1,520	1,520	1,145	(375)
Energy grant		-	-	-	40,702	40,702
Rachel Carson		-	5,000	5,000	3,378	(1,622)
COPS grant		-	-	-	27,612	27,612
Miscellaneous		-	-	-	200	200
Total intergovernmental		-	197,109	197,109	292,965	95,856
Licenses and permits:						
Town Clerk fees		-	7,000	7,000	8,555	1,555
Plumbing fees		-	6,000	6,000	11,361	5,361
Building permits		-	80,000	80,000	103,885	23,885
Liquor license		-	2,700	2,700	2,807	107
Victualers license		-	3,000	3,000	3,100	100
Shellfish license		-	5,000	5,000	3,880	(1,120)
Total licenses and permits		-	103,700	103,700	133,588	29,888

**TOWN OF KENNEBUNKPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual, Continued**

			2011			
	2010		Original	Total		Variance
	Carryforward		Budget	available	Actual	positive
	balance					(negative)
Revenues, continued:						
Charges for services:						
Dogs fees	\$	-	3,100	3,100	3,854	754
Agent fees		-	11,500	11,500	11,333	(167)
Land use ordinance		-	300	300	1,125	825
Planning board / appeals board		-	8,800	8,800	16,013	7,213
Passport fees		-	2,100	2,100	2,225	125
Parking tickets		-	26,000	26,000	31,234	5,234
Police other		-	2,500	2,500	11,829	9,329
Goose Rocks		-	80,000	80,000	92,488	12,488
Nurses fees		-	5,000	5,000	2,208	(2,792)
Parks and recreation revenue		-	180,000	180,000	160,968	(19,032)
Dump/metal		-	-	-	6	6
Fire other		-	250	250	-	(250)
Total charges for services		-	319,550	319,550	333,283	13,733
Investment income		-	36,000	36,000	65,911	29,911
Total investment income		-	36,000	36,000	65,911	29,911
Other revenues:						
Donations		-	-	-	14,709	14,709
MSR credit		-	117,424	117,424	96,867	(20,557)
Recreation		-	3,000	3,000	2,886	(114)
Conservation		-	10,000	10,000	10,000	-
Health Council		-	-	-	5,016	5,016
Miscellaneous		-	17,500	17,500	19,741	2,241
Total other revenues		-	147,924	147,924	149,219	1,295
Total revenues		-	13,117,264	13,117,264	13,322,762	205,498

**TOWN OF KENNEBUNKPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual, Continued**

	2010 Carryforward balance	2011			Variance positive (negative)
		Original budget	Total available	Actual	
Expenditures:					
Current:					
General government:					
Administration	\$ -	682,632	682,632	658,846	23,786
Assessing	-	74,631	74,631	64,782	9,849
Code enforcement	-	139,718	139,718	133,150	6,568
Planning	-	60,087	60,087	55,244	4,843
Zoning Board	-	550	550	112	438
Conservation	-	700	700	150	550
Growth planning	6,500	450	6,950	1,658	5,292
Legal fees	-	335,000	335,000	335,000	-
Insurance	-	117,251	117,251	119,312	(2,061)
Community Development	-	21,512	21,512	19,560	1,952
Total general government	6,500	1,432,531	1,439,031	1,387,814	51,217
Public safety:					
Police department	-	1,159,993	1,159,993	1,161,990	(1,997)
Communications	-	344,298	344,298	351,364	(7,066)
Fire department	-	351,317	351,317	316,418	34,899
KEMS	-	109,000	109,000	109,000	-
EMA	-	750	750	334	416
Animal control	-	13,181	13,181	12,876	305
Harbor master	-	14,857	14,857	14,727	130
Total public safety	-	1,993,396	1,993,396	1,966,710	26,686
Public works:					
Highway department	-	627,264	627,264	612,901	14,363
Mechanic	-	98,775	98,775	89,616	9,159
Utilities	-	153,240	153,240	151,621	1,619
Conservation	-	32,538	32,538	32,273	265
Cemetery	-	13,445	13,445	11,383	2,062
Total public works	-	925,262	925,262	897,794	27,468

**TOWN OF KENNEBUNKPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual, Continued**

	2010 Carryforward balance	2011		Variance positive (negative)
		Original budget	Total available	
Expenditures, continued				
Current, continued:				
Health and welfare:				
Solid waste	\$ -	436,450	436,450	421,991 14,459
Health	-	147,534	147,534	138,848 8,686
Welfare	-	12,200	12,200	4,172 8,028
Social services	-	18,946	18,946	18,946 -
Shellfish cons	-	3,139	3,139	2,794 345
HB-H2O Quality	-	3,000	3,000	549 2,451
Public restrooms	-	29,500	29,500	27,524 1,976
Health council	-	-	-	5,016 (5,016)
General assistance donation	-	-	-	12,507 (12,507)
Total health and welfare	-	650,769	650,769	632,347 18,422
Recreation and culture:				
Recreation	-	286,616	286,616	298,553 (11,937)
Graves library	-	99,000	99,000	99,000 -
Cape Porpoise	-	11,175	11,175	11,175 -
Parsons Way	-	2,800	2,800	2,785 15
Parks & Recreation donations	-	-	-	2,152 (2,152)
Total recreation and culture	-	399,591	399,591	413,665 (14,074)
Grants:				
Police	-	-	-	4,967 (4,967)
Recreation	-	-	-	36,497 (36,497)
Total grants	-	-	-	41,464 (41,464)
Debt service:				
Principal	-	237,403	237,403	237,403 -
Interest	-	69,405	69,405	69,326 79
Total debt service	-	306,808	306,808	306,729 79
Unclassified:				
Circuit breaker	54,777	-	54,777	25,916 28,861
Contingency	-	35,000	35,000	17,673 17,327
Miscellaneous agencies	-	7,745	7,745	6,720 1,025
County tax	-	975,559	975,559	975,559 -
Education	-	6,260,773	6,260,773	6,260,773 -
Overlay/abatements	-	96,248	96,248	24,929 71,319
Total unclassified	54,777	7,375,325	7,430,102	7,311,570 118,532

**TOWN OF KENNEBUNKPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual, Continued**

	2010 Carryforward balance	2011		Variance positive (negative)
		Original budget	Total available	
Expenditures, continued:				
Capital improvements and reserves:				
Special projects:				
Voting Equipment	\$ 6,500	-	6,500	- 6,500
Capital outlay:				
Administration	-	43,000	43,000	24,777 18,223
Police	-	30,000	30,000	22,458 7,542
Communications	-	35,000	35,000	38,821 (3,821)
Fire	-	54,100	54,100	43,644 10,456
Highway	-	35,529	35,529	25,427 10,102
Sidewalk con	-	45,915	45,915	49,953 (4,038)
Recreation	-	25,000	25,000	16,562 8,438
Designated:				
Ice skating	-	-	-	2,203 (2,203)
Cemetery	-	-	-	300 (300)
Backstop	-	-	-	2,057 (2,057)
Total capital improvements and reserves	6,500	268,544	275,044	226,202 48,842
Total expenditures	67,777	13,352,226	13,420,003	13,184,294 235,709
Excess (deficiency) of revenues over (under) expenditures	(67,777)	(234,962)	(302,739)	138,468 441,207

**TOWN OF KENNEBUNKPORT, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual, Continued**

		2010	2011			Variance
		Carryforward balance	Original budget	Total available	Actual	positive (negative)
Other financing sources (uses):	\$					
Transfers out:						
Fire apparatus		-	(40,000)	(40,000)	(40,000)	-
Highway vehicle		-	(100,000)	(100,000)	(100,000)	-
Piers		-	(50,000)	(50,000)	(50,000)	-
Sewer debt (principal & interest)		-	(124,538)	(124,538)	(124,538)	-
Transfers in:						
Dock Square Parking Lot		-	200,000	200,000	200,000	-
Dock Square Restrooms		-	24,000	24,000	24,000	-
Dock Square Shoreline		-	-	-	-	-
Sewer		-	25,000	25,000	25,000	-
Macomber		-	500	500	500	-
Utilization of undesignated fund balance		-	300,000	300,000	-	(300,000)
Utilization of designated fund balance		67,777	-	67,777	-	(67,777)
Total other financing sources (uses)		67,777	234,962	302,739	(65,038)	(367,777)
Net change in fund balances		-	-	-	73,430	73,430
Fund balance, beginning of year					4,361,528	
Fund balance, end of year	\$				4,434,958	



## **ALL OTHER GOVERNMENTAL FUNDS**



**TOWN OF KENNEBUNKPORT, MAINE**  
**All Other Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	-	4,279	4,279
Investments	-	-	711,624	711,624
Accounts receivable	2,026	-	-	2,026
Interfund loans receivable	136,687	691,612	-	828,299
<b>Total assets</b>	<b>\$ 138,713</b>	<b>691,612</b>	<b>715,903</b>	<b>1,546,228</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund loans payable	1,530	-	1,202	2,732
<b>Total liabilities</b>	<b>1,530</b>	<b>-</b>	<b>1,202</b>	<b>2,732</b>
Fund balances:				
Nonspendable	-	-	688,206	688,206
Restricted	-	427,075	-	427,075
Committed	-	260,000	-	260,000
Assigned	137,183	4,537	26,495	168,215
<b>Total fund balance</b>	<b>137,183</b>	<b>691,612</b>	<b>714,701</b>	<b>1,543,496</b>
<b>Total liabilities and fund balances</b>	<b>\$ 138,713</b>	<b>691,612</b>	<b>715,903</b>	<b>1,546,228</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**All Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2011**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 2,026	-	-	2,026
Other	293	-	-	293
Investment income	-	6,698	7,651	14,349
Total revenues	2,319	6,698	7,651	16,668
Expenditures:				
Current:				
Revaluation	3,000	-	-	3,000
Services	13,620	-	-	13,620
Other	-	-	14,893	14,893
Capital outlay	-	150,023	-	150,023
Total expenditures	16,620	150,023	14,893	181,536
Excess (deficiency) of revenues over (under) expenditures	(14,301)	(143,325)	(7,242)	(164,868)
Other financing sources (uses):				
Transfer from other funds	50,000	140,000	-	190,000
Transfer to other funds	-	-	(500)	(500)
Total other financing sources	50,000	140,000	(500)	189,500
Net change in fund balances	35,699	(3,325)	(7,742)	24,632
Fund balances, beginning of year	101,484	694,937	722,443	1,518,864
Fund balances, end of year	\$ 137,183	691,612	714,701	1,543,496

## **NONMAJOR SPECIAL REVENUE FUNDS**



**TOWN OF KENNEBUNKPORT, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	Revaluation	DEA Drug Forfeiture	Totals
<b>ASSETS</b>							
Accounts receivable	\$ 1,530	-	-	-	-	496	2,026
Interfund loans receivable	-	128,109	39	2,435	6,104	-	136,687
<b>Total assets</b>	<b>\$ 1,530</b>	<b>128,109</b>	<b>39</b>	<b>2,435</b>	<b>6,104</b>	<b>496</b>	<b>138,713</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Interfund loans payable	1,530	-	-	-	-	-	1,530
<b>Total liabilities</b>	<b>1,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,530</b>
Fund balances:							
Assigned	-	128,109	39	2,435	6,104	496	137,183
<b>Total fund balances</b>	<b>-</b>	<b>128,109</b>	<b>39</b>	<b>2,435</b>	<b>6,104</b>	<b>496</b>	<b>137,183</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,530</b>	<b>128,109</b>	<b>39</b>	<b>2,435</b>	<b>6,104</b>	<b>496</b>	<b>138,713</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2011**

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	Revaluation	DEA Drug Forfeiture	Totals
Revenues:							
Intergovernmental	\$ 1,530	-	-	-	-	496	2,026
Other	-	-	-	293	-	-	293
Total revenues	1,530	-	-	293	-	496	2,319
Expenditures:							
Current:							
Revaluation	-	-	-	-	3,000	-	3,000
Services	13,620	-	-	-	-	-	13,620
Total expenditures	13,620	-	-	-	3,000	-	16,620
Excess (deficiency) of revenues over (under) expenditures	(12,090)	-	-	293	(3,000)	496	(14,301)
Other financing sources (uses):							
Transfer from other funds	-	50,000	-	-	-	-	50,000
Total other financing sources (uses)	-	50,000	-	-	-	-	50,000
Net change in fund balances	(12,090)	50,000	-	293	(3,000)	496	35,699
Fund balances, beginning of year	12,090	78,109	39	2,142	9,104	-	101,484
Fund balances, end of year	\$ -	128,109	39	2,435	6,104	496	137,183

## **NONMAJOR CAPITAL PROJECTS FUNDS**



TOWN OF KENNEBUNKPORT, MAINE  
Nonmajor Capital Projects Funds  
Combining Balance Sheet  
June 30, 2011

	General Capital Projects	Road Project	30 North Street	Port Village Fire Station	Town Office	Fire Apparatus	Highway Vehicles	Totals
<b>ASSETS</b>								
Interfund loans receivable	\$ 36,672	390,403	115	4,255	167	160,000	100,000	691,612
<b>Total assets</b>	<b>\$ 36,672</b>	<b>390,403</b>	<b>115</b>	<b>4,255</b>	<b>167</b>	<b>160,000</b>	<b>100,000</b>	<b>691,612</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Interfund loans payable	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:								
Restricted	36,672	390,403	-	-	-	-	-	427,075
Committed	-	-	-	-	-	160,000	100,000	260,000
Assigned	-	-	115	4,255	167	-	-	4,537
<b>Total fund balances</b>	<b>36,672</b>	<b>390,403</b>	<b>115</b>	<b>4,255</b>	<b>167</b>	<b>160,000</b>	<b>100,000</b>	<b>691,612</b>
<b>Total liabilities and fund balances</b>	<b>\$ 36,672</b>	<b>390,403</b>	<b>115</b>	<b>4,255</b>	<b>167</b>	<b>160,000</b>	<b>100,000</b>	<b>691,612</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Nonmajor Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2011**

	General Capital Projects	Road Project	30 North Street	Port Village Fire Station	Town Office	Fire Apparatus	Highway Vehicle	Totals
Revenues:								
Interest income	\$ -	6,698	-	-	-	-	-	6,698
Total revenues	-	6,698	-	-	-	-	-	6,698
Expenditures:								
Capital outlay	-	146,851	1,117	-	2,055	-	-	150,023
Total expenditures	-	146,851	1,117	-	2,055	-	-	150,023
Excess (deficiency) of revenues over (under) expenditures	-	(140,153)	(1,117)	-	(2,055)	-	-	(143,325)
Other financing sources (uses):								
Transfer from other funds	-	-	-	-	-	40,000	100,000	140,000
Transfer to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	40,000	100,000	140,000
Net change in fund balances	-	(140,153)	(1,117)	-	(2,055)	40,000	100,000	(3,325)
Fund balances, beginning of year	36,672	530,556	1,232	4,255	2,222	120,000	-	694,937
Fund balances, end of year	\$ 36,672	390,403	115	4,255	167	160,000	100,000	691,612

## **NONMAJOR PERMANENT FUNDS**



**TOWN OF KENNEBUNKPORT, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2011**

	Kittredge Family Fire Equip. Fund	Macomber Trust	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,279	-	4,279
Investments	696,365	15,259	711,624
Interfund loans receivable	-	-	-
<b>Total assets</b>	<b>\$ 700,644</b>	<b>15,259</b>	<b>715,903</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	-	-	-
Interfund loans payable	-	1,202	1,202
<b>Total liabilities</b>	<b>-</b>	<b>1,202</b>	<b>1,202</b>
Fund balances:			
Nonspendable	688,206	-	688,206
Restricted	12,438	14,057	26,495
<b>Total fund balances</b>	<b>700,644</b>	<b>14,057</b>	<b>714,701</b>
<b>Total liabilities and fund balances</b>	<b>\$ 700,644</b>	<b>15,259</b>	<b>715,903</b>

**TOWN OF KENNEBUNKPORT, MAINE**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2011**

	Kittredge Family Fire Equip. Fund	Macomber Trust	Totals
Revenues:			
Investment income	\$ 7,434	217	7,651
Total revenues	7,434	217	7,651
Expenditures:			
Village Fire Company	5,108	-	5,108
Goose Rocks	3,406	-	3,406
Wildwood Fire	2,271	-	2,271
Cape Porpoise	3,406	-	3,406
Other	-	702	702
Total expenditures	14,191	702	14,893
Excess (deficiency) of revenues over (under) expenditures	(6,757)	(485)	(7,242)
Other financing sources (uses):			
Transfer to other funds	-	(500)	(500)
Total other financing sources (uses)	-	(500)	(500)
Net change in fund balances	(6,757)	(985)	(7,742)
Fund balances, beginning of year	707,401	15,042	722,443
Fund balances, end of year	\$ 700,644	14,057	714,701

**TOWN OF KENNEBUNKPORT, MAINE**

**Reports Required by *Government*  
*Auditing Standards***

**For the Year Ended June 30, 2011**

**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 Kennebunkport, Maine

We have audited the 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, 2011, which collectively comprise the Town of Kennebunkport, Maine's basic financial statements and have issued our report thereon dated December 14, 2011. 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.

Internal Control Over Financial Reporting

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

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.

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

**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, CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kennebunkport Maine's financial statements are free of 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*.

We noted a matter that we reported to management of Town of Kennebunkport, Maine in the attached section titled "Other Comments."

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



December 14, 2011  
South Portland, Maine

**TOWN OF KENNEBUNKPORT, MAINE**  
**Schedule of Findings and Responses**  
**Year ended June 30, 2011**

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**Findings Required to be Reported Under *Government Auditing Standards***

**None**

**OTHER COMMENTS**

**Inventory Reconciliation**

During our audit, we noted there was no official reconciliation prepared for the pier fuel. The Town would gain comfort over revenues and expenditures from fuel sales if a record of gallons purchased and gallons sold was kept. To reduce the risk of potential misstatements, we recommend the Treasurer complete a reconciliation between the number of gallons purchased, pumped, and sold.