

Audited Financial Statements And
Other Financial Information

Town of Kennebunkport, Maine

June 30, 2009



Proven Expertise and Integrity

TOWN OF KENNEBUNKPORT, MAINE

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JUNE 30, 2009

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

www.rhrsmith.com



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

www.rhrsmith.com

INDEPENDENT AUDITORS' REPORT

September 4, 2009

Board of Selectmen
Town of Kennebunkport, Maine
Kennebunkport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunkport, Maine, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kennebunkport, Maine as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kennebunkport, Maine's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RHR Smith & Company

Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

(UNAUDITED)

The following management's discussion and analysis of Town of Kennebunkport, Maine's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government - Wide Financial Statements

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

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

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

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

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, education, buildings, recreation and culture, and donations and other unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and / or charges to external users for goods and / or services. These activities for the Town of Kennebunkport include a sewer fund, Cape Porpoise, Dock Square Parking Lot.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kennebunkport, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Kennebunkport can be divided into two categories: governmental funds, and proprietary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

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

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

Proprietary Funds: The Town of Kennebunkport maintains three proprietary fund, the Sewer Fund, Cape Porpoise, and Dock Square Parking Lot. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net assets, and changes in net assets of the Town's governmental and business-type activities. The Town's total net assets for governmental activities decreased by \$180,806 from \$13.1 million to \$12.9 million. The Town's total net assets for business-type activities decreased by \$52,943 from \$11,725,556 to \$11,672,613.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for governmental activities to a balance of \$4,003,339 at the end of this year. Unrestricted net assets for business-type activities decreased to a balance of \$3,369,535.

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

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Assets:				
Current and other assets	\$ 6,627,153	\$ 6,399,827	\$ 3,601,136	\$ 3,604,142
Capital Assets	9,108,553	7,893,224	9,580,797	9,783,981
Total Assets	\$ 15,735,706	\$ 14,293,051	\$ 13,181,933	\$ 13,388,123
Liabilities:				
Current Liabilities	\$ 825,669	\$ 435,018	\$ 402,899	\$ 488,721
Long-term Debt Outstanding	1,989,695	756,885	1,106,421	1,277,136
Total Liabilities	\$ 2,815,364	\$ 1,191,903	\$ 1,509,320	\$ 1,765,857
Net Assets:				
Invested in Capital Assets, Net of related Debt	\$ 7,054,872	\$ 7,222,584	\$ 8,303,078	\$ 8,336,157
Restricted for: General Fund	-	204,659	-	-
Special Revenue Fund	209,989	398,429	-	-
Capital Projects Fund	933,037	350,747	-	-
Permanent Fund	719,105	1,412,734	-	-
Other Net Assets	4,003,339	3,511,995	3,369,535	3,389,399
Total Net Assets	\$ 12,920,342	\$ 13,101,148	\$ 11,672,613	\$ 11,725,556

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

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Revenues				
Taxes				
Property	\$ 11,592,045	\$ 11,357,674	\$ -	\$ -
Excise	838,937	846,462	-	-
Intergovernmental	407,476	285,441	-	-
Charges for services	351,474	372,422	1,516,303	1,506,246
Other revenues	431,483	629,176	152,334	240,671
Transfers in (net)	163,701	28,648	(163,701)	(28,648)
Total Revenues	<u>13,785,116</u>	<u>13,519,823</u>	<u>1,504,936</u>	<u>1,718,269</u>
Expenses				
Current:				
General government	1,110,339	1,169,086	-	-
Public safety	1,989,426	1,812,920	-	-
Health and welfare	601,034	574,822	-	-
Public works	1,144,346	357,981	-	-
Recreation	370,438	372,782	-	-
Education	6,766,103	6,944,899	-	-
County tax	860,180	808,784	-	-
Outside agencies	14,845	14,806	-	-
Unclassified	40,426	22,754	1,487,761	1,489,951
Unallocated depreciation	38,044	35,115	-	-
Outside transfers	699,958	746,622	-	-
Special projects	265,351	99,160	-	-
Interest expense	81,716	26,648	39,431	64,245
Total Expenses	<u>13,982,206</u>	<u>12,986,379</u>	<u>1,527,192</u>	<u>1,554,196</u>
Change in Net Assets	(197,090)	533,444	(22,256)	164,073
Transfer of fixed assets	16,284	(12,160)	-	12,160
Net Assets - July 1	<u>13,101,148</u>	<u>14,451,817</u>	<u>11,694,869</u>	<u>11,549,323</u>
Restatement of Net Assets	-	(1,871,953)	-	-
Net Assets - June 30	<u>\$ 12,920,342</u>	<u>\$ 13,101,148</u>	<u>\$ 11,672,613</u>	<u>\$ 11,725,556</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.96%, while total expenses increased by 7.67%. In the previous fiscal year the Town transferred the sewer fund to the general operating fund for the Town. Most of the Town's expenses were consistent with the previous year. The biggest increase in expenses was in public works and public safety.

Financial Analysis of the Town's Fund Statements

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

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

	<u>2009</u>	<u>2008</u>
General Fund:		
Unreserved		
Designated	\$ 253,619	\$ 204,659
Undesignated	3,788,496	3,577,905
Total General Fund	<u>\$ 4,042,115</u>	<u>\$ 3,782,564</u>
Nonmajor Funds:		
Special Revenue	\$ 209,989	\$ 398,429
Capital Projects	342,939	355,283
Permanent Funds	719,105	1,412,734
Total Nonmajor Funds	<u>\$ 1,272,033</u>	<u>\$ 2,166,446</u>

The general fund total fund balance increased by \$259,551 over the prior fiscal year. The non-major fund balances decreased by \$894,413 over the prior fiscal year. Most of the increase in the general fund came as a result of increased revenue from the charges for services and under-spent appropriations in general government and public works. The decrease in the non-major fund balances came as a result of several reserves being spent.

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

Budgetary Highlights

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

The general fund actual revenues exceeded the budget by \$104,263. This was a result of other intergovernmental revenue.

The general fund actual expenditures were under the budget by \$555,228. The following expenditures were under budget which accounts for most of the balance:

General government	\$110,500
Unclassified	206,615

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2009, the net book value of capital assets recorded by the Town increased by \$1,012,144 over the prior year. This increase is the result of capital additions of \$1,868,046 less current year depreciation expense of \$690,822 and less dispositions of \$136,286.

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

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 3,470,279	\$ 3,466,653
Construction in progress	28,150	828,580
Buildings and improvements	5,699,155	5,007,211
Furniture and Fixtures	6,966	9,215
Machinery and equipment	1,554,314	1,564,975
Vehicles	1,289,596	1,344,143
Art works & Historical Treasures	45,000	45,000
Infrastructure	<u>6,595,889</u>	<u>5,411,428</u>
 Total	 <u><u>\$ 18,689,349</u></u>	 <u><u>\$ 17,677,205</u></u>

Debt

At June 30, 2009, the Town had \$3.3 million in bonds outstanding versus \$2.1 million last year, an increase of 57%, as shown in Note 5 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town has steadily maintained a sufficient undesignated fund balance to sustain government operations for a period of approximately two month, while also maintaining significant reserve accounts for future capital and program needs.

Requests for Information

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

STATEMENT A

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 4,930,069	\$ 500	\$ 4,930,569
Investments	1,406,670	3,189,647	4,596,317
Accounts receivable (net allowance for uncollectibles):			
Taxes	5,890	-	5,890
Liens	191,722	8,895	200,617
Other	72,460	175,178	247,638
Tax acquired property	9,943	-	9,943
Inventory	3,630	7,865	11,495
Prepaid expenses	6,769	-	6,769
Due from other funds	-	219,051	219,051
Total current assets	<u>6,627,153</u>	<u>3,601,136</u>	<u>10,228,289</u>
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	2,495,750	7,784,124	10,279,874
Buildings and vehicles net of accumulated depreciation	6,612,803	1,796,673	8,409,476
Total noncurrent assets	<u>9,108,553</u>	<u>9,580,797</u>	<u>18,689,350</u>
Total assets	<u>\$ 15,735,706</u>	<u>\$ 13,181,933</u>	<u>\$ 28,917,639</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 248,639	\$ 90,982	\$ 339,621
Accrued expenses	111,234	15,254	126,488
Prepaid taxes	10,740	-	10,740
Deferred revenue	-	107,968	107,968
Due to other funds	204,154	14,897	219,051
Due to other governments	12,500	-	12,500
Other liabilities	-	2,500	2,500
Current portion of long-term obligations	238,402	171,298	409,700
Total current liabilities	<u>825,669</u>	<u>402,899</u>	<u>1,228,568</u>
Noncurrent liabilities			
Noncurrent portion of long-term obligations:			
Bonds payable	1,791,275	1,106,421	2,897,696
Capital lease payable	24,004	-	24,004
Accrued compensated absences	174,416	-	174,416
Total noncurrent liabilities	<u>1,989,695</u>	<u>1,106,421</u>	<u>3,096,116</u>
Total liabilities	<u>2,815,364</u>	<u>1,509,320</u>	<u>4,324,684</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,054,872	8,303,078	15,357,950
Restricted for: General Fund	-	-	-
Special Revenue Fund	209,989	-	209,989
Capital Projects Fund	933,037	-	933,037
Permanent Fund	719,105	-	719,105
Unrestricted	4,003,339	3,369,535	7,372,874
Total net assets	<u>12,920,342</u>	<u>11,672,613</u>	<u>24,592,955</u>
Total liabilities and net assets	<u>\$ 15,735,706</u>	<u>\$ 13,181,933</u>	<u>\$ 28,917,639</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT B

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Reimbursements / Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business type Activities
Expenses					Total Government
Governmental activities					
General government	\$ 1,110,339	\$ 147,265	\$ -	\$ (963,074)	\$ (963,074)
Public safety	1,989,426	28,925	-	(1,960,501)	(1,960,501)
Health and welfare	601,034	5,945	-	(595,089)	(595,089)
Public works	1,144,346	-	-	(1,091,990)	(1,091,990)
Recreation	370,438	160,092	-	(210,346)	(210,346)
Education	6,766,103	-	-	(6,766,103)	(6,766,103)
County tax	860,180	-	-	(860,180)	(860,180)
Outside agencies	14,845	-	-	(14,845)	(14,845)
Unclassified	40,426	9,247	-	(31,179)	(31,179)
Unallocated depreciation	38,044	-	-	(38,044)	(38,044)
Outside transfers	699,958	-	-	(699,958)	(699,958)
Special projects	265,351	-	-	(265,351)	(265,351)
Interest expense	81,716	-	-	(81,716)	(81,716)
Total governmental activities	13,982,206	351,474	-	(13,578,376)	(13,578,376)
Business-type activities:					
Cape Porpoise Pier	240,403	301,274	-	-	60,871
Dock Square Parking Lot	49,767	302,620	-	-	252,853
Sewer Fund	1,237,022	952,409	-	-	(284,613)
Total business-type activities	1,527,192	1,556,303	-	-	29,111
Total government and business-type	15,509,398	1,907,777	-	(13,578,376)	(13,549,265)

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

STATEMENT B (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes In net assets:			
Net (expense) revenue	<u>(13,578,376)</u>	<u>29,111</u>	<u>(13,549,265)</u>
General revenue:			
Taxes:			
Property taxes, levied for general purposes	11,592,045	-	11,592,045
Excise taxes, levied for general purposes	838,937	-	838,937
Grants and contributions not restricted to specific programs	355,120	-	355,120
Investment income	167,926	94,068	261,994
Other income	263,557	18,266	281,823
Bond Proceeds	-	-	-
Total general revenue and transfers	<u>13,217,585</u>	<u>112,334</u>	<u>13,329,919</u>
Change in net assets	(360,791)	141,445	(219,346)
Transfers	163,701	(163,701)	-
Net assets - July 1	<u>13,117,432</u>	<u>11,694,869</u>	<u>24,812,301</u>
Net assets - June 30	<u>\$ 12,920,342</u>	<u>\$ 11,672,613</u>	<u>\$ 24,592,955</u>

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

TOWN OF KENNEBUNKPORT, MAINE

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Road Project	Nonmajor Funds	Totals Governmental Funds
ASSETS				
Cash	\$ 4,898,017	\$ -	\$ 32,052	\$ 4,930,069
Investments	718,464	-	688,206	1,406,670
Receivables (net)				
Taxes	5,890	-	-	5,890
Liens	191,722	-	-	191,722
Other	65,372	-	7,088	72,460
Inventory	3,630	-	-	3,630
Tax acquired property	9,943	-	-	9,943
Prepaid expenses	6,769	-	-	6,769
Due from other funds	-	590,098	577,134	1,167,232
Total assets	<u>\$ 5,899,807</u>	<u>\$ 590,098</u>	<u>\$ 1,304,480</u>	<u>\$ 7,794,385</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable	\$ 221,881	\$ -	\$ 26,758	\$ 248,639
Accrued expenses	38,787	-	-	38,787
Accrued payroll	72,447	-	-	72,447
Prepaid taxes	10,740	-	-	10,740
Due to other funds	1,365,697	-	5,689	1,371,386
Due to other governments	12,500	-	-	12,500
Deferred tax revenues	135,640	-	-	135,640
Total liabilities	<u>1,857,692</u>	<u>-</u>	<u>32,447</u>	<u>1,890,139</u>
Fund Equity				
Reserved for endowments	-	-	-	-
Unreserved, reported in:				
General Fund				
Designated	253,619	-	-	253,619
Undesignated	3,788,496	-	-	3,788,496
Special Revenue Fund				
Designated	-	-	209,989	209,989
Undesignated	-	-	-	-
Capital Project Fund				
Designated	-	590,098	347,475	937,573
Undesignated	-	-	(4,536)	(4,536)
Permanent Funds	-	-	719,105	719,105
Total fund equity	<u>4,042,115</u>	<u>590,098</u>	<u>1,272,033</u>	<u>5,904,246</u>
Total liabilities and fund equity	<u>\$ 5,899,807</u>	<u>\$ 590,098</u>	<u>\$ 1,304,480</u>	<u>\$ 7,794,385</u>

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

TOWN OF KENNEBUNKPORT, MAINE

RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2009

	<u>Total Governmental Funds</u>
Total Fund Equity	<u>\$ 5,904,246</u>
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	<u>9,108,553</u>
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	<u>135,641</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(2,026,203)
Capital lease payable	(27,479)
Accrued compensated absences	<u>(174,416)</u>
Net assets of governmental activities	<u><u>\$ 12,920,342</u></u>

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

STATEMENT E

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Road Project	Nonmajor Funds	Totals Governmental Funds
REVENUES				
Property taxes	\$ 11,557,557	\$ -	\$ -	\$ 11,557,557
Excise taxes	838,937	-	-	838,937
Intergovernmental	363,063	44,413	-	407,476
Charges for services	351,474	-	-	351,474
Other revenues	377,179	-	54,303	431,482
TOTAL REVENUES	<u>13,488,210</u>	<u>44,413</u>	<u>54,303</u>	<u>13,586,926</u>
EXPENDITURES				
Current				
General government	1,171,511	-	-	1,171,511
Public safety	1,911,766	-	-	1,911,766
Health and welfare	600,387	-	-	600,387
Public works	832,232	-	-	832,232
Recreation	382,568	-	-	382,568
Education	6,766,103	-	-	6,766,103
County tax	860,180	-	-	860,180
Outside agencies	14,845	-	-	14,845
Unclassified	24,943	-	-	24,943
Capital outlay	475,931	1,054,315	-	1,530,246
Special projects	1,517	-	275,905	277,422
Debt service				
Principal	232,442	-	-	232,442
Interest	81,716	-	-	81,716
TOTAL EXPENDITURES	<u>13,356,141</u>	<u>1,054,315</u>	<u>275,905</u>	<u>14,686,361</u>
EXCESS REVENUES OVER (UNDER) EXPEDITURES	<u>132,069</u>	<u>(1,009,902)</u>	<u>(221,602)</u>	<u>(1,099,435)</u>
OTHER FINANCING SOURCES				
Proceeds from debt	-	1,600,000	-	1,600,000
Transfer of trust principal	-	-	(699,958)	(699,958)
Operating transfers in	253,500	-	50,219	303,719
Operating transfers (out)	(126,018)	-	(14,000)	(140,018)
TOTAL OTHER FINANCING SOURCES (USES)	<u>127,482</u>	<u>1,600,000</u>	<u>(663,739)</u>	<u>1,063,743</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	259,551	590,098	(885,341)	(35,692)
FUND BALANCES - JULY 1	<u>3,782,564</u>	<u>-</u>	<u>2,157,374</u>	<u>5,939,938</u>
FUND BALANCES - JUNE 30	<u>\$ 4,042,115</u>	<u>\$ 590,098</u>	<u>\$ 1,272,033</u>	<u>\$ 5,904,246</u>

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

TOWN OF KENNEBUNKPORT, MAINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (35,692)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocated those expenditures over the life of the assets:	
Capital asset purchases capitalized (net)	1,629,942
Capital assets disposed	(139,279)
Depreciation expense	<u>(291,617)</u>
	<u>1,199,046</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	<u>34,488</u>
Debt proceeds provide current financial resources to governmental funds, but long-term liabilities in the Statement of Net Assets.	<u>(1,627,479)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	<u>244,437</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(11,890)</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$ (197,090)</u></u>

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

TOWN OF KENNEBUNKPORT, MAINE

BALANCE SHEET - PROPRIETARY FUNDS
JUNE 30, 2009

	Enterprise Funds		
	Sewer Department	Nonmajor Funds	Totals
ASSETS			
Current assets			
Cash	\$ 100	\$ 400	\$ 500
Investments	3,189,647	-	3,189,647
Accounts receivable	141,973	33,205	175,178
Liens	8,895	-	8,895
Inventory	-	7,865	7,865
Due from other funds	123,684	95,367	219,051
Total current assets	<u>3,464,299</u>	<u>136,837</u>	<u>3,601,136</u>
Noncurrent assets			
Non depreciable assets	617,622	1,516,331	2,133,953
Buildings, building and land improvements	5,650,171	-	5,650,171
Vehicles and equipment	2,570,125	115,535	2,685,660
Infrastructure	7,703,811	2,428	7,706,239
Total capital assets	<u>16,541,729</u>	<u>1,634,294</u>	<u>18,176,023</u>
Less: accumulated depreciation	<u>(8,126,288)</u>	<u>(468,938)</u>	<u>(8,595,226)</u>
Net capital assets	<u>8,415,441</u>	<u>1,165,356</u>	<u>9,580,797</u>
Total assets	<u>\$ 11,879,740</u>	<u>\$ 1,302,193</u>	<u>\$ 13,181,933</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 86,105	\$ 4,877	\$ 90,982
Wages payable	10,829	4,425	15,254
Other liabilities	-	2,500	2,500
Deferred revenue	107,968	-	107,968
Current portion of long-term obligations	171,298	-	171,298
Due to other funds	-	14,897	14,897
Total current liabilities	<u>376,200</u>	<u>26,699</u>	<u>402,899</u>
Noncurrent liabilities			
Bonds payable	<u>1,106,421</u>	<u>-</u>	<u>1,106,421</u>
Total Noncurrent Liabilities	<u>1,106,421</u>	<u>-</u>	<u>1,106,421</u>
Total liabilities	<u>1,482,621</u>	<u>26,699</u>	<u>1,509,320</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,137,722	1,165,356	8,303,078
Restricted	-	-	-
Unrestricted	<u>3,259,397</u>	<u>110,138</u>	<u>3,369,535</u>
Total net assets	<u>10,397,119</u>	<u>1,275,494</u>	<u>11,672,613</u>
Total liabilities and net assets	<u>\$ 11,879,740</u>	<u>\$ 1,302,193</u>	<u>\$ 13,181,933</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT H

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY
FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Funds		
	Sewer Department	Total Nonmajor	Total
OPERATING REVENUES			
Lease income	\$ -	\$ 40,000	\$ 40,000
Fuel sales	-	221,419	221,419
Fees	952,409	342,475	1,294,884
Other income	18,258	8	18,266
Total operating revenues	<u>970,667</u>	<u>603,902</u>	<u>1,574,569</u>
OPERATING EXPENSES			
Salaries / wages	365,580	85,117	450,697
Payroll taxes / benefits	142,917	16,937	159,854
Depreciation / amortization	378,667	34,937	413,604
Cost of fuel	-	119,620	119,620
Supplies	84,479	2,013	86,492
Repairs / maintenance	20,640	4,196	24,836
Insurance	22,662	7,809	30,471
Telephone / utilities	102,178	10,382	112,560
Contracted services	14,846	-	14,846
Other operating expenses	65,622	9,159	74,781
Total operating expenses	<u>1,197,591</u>	<u>290,170</u>	<u>1,487,761</u>
Operating income (loss)	<u>(226,924)</u>	<u>313,732</u>	<u>86,808</u>
NON-OPERATING INCOME (EXPENSE)			
Operating transfers in	126,009	13,500	139,509
Operating transfers (out)	(25,000)	(278,210)	(303,210)
Interest income	94,068	-	94,068
Interest expense	(39,431)	-	(39,431)
Total non-operating income (expense)	<u>155,646</u>	<u>(264,710)</u>	<u>(109,064)</u>
EXCESS OF OPERATING INCOME (LOSS) OVER NON- OPERATING INCOME (EXPENSE)	(71,278)	49,022	(22,256)
NET ASSETS - JULY 1	<u>10,468,397</u>	<u>1,226,472</u>	<u>11,694,869</u>
NET ASSETS - JUNE 30	<u>\$ 10,397,119</u>	<u>\$ 1,275,494</u>	<u>\$ 11,672,613</u>

See accompanying independent auditors' report and notes to financial statements

STATEMENT I

TOWN OF KENNEBUNKPORT, MAINE

STATEMENT OF CASH FLOWS -PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Sewer Department	Nonmajor Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 949,516	\$ 561,901	\$ 1,511,417
Internal activity - receipts (payments) from/to other	-	-	-
Other receipts	18,258	39,863	58,121
Payments to suppliers and employees	(1,025,722)	(273,448)	(1,299,170)
Net cash provide by operating activities	(57,948)	328,316	270,368
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital assets	(177,592)	(63,506)	(241,098)
Invested cash	221,956	-	221,956
Interest expense	(39,431)	-	(39,431)
Investment income	94,068	-	94,068
Net cash used by investing activities	99,001	(63,506)	35,495
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on bonds	(170,688)	-	(170,688)
Other internal due to / from activity	-	-	-
Operating transfers	101,009	(264,710)	(163,701)
Net cash used by financing activities	(69,679)	(264,710)	(334,389)
NET INCREASE (DECREASE) IN CASH	(28,626)	100	(28,526)
CASH - JULY 1	28,726	300	29,026
CASH - JUNE 30	\$ 100	\$ 400	\$ 500
RECOILATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY Operating income (loss)	\$ (226,924)	\$ 313,732	\$ 86,808
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation & amortization expense	378,667	34,937	413,604
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	2,678	(31,328)	(28,650)
(Increase) decrease in due from other funds	(123,684)	22,820	(100,864)
(Increase) decrease in inventory	-	6,370	6,370
(Increase) decrease in leins	(5,571)	-	(5,571)
(Decrease) increase in accounts payable	54,589	(19,045)	35,544
(Decrease) increase in prepaid taxes	(49)	-	(49)
(Decrease) increase in accrued expenses	1,807	830	2,637
(Decrease) increase in other liabilities	-	-	-
(Decrease) increase in deferred revenue	18,139	-	18,139
(Decrease) increase in due to other funds	(157,600)	-	(157,600)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (57,948)	\$ 328,316	\$ 270,368

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Government –Wide and Fund Financial Statements

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

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

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

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.). The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

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

The following fund types are used by the Town:

1. Governmental Funds:

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

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- d. Permanent Funds are used to account for assets held by the Town in trust for specific purposes.

2. Proprietary Funds

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

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

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. The budget was adopted subsequent to passage by the inhabitants of the Town.
4. The Town does not adopt budgets for Special Revenue Funds.

Deposits and Investments

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

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

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

Inventories

Inventories of supplies are considered to be expenditures at the time of purchase and are not included in the general fund balance sheet. The enterprise fund inventory consists of supplies at the end of the year, valued at cost. The cost value is determined using the first-in, first-out (FIFO) method.

Interfund Receivables and Payables

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

Transactions Between Funds

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

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2009.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Estimated useful lives are as follows:

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

Long-term Obligations

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

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

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

Compensated Absences

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation leave but not sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves

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

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied July 10, 2008 on the assessed value listed as of April 1, 2008, for all real and personal property located in the Town. Taxes were due on in two installments on September 10, 2008 and March 10, 2009. Interest on unpaid taxes commenced on September 11, 2008 and March 11, 2009, at 11% per annum.

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

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$156,558 for the year ended June 30, 2009.

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

Program Revenues

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

Operating/Non-operating Proprietary Fund Revenues

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

Encumbrance Accounting

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

Use of Estimates

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

NOTE 2 - CASH AND INVESTMENTS

The Town maintains a cash pool which is available for use by all funds. In addition cash and investments may be held by other funds within the government.

The Town does not have a formal investment policy but instead follows state statutes. These statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town applies this to all Town funds.

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

At June 30, 2009, the Town's deposits amounting to \$5,669,990 were comprised of \$5,669,990 which was insured by federal depository insurance or with securities held by the financial institution in the Town's name and consequently was not exposed to custodial credit risk, and \$0 that was not insured or collateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 501,086
Savings	43,081
Money Market	-
Certificate of Deposit	5,125,823
	<u>\$ 5,669,990</u>

TOWN OF KENNEBUNKPORT, MAINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

At June 30, 2009, all of the Town's investments amounting to \$3,925,840 were collateralized with securities held by the financial institution in the Town's name and consequently were not exposed to custodial credit risk.

<u>Investment Type</u>	<u>Bank Balance</u>
Certificates of deposit	\$ 3,207,375
Securities	<u>718,464</u>
Total Investments	<u><u>\$ 3,925,840</u></u>

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2009 consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
General Fund	\$ -	\$ 1,365,697
Special Revenue Fund	229,659	-
Capital project fund	937,573	4,536
Permanent fund	-	1,153
Enterprise fund	219,051	14,897
	<u><u>\$ 1,386,283</u></u>	<u><u>\$ 1,386,283</u></u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets at June 30, 2009:

	<u>Balance 07/01/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/09</u>
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 2,422,600	\$ -	\$ -	\$ 2,422,600
Art works & historical treasures	45,000	-	-	45,000
Construction in progress	31,143	-	(2,993)	28,150
	<u>2,498,743</u>	<u>-</u>	<u>(2,993)</u>	<u>2,495,750</u>
Depreciated assets				
Land improvements	204,469	-	-	204,469
Buildings	1,819,413	2,993	-	1,822,406
Building improvements	489,704	86,904	-	576,608
Furniture & fixtures	47,258	-	-	47,258
Machinery & equipment	1,775,769	170,761	(95,000)	1,851,530
Vehicles	2,499,136	118,803	(41,286)	2,576,653
Infrastructure	3,548,343	1,250,480	-	4,798,823
	<u>10,384,092</u>	<u>1,629,941</u>	<u>(136,286)</u>	<u>11,877,747</u>
Less: accumulated depreciation	<u>(4,973,327)</u>	<u>(387,983)</u>	<u>96,366</u>	<u>(5,264,944)</u>
	<u>5,410,765</u>	<u>1,241,958</u>	<u>(39,920)</u>	<u>6,612,803</u>
Net capital assets	<u>\$ 7,909,508</u>	<u>\$ 1,241,958</u>	<u>\$ (42,913)</u>	<u>\$ 9,108,553</u>
<u>Business-type activities:</u>				
Non-depreciated assets:				
Land	\$ 942,300	\$ -	\$ -	\$ 942,300
Construction in progress	197,622	-	(197,622)	-
	<u>1,139,922</u>	<u>-</u>	<u>(197,622)</u>	<u>942,300</u>
Depreciated assets:				
Land improvements	29,600	-	-	29,600
Buildings and improvements	6,373,503	438,720	-	6,812,223
Machinery & equipment	2,611,024	-	-	2,611,024
Vehicles	74,636	-	-	74,636
Infrastructure	7,706,239	-	-	7,706,239
	<u>16,795,002</u>	<u>438,720</u>	<u>-</u>	<u>17,233,722</u>
Less: accumulated depreciation	<u>(8,181,622)</u>	<u>(413,604)</u>	<u>-</u>	<u>(8,595,226)</u>
	<u>8,613,380</u>	<u>25,116</u>	<u>-</u>	<u>8,638,496</u>
Net capital assets	<u>\$ 9,753,302</u>	<u>\$ 25,116</u>	<u>\$ (197,622)</u>	<u>\$ 9,580,796</u>
Total	<u>\$ 17,662,810</u>	<u>\$ 1,267,074</u>	<u>\$ (240,535)</u>	<u>\$ 18,689,349</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:

Administration	\$ 18,548
Police	55,746
Fire	119,939
Highway	144,828
Public health	647
Parks & recreation	10,231
Pier	29,500
Sewer	378,667
Dock square parking lot	5,437
Town-wide	38,044
Total depreciation expenses	<u>\$ 801,587</u>

NOTE 5 - LONG-TERM DEBT

The General Fund and Enterprise Funds are used to pay for all long-term debt. A summary of long-term debt is as follows:

	Balance, 7/1/08	Additions	Deletions	Balance, 6/30/09	Current Portion
Bonds payable	\$ 2,106,469	\$ 1,600,000	\$ (402,547)	\$ 3,303,922	\$ 406,226
Capital leases payable	11,995	27,479	(11,995)	27,479	5,643
Accrued compensated absences	162,526	11,890	-	174,416	-
Totals	<u>\$ 2,280,990</u>	<u>\$ 1,639,369</u>	<u>\$ (414,542)</u>	<u>\$ 3,505,817</u>	<u>\$ 411,869</u>

The following is a summary of outstanding bonds payable:

Proprietary Funds:

\$1,000,000, 2003 sewer expansion bonds with Maine Municipal Bond Bank, due in varying annual installments through 2023, interest at a rate of 8.1% to 9.1%. \$ 777,719

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

Total Proprietary Funds \$ 1,277,719

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

Governmental Funds:

\$796,000, 2005 salt/sand shed construction bonds with Maine Municipal Bond Bank, due in varying annual installments through 2016, interest at a rate of 3.7% to 3.9%. \$ 586,203

\$1,600,000, 2008 General obligation bond with TD Banknorth, due in monthly installments of \$13,333 through July 1, 2018. The interest rate charges is 4.24%. \$ 1,440,000

Total Governmental Funds \$ 2,026,203

Total Enterprise & General Fund Long Term Debt \$ 3,303,922

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ 406,226	\$ 121,778	\$ 528,004
2011	409,340	102,951	512,291
2012	412,871	83,971	496,842
2013	416,740	64,842	481,582
2014	295,660	49,775	345,435
2015-2019	1,080,954	101,360	1,182,314
2020-2024	282,131	14,308	296,439
	<u>\$ 3,303,922</u>	<u>\$ 538,985</u>	<u>\$ 3,842,907</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding capital leases payable:

The Town of Kennebunkport leases a photocopier under a non-cancelable lease agreement. The term of the lease is for a five year period expiring in August of 2013. Annual payments are \$6,001.

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

2010	\$	6,001
2011		6,001
2012		6,001
2013		6,001
2014		6,001
Total minimum lease payments		<u>30,005</u>
Less: Amount representing interest		<u>(2,526)</u>
Present value of future minimum lease payments	\$	<u><u>27,479</u></u>

NOTE 6 – OVERLAPPING DEBT

The Town is liable for its proportional share of any defaulted debt issued by entities in which it is a member. The overlapping bonded debt applicable to the Town as of June 30, 2008 is as follows:

	<u>Outstanding Debt</u>	<u>Town's Percentage</u>	<u>Total Share</u>
County of York	\$ 12,900,000	7.77%	\$ 1,002,330
MSAD No. 71	-	0.00%	-
			<u><u>\$ 1,002,330</u></u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – GENERAL FUND DESIGNATED FUND EQUITY

At June 30, 2009, the general fund designated fund balance was made up of the following account balances carried forward into the subsequent year's budget.

General Fund:	
Bridge Repairs	\$ 49,542
Street lights	5,000
GRB Restrooms	1,707
Salt Shed	25,789
Pier Road	5,178
No. St. Parking Lot	750
Fire Apparatus	80,000
GA Donations	17,804
Ice Skating Park	8,831
Backstops	2,002
Growth Planning	10,000
Legal	10,000
Employee Separation	20,000
Downtown projects	2,611
Dock Square Restrooms	378
Land Acquisition	<u>14,027</u>
Total General Fund	<u>\$ 253,619</u>

NOTE 8 – RESERVED NET ASSETS

Reserved for general fund designated balances	\$ -
Reserved for special revenue funds	209,989
Reserved for capital project funds	933,037
Reserved for permanent funds	<u>719,105</u>
	<u>\$ 1,862,131</u>

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - DEFINED BENEFITS PENSION PLAN

MAINE STATE RETIREMENT SYSTEM

A. Plan Description

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

B. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the PLDs Consolidated Board of Trustees. The Town's police department employees are part of the PLDs special plan #2 and are required to contribute 6.5% of their annual salary, while all other employees are part of the regular plan and are also required to contribute 6.5% of their annual salary. The Town is required to contribute 11.7% of the special plan #2 members' covered payroll and 5.8% of the regular plan members' covered payroll annually to the system along with a predetermined initial unpooled unfunded actuarial liability (IUUAL) rate set by the system. The IUUAL can either be a monthly payment or credit, which is added to or subtracted from the employer's percentage of employees' covered payroll to determine the employers actual cost. The Town's contributions to the PLDs Consolidated Plan for the years ended June 30, 2009, 2008, 2007, and 2006 were \$68,449, \$66,067, \$36,934 and \$34,414, respectively, which are equal to the Town's required percentage of employees covered payroll less the Town's yearly IUUAL credit amount

NOTE 10 – CONTINGENCIES

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

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

TOWN OF KENNEBUNKPORT, MAINE

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 11 – RISK MANAGEMENT

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

The Town is also a member of the Maine Municipal Association – Property and Casualty Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided after the deductible is met, to \$26,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

NOTE 12 – DEFICIT FUND BALANCE

At June 30, 2009 the Town had the following deficit fund balances / net assets:

Nonmajor programs - Cape pier building renovations	\$ 4,536
	<u>\$ 4,536</u>

Required Supplementary Information

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

- Budgetary Comparison Schedule - General Fund

TOWN OF KENNEBUNKPORT, MAINE

**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance Postive (Negative)</u>
Budgetary Fund Balance, July 1	\$ 3,782,564	\$ 3,782,564	\$ 3,782,564	\$ -
Resources (Inflows):				
Property taxes	11,564,442	11,564,442	11,557,557	(6,885)
Excise taxes	800,000	800,000	838,937	38,937
Intergovernmental:				
State Revenue Sharing	140,000	140,000	145,371	5,371
Homestead Exemption	42,590	42,590	42,590	-
Local Road Assistance	52,356	52,356	52,356	-
Other Intergovernmental Revenue	13,714	13,714	122,746	109,032
Interest on Taxes	40,000	40,000	32,039	(7,961)
Interest on Investments	150,000	150,000	135,887	(14,113)
Charges for services	393,820	393,820	351,474	(42,346)
Other revenues	187,025	187,025	209,253	22,228
Transfers from other funds	253,500	253,500	253,500	-
Amounts Available for Appropriation	<u>17,420,011</u>	<u>17,420,011</u>	<u>17,524,274</u>	<u>104,263</u>
Charges to Appropriation (Outflows):				
Current				
General government	1,282,011	1,282,011	1,171,511	110,500
Public safety	1,926,505	1,926,505	1,911,766	14,739
Health and welfare	637,304	637,304	600,387	36,917
Public works	874,648	874,648	832,232	42,416
Recreation	395,551	395,551	382,568	12,983
Education	6,766,103	6,766,103	6,766,103	-
County tax	860,180	860,180	860,180	-
Outside agencies	14,845	14,845	14,845	-
Unclassified	231,558	231,558	24,943	206,615
Capital outlay	565,750	565,750	475,931	89,819
Special projects	-	-	1,517	(1,517)
Debt service:				
Principal	258,342	258,342	232,442	25,900
Interest	94,201	94,201	81,716	12,485
Transfers to other funds	130,449	130,449	126,018	4,431
Total Charges to Appropriations	<u>14,037,447</u>	<u>14,037,447</u>	<u>13,482,159</u>	<u>555,288</u>
Budgetary Fund Balance, June 30	<u>\$ 3,382,564</u>	<u>\$ 3,382,564</u>	<u>\$ 4,042,115</u>	<u>\$ 659,551</u>
Utilization of undesignated fund balance	\$ 400,000	\$ 400,000	\$ -	\$ (400,000)
Utilization of designated fund balance	-	-	-	-
	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ (400,000)</u>

See accompanying independent auditors' report and notes to financial statements

Other Supplementary Information

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

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

SCHEDULE A

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
General Government -						
Administration	\$ 668,738	\$ -	\$ -	\$ 668,738	\$ 633,557	\$ 35,181
Assessing	117,150	-	-	117,150	105,292	11,858
Code Enforcement	142,554	-	-	142,554	127,610	14,944
Planning	89,124	-	-	89,124	86,710	2,414
Zoning Board	660	-	-	660	99	561
Conservation	750	-	-	750	961	(211)
Growth Planning	15,000	-	-	15,000	8,550	6,450
Legal Fees	95,000	-	-	95,000	70,420	24,580
Insurance	132,438	-	-	132,438	124,863	7,575
Community Development	20,597	-	-	20,597	13,449	7,148
	<u>1,282,011</u>	<u>-</u>	<u>-</u>	<u>1,282,011</u>	<u>1,171,511</u>	<u>110,500</u>
Public Safety -						
Police	1,169,036	-	-	1,169,036	1,104,638	64,398
Communications	343,143	-	-	343,143	344,242	(1,099)
Fire Department	305,145	-	-	305,145	325,903	(20,758)
KEMS	81,000	-	-	81,000	81,000	-
EMA	750	-	-	750	1,020	(270)
Animal Control	12,566	-	-	12,566	12,834	(268)
Police grant	-	-	-	-	22,363	(22,363)
Harbor Plan Grant	-	-	-	-	5,000	(5,000)
Harbor Master	14,865	-	-	14,865	14,766	99
	<u>1,926,505</u>	<u>-</u>	<u>-</u>	<u>1,926,505</u>	<u>1,911,766</u>	<u>14,739</u>
Health & Welfare -						
Solid Waste	414,668	-	-	414,668	390,551	24,117
Health Department	141,272	-	-	141,272	133,809	7,463
Welfare	10,200	-	-	10,200	9,761	439
Social Service	18,194	-	-	18,194	18,194	-
Youth Aid Service	23,667	-	-	23,667	23,667	-
Shelfish Cons	4,303	-	-	4,303	2,172	2,131
HB-H2O Quality	5,000	-	-	5,000	2,075	2,925
Public Restrooms	20,000	-	-	20,000	16,328	3,672
General Assistance	-	-	-	-	3,830	(3,830)
	<u>637,304</u>	<u>-</u>	<u>-</u>	<u>637,304</u>	<u>600,387</u>	<u>36,917</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
Public Works -						
Highway Department	581,674	-	-	581,674	552,746	28,928
Mechanic Department	92,556	-	-	92,556	87,752	4,804
Utilities	152,685	-	-	152,685	150,628	2,057
Conservation Shade Tree	32,538	-	-	32,538	27,330	5,208
Town Forest	250	-	-	250	200	50
Cemetery	14,945	-	-	14,945	13,576	1,369
	<u>874,648</u>	<u>-</u>	<u>-</u>	<u>874,648</u>	<u>832,232</u>	<u>42,416</u>
Recreation & Culture -						
Recreation	282,376	-	-	282,376	269,608	12,768
Louis Graves Mem Library	99,000	-	-	99,000	99,000	-
Cape Porpoise Comm Library	11,175	-	-	11,175	11,175	-
Parsons Way	3,000	-	-	3,000	2,785	215
	<u>395,551</u>	<u>-</u>	<u>-</u>	<u>395,551</u>	<u>382,568</u>	<u>12,983</u>
Misc. Agency -	14,845	-	-	14,845	14,845	-
Capital Outlay -						
Administration	21,000	-	-	21,000	21,000	-
Police	54,300	-	-	54,300	53,675	625
Communications	23,000	-	-	23,000	18,029	4,971
Fire Department	105,000	-	-	105,000	49,091	55,909
Highway Department	97,000	-	-	97,000	84,998	12,002
Road Improvement	200,000	-	-	200,000	192,341	7,659
Sidewalk Improvement	19,500	-	-	19,500	19,500	-
Recreation	11,450	-	-	11,450	10,825	625
CEO/Planning	4,000	-	-	4,000	4,000	-
Assessing	2,000	-	-	2,000	2,000	-
Community Development	5,000	-	-	5,000	5,344	(344)
Survey ROW's	10,000	-	-	10,000	1,027	8,973
Piers, Rivers and Harbors	13,500	-	-	13,500	14,101	(601)
	<u>565,750</u>	<u>-</u>	<u>-</u>	<u>565,750</u>	<u>475,931</u>	<u>89,819</u>

SCHEDULE A (CONTINUED)

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Appropriated	Applied Revenues	Use of Undesignated	Total Available	Actual	Balance
Debt Service -						
05 MMA Bond - Principal	72,442	-	-	72,442	72,442	-
05 MMA Bond - Interest	23,996	-	-	23,996	23,996	-
2004 Highway Truck - Principal	25,900	-	-	25,900	-	25,900
2009 GOB Roads - Principal	160,000	-	-	160,000	160,000	-
2009 GOB Roads - Interest	70,205	-	-	70,205	57,720	12,485
	<u>352,543</u>	<u>-</u>	<u>-</u>	<u>352,543</u>	<u>314,158</u>	<u>38,385</u>
Special Projects -						
Dock Square	-	-	-	-	322	(322)
No St. Parking	-	-	-	-	1,195	(1,195)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,517</u>	<u>(1,517)</u>
Assessments -						
Education	6,766,103	-	-	6,766,103	6,766,103	-
County	860,180	-	-	860,180	860,180	-
	<u>7,626,283</u>	<u>-</u>	<u>-</u>	<u>7,626,283</u>	<u>7,626,283</u>	<u>-</u>
Unclassified -						
Contingency	75,000	-	-	75,000	3,993	71,007
Cemetery	-	-	-	-	900	(900)
Radio Reserve	-	-	-	-	5	(5)
Ice Skating	-	-	-	-	1,915	(1,915)
GRB Restroom	-	-	-	-	3,000	(3,000)
RSM/GIS	-	-	-	-	7,841	(7,841)
Backstop	-	-	-	-	3,750	(3,750)
Downtown Overlay	-	-	-	-	3,539	(3,539)
	<u>156,558</u>	<u>-</u>	<u>-</u>	<u>156,558</u>	<u>-</u>	<u>156,558</u>
	<u>231,558</u>	<u>-</u>	<u>-</u>	<u>231,558</u>	<u>24,943</u>	<u>206,615</u>
Totals	<u>\$13,906,998</u>	<u>\$-</u>	<u>\$-</u>	<u>\$13,906,998</u>	<u>\$13,356,141</u>	<u>\$ 550,857</u>

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

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash	\$ -	\$ -	\$ 32,052	\$ 32,052
Investments	-	-	688,206	688,206
Accounts receivable	7,088	-	-	7,088
Due from other funds	229,659	347,475	-	577,134
Total assets	<u>\$ 236,747</u>	<u>\$ 347,475</u>	<u>\$ 720,258</u>	<u>\$ 1,304,480</u>
LIABILITIES				
Accounts Payable	\$ 26,758	\$ -	\$ -	\$ 26,758
Due to other funds	-	4,536	1,153	5,689
Total liabilities	<u>26,758</u>	<u>4,536</u>	<u>1,153</u>	<u>32,447</u>
FUND EQUITY				
Fund balance				
Reserved for endowments	-	-	-	-
Designated for subsequent years' expenditures	209,989	347,475	719,105	1,276,569
Undesignated	-	(4,536)	-	(4,536)
Total fund equity	<u>209,989</u>	<u>342,939</u>	<u>719,105</u>	<u>1,272,033</u>
Total liabilities and fund equity	<u>\$ 236,747</u>	<u>\$ 347,475</u>	<u>\$ 720,258</u>	<u>\$ 1,304,480</u>

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

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES	\$ 22,286	\$ -	\$ 32,017	\$ 54,303
EXPENDITURES	<u>247,436</u>	<u>3,272</u>	<u>25,197</u>	<u>275,905</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(225,150)	(3,272)	6,820	(221,602)
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	-	-	-
Transfer of trust principal	-	-	(699,958)	(699,958)
Operating transfers in	50,210	-	9	50,219
Operating transfers (out)	(13,500)	-	(500)	(14,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>36,710</u>	<u>-</u>	<u>(700,449)</u>	<u>(663,739)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(188,440)	(3,272)	(693,629)	(885,341)
FUND BALANCE, JULY 1	<u>398,429</u>	<u>346,211</u>	<u>1,412,734</u>	<u>2,157,374</u>
FUND BALANCE, JUNE 30	<u>\$ 209,989</u>	<u>\$ 342,939</u>	<u>\$ 719,105</u>	<u>\$ 1,272,033</u>

See accompanying independent auditors' report and notes to financial statements

Special Revenue Funds Description

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

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	Revaluation	Total
ASSETS						
Accounts receivable	\$ -	\$ 7,088	\$ -	\$ -	\$ -	\$ 7,088
Due from other funds	13,729	113,078	10,394	1,455	91,003	229,659
Total assets	<u>13,729</u>	<u>\$ 120,166</u>	<u>\$ 10,394</u>	<u>\$ 1,455</u>	<u>\$ 91,003</u>	<u>\$ 236,747</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 5,139	\$ 40	\$ 21,579	\$ 26,758
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>5,139</u>	<u>40</u>	<u>21,579</u>	<u>26,758</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	13,729	120,166	5,255	1,415	69,424	209,989
Undesignated	-	-	-	-	-	-
Total fund equity	<u>13,729</u>	<u>120,166</u>	<u>5,255</u>	<u>1,415</u>	<u>69,424</u>	<u>209,989</u>
Total liabilities and fund equity	<u>\$ 13,729</u>	<u>\$ 120,166</u>	<u>\$ 10,394</u>	<u>\$ 1,455</u>	<u>\$ 91,003</u>	<u>\$ 236,747</u>

SCHEDULE E

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Conservation	Piers, Rivers & Harbors	Landfill Closing	350th Anniversary	Revaluation	Total
REVENUES						
	\$ -	\$ 21,189	\$ -	\$ 1,097	\$ -	\$ 22,286
EXPENDITURES						
	-	59,660	5,139	1,505	181,132	247,436
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(38,471)	(5,139)	(408)	(181,132)	(225,150)
OTHER FINANCING SOURCES (USES)						
Operating Transfers in	-	50,210	-	-	-	50,210
Operating Transfers (out)	-	(13,500)	-	-	-	(13,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	36,710	-	-	-	36,710
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(1,761)	(5,139)	(408)	(181,132)	(188,440)
FUND BALANCE, JULY 1	13,729	121,927	10,394	1,823	250,556	398,429
FUND BALANCE, JUNE 30	\$ 13,729	\$ 120,166	\$ 5,255	\$ 1,415	\$ 69,424	\$ 209,989

Capital Project Funds

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

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2009

	General Capital Projects	30 North Street	Port Village Fire Station	Town Office	Cape Pier Building Renovations	Total
ASSETS						
Due from other funds	\$ 339,766	\$ 1,232	\$ 4,255	\$ 2,222	\$ -	\$ 347,475
Total assets	<u>\$ 339,766</u>	<u>\$ 1,232</u>	<u>\$ 4,255</u>	<u>\$ 2,222</u>	<u>\$ -</u>	<u>\$ 347,475</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	4,536	4,536
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,536</u>	<u>4,536</u>
FUND EQUITY						
Fund balance:						
Designated for subsequent years' expenditures	339,766	1,232	4,255	2,222	-	347,475
Undesignated	-	-	-	-	(4,536)	(4,536)
Total fund equity	<u>339,766</u>	<u>1,232</u>	<u>4,255</u>	<u>2,222</u>	<u>(4,536)</u>	<u>342,939</u>
Total liabilities and fund equity	<u>\$ 339,766</u>	<u>\$ 1,232</u>	<u>\$ 4,255</u>	<u>\$ 2,222</u>	<u>\$ -</u>	<u>\$ 347,475</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE G

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Capital Projects	30 North Street	Port Village Fire Station	Town Office	Cape Pier Building Renovations	Total
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	2,907	-	-	365	-	3,272
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,907)	-	-	(365)	-	(3,272)
OTHER FINANCING SOURCES (USES)						
Proceeds from debt	-	-	-	-	-	-
Operating Transfers in	-	-	-	-	-	-
Operating Transfers (out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,907)	-	-	(365)	-	(3,272)
FUND BALANCE, JULY 1	342,673	1,232	4,255	2,587	(4,536)	346,211
FUND BALANCE, JUNE 30	\$ 339,766	\$ 1,232	\$ 4,255	\$ 2,222	\$ (4,536)	\$ 342,939

See accompanying independent auditors' report and notes to financial statements

Permanent Funds

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

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SEET - NONMAJOR PERMANENT FUNDS

JUNE 30, 2009

	Kittredge Family Fire Equip. Fund	Clifford D. Seavey Fund	Macomber Trust	Total
ASSETS				
Cash	\$ 14,323	\$ -	\$ 17,729	\$ 32,052
Investments	688,206	-	-	688,206
Due from other funds	-	-	-	-
Total assets	<u>\$ 702,529</u>	<u>\$ -</u>	<u>\$ 17,729</u>	<u>\$ 720,258</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 1,153	\$ 1,153
Accounts Payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>1,153</u>	<u>1,153</u>
FUND EQUITY				
Fund balance				
Designated for subsequent years' expenditures	702,529	-	16,576	719,105
Undesignated	-	-	-	-
Total fund equity	<u>702,529</u>	<u>-</u>	<u>16,576</u>	<u>719,105</u>
Total liabilities and fund equity	<u>\$ 702,529</u>	<u>\$ -</u>	<u>\$ 17,729</u>	<u>\$ 720,258</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR
PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Kittredge Family Fire Equip. Fund	Clifford D. Seavey Fund	Macomber Trust	Total
REVENUES				
Investment income	\$ 18,770	\$ 12,779	\$ 468	\$ 32,017
Total revenues	<u>18,770</u>	<u>12,779</u>	<u>468</u>	<u>32,017</u>
EXPENDITURES				
Scholarships	-	-	-	-
Other	24,547	-	650	25,197
Total expenditures	<u>24,547</u>	<u>-</u>	<u>650</u>	<u>25,197</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,777)	12,779	(182)	6,820
OTHER FINANCING SOURCES (USES)				
Transfer trust to external entity	-	(699,958)	-	(699,958)
Operating transfers in	-	9	-	9
Operating transfers (out)	-	-	(500)	(500)
Total other financing sources (uses)	<u>-</u>	<u>(699,949)</u>	<u>(500)</u>	<u>(700,449)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,777)	(687,170)	(682)	(693,629)
FUND BALANCE, JULY 1	708,306	687,170	17,258	1,412,734
FUND BALANCE, JUNE 30	<u>\$ 702,529</u>	<u>\$ -</u>	<u>\$ 16,576</u>	<u>\$ 719,105</u>

Nonmajor Enterprise Funds

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

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

TOWN OF KENNEBUNKPORT, MAINE

COMBINING BALANCE SHEET – NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2009

	<u>Cape Porpoise Pier</u>	<u>Dock Square Parking Lot</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 100	\$ 300	\$ 400
Accounts receivable	33,205	-	33,205
Inventory	7,865	-	7,865
Due from other funds	-	95,367	95,367
Total current assets	<u>41,170</u>	<u>95,667</u>	<u>136,837</u>
Noncurrent assets			
Land and buildings	1,373,834	142,497	1,516,331
Vehicles and equipment	103,375	12,160	115,535
Infrastructure	2,428	-	2,428
Total capital assets	<u>1,479,637</u>	<u>154,657</u>	<u>1,634,294</u>
Less: accumulated depreciation	<u>(431,469)</u>	<u>(37,469)</u>	<u>(468,938)</u>
Net capital assets	<u>1,048,168</u>	<u>117,188</u>	<u>1,165,356</u>
 Total assets	 <u>\$ 1,089,338</u>	 <u>\$ 212,855</u>	 <u>\$ 1,302,193</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 4,750	\$ 127	\$ 4,877
Wages payable	2,015	2,410	4,425
Other liability	2,500	-	2,500
Due to other funds	14,897	-	14,897
Total liabilities	<u>24,162</u>	<u>2,537</u>	<u>26,699</u>
NET ASSETS			
Net Assets			
Investment in capital assets, net of related debt	1,048,168	117,188	1,165,356
Restricted	-	-	-
Unrestricted	17,008	93,130	110,138
Total net assets	<u>1,065,176</u>	<u>210,318</u>	<u>1,275,494</u>
 Total liabilities and net assets	 <u>\$ 1,089,338</u>	 <u>\$ 212,855</u>	 <u>\$ 1,302,193</u>

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET
ASSETS
- NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Cape Porpoise Pier</u>	<u>Dock Square Parking Lot</u>	<u>Total</u>
OPERATING REVENUES			
Lease income	\$ 40,000	\$ -	\$ 40,000
Fuel sales	221,419	-	221,419
Fees	39,855	302,620	342,475
Other revenue	8	-	8
Total operating revenues	<u>301,282</u>	<u>302,620</u>	<u>603,902</u>
OPERATING EXPENSES			
Salaries / wages	47,292	37,825	85,117
Payroll taxes / benefits	14,043	2,894	16,937
Depreciation / amortization	29,500	5,437	34,937
Cost of fuel	119,620	-	119,620
Supplies	467	1,546	2,013
Maintenance	4,196	-	4,196
Diesel Tax	7,809	-	7,809
Telephone / utilities	8,317	2,065	10,382
Other operating expenses	9,159	-	9,159
Total operating expenses	<u>240,403</u>	<u>49,767</u>	<u>290,170</u>
Operating income (loss)	60,879	252,853	313,732
NON-OPERATING REVENUE			
Interest income	-	-	-
Interest expense	-	-	-
Total non-operating revenue	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	60,879	252,853	313,732
OTHER FINANCING SOURCES (USES)			
Operating transfer in	13,500	-	13,500
Operating transfer (out)	<u>(50,210)</u>	<u>(228,000)</u>	<u>(278,210)</u>
Total other financing sources (uses)	<u>(36,710)</u>	<u>(228,000)</u>	<u>(264,710)</u>
Excess of revenues over (under) other financing sources (uses)	24,169	24,853	49,022
NET ASSETS - JULY 1	<u>1,041,007</u>	<u>185,465</u>	<u>1,226,472</u>
NET ASSETS - JUNE 30	<u>\$ 1,065,176</u>	<u>\$ 210,318</u>	<u>\$ 1,275,494</u>

See accompanying independent auditors' report and notes to financial statements

SCHEDULE L

TOWN OF KENNEBUNKPORT, MAINE

COMBINING SCHEDULE OF CASH FLOW – NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Cape Porpoise	Dock Square Parking Lot	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 289,707	\$ 272,194	\$ 561,901
Internal activity - receipts (payments) from/to other funds	-	-	-
Other receipts	39,863	-	39,863
Payments to suppliers and employees	(229,354)	(44,094)	(273,448)
Net cash provide by operating activities	<u>100,216</u>	<u>228,100</u>	<u>328,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital assets	(63,506)	-	(63,506)
Investment income	-	-	-
Net cash used by investing activities	<u>(63,506)</u>	<u>-</u>	<u>(63,506)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Other internal due to / from activity	-	-	-
Operating transfers	(36,710)	(228,000)	(264,710)
Net cash used by investing activities	<u>(36,710)</u>	<u>(228,000)</u>	<u>(264,710)</u>
NET INCREASE (DECREASE) IN CASH	<u>-</u>	<u>100</u>	<u>100</u>
CASH - JULY 1	<u>100</u>	<u>200</u>	<u>300</u>
CASH - JUNE 30	<u><u>\$ 100</u></u>	<u><u>\$ 300</u></u>	<u><u>\$ 400</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACT			
Operating income (loss)	\$ 60,879	\$ 252,853	\$ 313,732
Adjustmets to reconcile operating income to net cash provided (used) by operating activities:			-
Depreciation & amortization expense	29,500	5,437	34,937
Changes in operating assets and liabilities:			-
(Increase) decrease in accounts receivable	(31,328)	-	(31,328)
(Increase) decrease in due from other funds	53,246	(30,426)	22,820
(Increase) decrease in inventory	6,370	-	6,370
(Decrease) increase in accounts payable	(19,080)	35	(19,045)
(Decrease) increase in accrued expenses	629	201	830
(Decrease) increase in other liabilities	-	-	-
Net cash provided (used) by operating activities	<u><u>\$ 100,216</u></u>	<u><u>\$ 228,100</u></u>	<u><u>\$ 328,316</u></u>

See accompanying independent auditors' report and notes to financial statements

General Capital Assets

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

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF CAPITAL ASSETS BY FUNCTION
JUNE 30, 2009

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
Administration	\$ 120,300	\$ 347,326	\$ 143,596	\$ -	\$ 611,222
Police	49,100	430,661	602,387	-	1,082,148
Fire	239,900	865,783	2,455,039	-	3,560,722
Highway	155,600	700,012	1,115,581	4,034,726	6,005,919
Public health	-	-	15,340	-	15,340
Parks & recreation	176,500	178,903	88,356	-	443,759
Pier	522,300	851,534	103,375	2,428	1,479,637
Sewer	420,000	5,847,793	2,570,125	7,703,811	16,541,729
Dock Square parking lot	-	142,497	12,160	-	154,657
Town-wide	1,754,350	80,799	55,137	764,100	2,654,386
Total General Capital Assets	3,438,050	9,445,308	7,161,096	12,505,065	32,549,519
Less: Accumulated Depreciation	-	(3,640,774)	(4,310,220)	(5,909,176)	(13,860,170)
Net General Capital Assets	\$ 3,438,050	\$ 5,804,534	\$ 2,850,876	\$ 6,595,889	\$ 18,689,349

See accompanying independent auditors' report and notes to financial statements

TOWN OF KENNEBUNKPORT, MAINE

SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2009

	Capital Assets 7/1/08	Additions	Deletions	Capital Assets 6/30/09
Administration	\$ 519,612	\$ 91,610	\$ -	\$ 611,222
Police	1,034,152	89,282	(41,286)	1,082,148
Fire	3,510,693	55,029	(5,000)	3,560,722
Highway	4,739,325	1,356,594	(90,000)	6,005,919
Public health	15,340	-	-	15,340
Parks & recreation	421,398	22,361	-	443,759
Pier	1,416,139	63,498	-	1,479,637
Sewer	16,364,128	177,601	-	16,541,729
Dock Square parking lot	154,657	-	-	154,657
Town-wide	2,642,315	13,271	(1,200)	2,654,386
Total General Capital Assets	30,817,759	1,869,246	(137,486)	32,549,519
Less: Accumulated Depreciation	(13,154,949)	(801,587)	96,366	(13,860,170)
Net General Capital Assets	\$ 17,677,205	\$ 1,067,659	\$ (41,120)	\$ 18,689,349

See accompanying independent auditors' report and notes to financial statements